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25 July 2017

Mr John Pierce
Chair
Australian Energy Market Commission

By Electronic Submission

Dear Mr Pierce

Requests for Rules – Market Suspension

AEMO submits the two attached proposals requesting the Australian Energy Market Commission (AEMC) to make Rules under section 91 of the National Electricity Law (NEL), relating to market pricing when the spot market is suspended:

- The first proposal is a request for an **urgent Rule** under section 96 of the NEL. It is intended to simplify the pricing regimes for market suspension, remove barriers to the automation of suspension pricing, and allow for a return to dispatch pricing where possible in an extended suspension period. This is expected to mitigate the undesirable pricing outcomes and uncertainty seen during the market suspension in South Australia between 28 September and 11 October 2016. AEMO considers the possibility of market suspension to be highest in the coming 2017/18 summer, and is working to automate suspension processes by December 2017.
- The second proposal addresses the aspect of compensation for the application of scheduled pricing during a market suspension. AEMO expects that this would reduce the need for operational intervention to maintain a secure and reliable power system while the spot market remains suspended. While AEMO appreciates the AEMC's early consideration of this proposal, it is not critical for a determination to be made by December 2017. Accordingly AEMO is not submitting this as an urgent Rule request.

AEMO requests the AEMC give consideration to making these Rules as proposed.

Any queries concerning this rule change proposal should be directed to Ruth Guest on 02 9239 9179 or ruth.guest@aemo.com.au.

Yours sincerely

Peter Geers
Executive General Manager Markets

Attachments: Market Suspension Rule Changes – Proposal for Urgent Rule
Market Suspension Rule Changes – Participant Compensation
Minutes of Market Suspension Working Group

MARKET SUSPENSION RULE CHANGES – PARTICIPANT COMPENSATION

PROPOSAL FOR RULE

25 July 2017

AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

CONTENTS

1. SUMMARY

The Australian Energy Market Operator (AEMO) requests the Australian Energy Market Commission to make a rule to amend provisions of the National Electricity Rules (NER) relating to participant compensation during market suspension. AEMO considers these amendments are required as part of a program of changes required to ensure efficient management of the NEM during a market suspension.

AEMO has proposed a set of urgent rule changes relating to market suspension in order to facilitate system implementation before summer 2017/18 (the Urgent Rule Proposal). These changes are intended to:

- Reduce the number of suspension pricing regimes available and simplify the decision making process for applying them.
- Provide for suspension pricing to be determined on a dispatch interval basis to enable automation.
- Harmonise price scaling during market suspension with other instances of price scaling under the NER.
- Allow AEMO to revert to dispatch pricing during a suspension if system conditions allow.

This proposal addresses the need to implement a participant compensation framework relating to the application of the market suspension pricing schedule. The framework would align with the current administered pricing compensation framework.

The change proposed will reduce the need for (and cost of) operational intervention to keep the power system secure during a suspension. It will ensure that participants with higher short run marginal costs are not exposed to higher risks of financial loss whilst working with AEMO to restore the power system to a stable condition during a market suspension. The overall result of this proposal will be to allow for optimal operational outcomes during periods of market suspension.

2. RELEVANT BACKGROUND

The National Electricity Market has been suspended twice since commencing in December 1998:

- Market systems failure - market suspension in all regions from trading interval ending 23:30 on 8 April 2001 to trading interval ending 01:30 on 9 April 2001.
- South Australia black system and subsequent Ministerial direction - market suspension in South Australia from trading interval ending 16:30 on 28 September 2016 to trading interval ending 22:30 on 11 October 2016.

During the September 2016 event, AEMO identified a number of issues with the current NER market suspension framework. This proposed rule, together with the Urgent Rule Proposal, seeks to implement a number of recommendations in AEMO's final report on the black system in South Australia on 28 September 2016 (Final Report)[1] and reflects subsequent stakeholder engagement on detailed rule changes. The relevant recommendations in the Final Report are:

> Recommendation 15: AEMO to develop detailed procedures on the differences required in power system operations during periods of market suspension and identify if any NER changes are required to improve the process.
>
> Recommendation 16: AEMO to investigate the possibility of implementing a better approach for ensuring the minimum stable load of generating units is taken into account in the dispatch process.
>
> Recommendation 17: AEMO to review market processes and systems, in collaboration with Registered Participants, to identify improvements and any associated NER or procedure changes necessary to implement those improvements.

AEMO established a stakeholder engagement process to inform the development of this rule change proposal. A participant working group met on four occasions between April and June 2017.

AEMO is proposing rule changes in relation to recommendation 17. AEMO has, through discussions with Registered Participants, determined that existing processes are sufficient to address recommendation 16.

This rule change proposal should be read in conjunction with the Urgent Rule Proposal. It assumes that the key provisions of that proposal are adopted, and in particular that only two market suspension pricing regimes are available, normal dispatch pricing and the market suspension price schedule.

2.1 Current framework

Participant compensation

The current framework does not provide for participant compensation due to pricing during market suspension. The directions framework is available for compensating market participants if AEMO needs to issue directions to operate scheduled plant during this time.

In 2016 the AEMC determined the compensation arrangements following application of an administered price cap and administered floor price[2] Rule. In the determination any reference to market suspension was removed. The following rationale is taken from the Final Determination:

> *References to market suspension should be removed from clause 3.14.6. At times of market suspension the NER already provide in clause 3.14.5 for a mechanism for prices to be set in a certain way. The administered price cap does not apply during periods of market suspension. On this basis, references to*

[1] AEMO. *Black System in South Australia – Final Integrated Report.* Published 28 March 2017. http://aemo.com.au/-/media/Files/Electricity/NEM/Market_Notices_and_Events/Power_System_Incident_Reports/2017/Integrated-Final-Report-SA-Black-System-28-September-2016.pdf

[2] http://www.aemc.gov.au/Rule-Changes/Compensation-arrangements-following-application-of

compensation as a result of the application of the administered price cap during a period of market suspension in clause 3.14.6 are redundant and should be removed.

AEMO believes that the administered price cap does apply during a market suspension. Under any of the current four market suspension price regimes (dispatch, neighbouring region, pre-dispatch, market suspension pricing schedule) the pricing subsequent to and immediately following a market suspension declaration could conceivably reach the cumulative price threshold. Removal of the specific reference to the market suspension does not prohibit compensation in relation to an administered price period during this time.

2.2 Issue and proposed changes

The current NER were developed without the knowledge of how an extended market suspension might unfold. The assumptions made in developing these rules did not explicitly consider the possible implications of an extended period of market suspension. In South Australia in 2016 the market suspension lasted for nearly two weeks.

The application of the current framework created operational and financial risks by:

- Incentivising participants to minimise financial loss for non-commercial decisions that are not eligible for compensation.
- Relying on participant goodwill, potentially at the expense of commercial decision making, to manage system security and operation during the market suspension.
- Depending on a directions process which requires further AEMO intervention, and is a costly and inefficient means for participants to recover compensation during a market suspension.

The proposed changes would introduce a suspended-market participant compensation framework that encourages participants to work collaboratively with AEMO without competing with commercial considerations which would lead them to require formal direction to make their generation available during a suspension. It would ensure that for the period of the market suspension participants with a net financial loss as a result of following AEMO's dispatch instructions would be eligible for compensation.

AEMO considers that the proposed changes creates a compensation framework which aligns with the market design principles in the NER, specifically with clause 3.1.4(a)(1) - minimisation of AEMO decision-making to allow Market Participants the greatest amount of commercial freedom to decide how they will operate in the market.

3. STATEMENT OF ISSUE

3.1 Current Rules

There is no provision to compensate market participants for net losses as a result of the application of market suspension schedule prices. If AEMO requires particular scheduled plant to operate for power system security or reliability reasons, but the plant is uneconomic to run at the scheduled prices, the operator may decide to withdraw or reduce its availability. AEMO will then need to direct the plant to run as required. The process of issuing directions triggers a compensation mechanism, and also requires AEMO to perform analysis and take other steps aimed at minimising the cost of this intervention.

Clauses 4.8.9, 3.8.1(b)(11), 3.9.3, 3.15.7, 3.15.7A, 3.15.7B, 3.15.8 and rule 3.12 of the NER detail the process for issuing directions and the determination of compensation. In summary these provisions:

- Require AEMO to take steps (referred to as 'counteraction') to minimise the likely cost of, and compensation flowing from, a direction, as well as the number of affected participants and effects on interconnector flows (clauses 4.8.9(b)(1) and 3.8.1(b)(11)).
- Apply a what-if scenario to determine the price had a direction not occurred (not applicable for prices in the suspended region where the market suspension price schedule applies and not practical when dispatch is not reflective of normal market conditions).
- Establish a timetable and process for determining settlement and claims by other participants affected by the direction, who may be eligible for compensation under rule 3.12.
- Compensate directed participants for energy or ancillary services provided under direction at the 90th percentile of spot prices in the previous 12 months.
- Compensate directed participants for services other than energy or ancillary services based on a fair price to be determined by an independent expert.
- Allow a directed participant to claim additional compensation that covers loss of revenue and net direct costs that have not otherwise been compensated. Except where claims are minimal, they are required to be determined by an independent expert.
- Recover any net compensation amounts relating to the direction of energy or ancillary services from Market Customers in the region(s) for whose benefit the direction was issued.

This directions process is the only avenue for participant compensation in respect to application of the market suspension pricing schedule.

During application of the market suspension pricing schedule, prices in other regions can be impacted by the process of scaling. There is no mechanism in the NER for a claim of compensation should this occur.

Clause 3.14.6 of the NER details the process participants and the AEMC follow in the determination of compensation due to the application of an administered price. In summary this compensation framework:

- Allows a market participant to claim compensation if it incurs a net loss over the period of the administered price cap. This is based on whether total costs (direct and opportunity) exceed the total revenue.
- Allows market generators to claim compensation if they are exporting into a region that is the subject of an administered price cap and incur a loss due to the effect of price scaling.
- Allows market customers to claim compensation if they are importing into a region that is the subject of an administered price cap and incur a loss due to the effect of price scaling.
- Allows market network service providers to claim compensation if they are transferring power into a region that is the subject of an administered price cap and incur a loss.

- Allows ancillary service providers to claim compensation for a loss due to application of an administered price cap.
- Recovers any compensation amounts from Market Customers in the relevant region.
- References the AEMC's compensation guidelines[3] which are used to inform participants of the process and assessment criteria for compensation.

As noted, this process is not available for the application of the market suspension price schedule.

3.2 Issues with the current Rule

The NER have compensation provisions for participants who operate at a loss during an administered pricing period (APP).[4] However, there are no analogous provisions for market suspension, despite the fact that the market suspension pricing schedule can, like APP, reflect prices which provide some generators little or no incentive to offer to supply power voluntarily.

Because the prices in the market suspension pricing schedule are known in advance, generators who are not willing to supply at those prices may elect to withdraw or reduce their availability for dispatch, allowing them to seek compensation if they are directed. AEMO regards the use of directions as a last resort, which should not be incentivised by the market rules. Indeed, a number of provisions in the NER reflect that one of the intended objectives of the market is to reduce the need for intervention by AEMO (see clause 3.1.4(a)(1)), and minimise the cost of intervention if it does occur (see for example clauses 4.8.9 and 3.8.1(b)(11)). The administration of directions both operationally and in terms of compensation is complex and resource-intensive, and often has undesirable market cost outcomes, notwithstanding AEMO's attempts to minimise costs.

AEMO considers that there are significant parallels between the application of the administered price cap and the application of the market suspension price schedule, indicating that the same form of compensation would be appropriate for the same category of participants:

- In each case the price is known into the near future and is potentially below that which participants would choose to operate given the potential for better prices later.
- In each case the price is fixed at a time when supply is needed. In the case of an APP this is most likely due to a tight supply-demand period, in market suspension it is most likely due to the need for generation with geographical or technical characteristics that can best assist restoration of supply and support system security issues.
- Compensation would ensure that participants are not disadvantaged by continuing to participate in the market during high stress periods.

Additionally, the directions process includes a what-if scenario run which identifies affected parties, both winners and losers, in one or more regions. This process is not applicable during the application of the market suspension price schedule and much of the direction compensation process therefore loses relevance during this time.

It is critical during a market suspension that AEMO should not have to spend time considering who is making themselves unavailable and the commercial impact of directions to the market. Instead all AEMO's operational focus will, and should, be on restoring the market to a safe and stable operating condition. In September 2016 all participants worked with AEMO to bring the network to a stable operating condition as soon as practically possible.

If participants make their plant unavailable for economic reasons during a market suspension then this could result in multiple directions being issued. Each interval in a direction is assessed individually with no netting of the financial outcomes between intervals. This is contrary to the proposal which compensates for a net loss over the duration of time that the market suspension pricing schedule is applied. The directions outcome would be inefficient both from a cost perspective but also from a process management perspective.

[3] http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-the-Compensation-Guidelines

[4] See clause 3.14.6 of the Rules.

It is not possible to create a formula for compensation during the application of the market suspension price schedule that can be included in the rules, and maintain the efficiency of a process which restricts compensation to the actual financial loss incurred. As is the case during administered pricing periods, the financial impacts are participant, event and timing dependent.

Through the process of price scaling, participants in regions other than the suspended region can be inadvertently impacted. There is no process for participant compensation if this should occur. This could create incentives for participants in other regions to withdraw their supply during application of the market suspension pricing schedule. This is a particular risk if the suspended region is exporting as a result of significant amounts of low run marginal cost generation being available with disorderly bidding due to the fixed suspension prices.

4. HOW THE PROPOSAL WILL ADDRESS THE ISSUES

4.1 How the proposal will address the issues

The proposed rule will address the issues identified in section 3 by:

- Introducing a participant compensation mechanism for market suspension pricing, using the administered pricing compensation rules as a guide.

4.2 Stakeholder engagement

AEMO has engaged with stakeholders on the proposed rule changes as follows:

- Publication of the Final Report in March 2017, including findings and recommendations for potential changes to the market suspension rules and procedures.
- AEMO's NEM Wholesale Consultative Forum (NEMWCF) received a presentation on AEMO's recommendations in March 2017 and an update in May 2017.
- The NEMWCF in March was invited to nominate representatives to participate in a technical working group to assist AEMO in the detailed implementation of the recommendations from the black system, including the broad policy and detailed drafting of the rule changes.

The Market Suspension Working Group has met on four occasions in April, May and June 2017. The working group endorsed AEMO's proposal to include a compensation mechanism during market suspension.

Minutes of the working group meetings are provided with this proposal.

5. DESCRIPTION OF THE PROPOSED RULE

AEMO proposes the following amendments:

- NER clause 3.14.6, compensation due to the application of an administered price cap or administered floor price, has been amended to include compensation due to the application of the market suspension pricing schedule or scaling in another region as a result of the application of the market suspension pricing schedule.
- NER clause 3.15.10, administered price cap or administered floor price compensation payments, has been amended to include the application of the market suspension pricing schedule or scaling in another region as a result of the application of the market suspension pricing schedule.
- 3.15.10A, goods and services tax, has been amended to include reference to market suspension price compensation payments.

Note: The proposed drafting provided in section 8 assumes adoption of the draft rule included in the Urgent Rule Proposal.

6. HOW THE PROPOSED RULE CONTRIBUTES TO THE NATIONAL ELECTRICITY OBJECTIVE

The proposed rule would address the following issues that occur during application of the market suspension pricing schedule:

- Incentives on participants to minimise financial loss for non-commercial decisions that are not eligible for compensation.
- Dependence on participant goodwill, potentially at the expense of commercial decision making, to manage system security and operation during the market suspension.
- Potential for a cascade effect into other regions if significant exports lead to price scaling.

The analysis of compensation will be significantly more efficient both in process and cost if a participant claims compensation against any net financial loss over the period of the market suspension. At times where the market suspension price schedule price provides a net profit this can offset any time where the schedule causes a loss.

A participant compensation framework will ensure that participants work with AEMO to bring the system back to a safe and stable condition as soon as possible without concern of financial loss.

These outcomes directly promote the National Electricity Objective by maintaining efficient operation of the electricity services for the long-term interests of consumers with respect to price and security of supply.

7. EXPECTED BENEFITS AND COSTS OF THE PROPOSED RULE

This rule change would deliver the following benefits:

- A clear, transparent and familiar process for participants to claim compensation as the result of a financial loss during a market suspension following the application of the market suspension price schedule.
- Removal of any incentive to make decisions to minimise financial loss at the expense of supporting restoration of supply and system security and operation during market suspension.
- A more cost and process efficient process than the current directions process envisaged as the framework available for participant compensation during a market suspension

There are no costs to AEMO or market participants if this rule change is adopted. There are set up costs for the AEMC which are expected to be low as the rule requires the adoption of the established participant compensation framework for administered pricing periods.

If a compensation claim is made the AEMC would incur the costs of assessing and determining the claim. This is likely to be less than the cost of assessing multiple claims for direction during a suspension.

If the proposal in AEMO's Market Suspension Rule Changes (July 2017) to revert to normal dispatch pricing when conditions allow, is adopted, the period over which compensation can be claimed during a market suspension under this proposal will be minimised.

8. DRAFT RULE

This draft is based on version 93 of the National Electricity Rules.

3.14.6 Compensation due to the application of an administered price cap, ~~or~~ administered floor price or market suspension price

Eligibility for compensation

(a) For the purposes of this clause 3.14.6:

compensation guidelines means the guidelines made by the *AEMC* under paragraph (e).

direct costs means the costs directly incurred by the claimant due to a price limit event

direct cost only claim means a claim made under paragraph (i) that does not include a claim for opportunity costs.

eligibility period means the period starting at the beginning of the first *trading interval* in which the price limit event occurs in a *trading day* and ending at the end of the final *dispatch interval* of the last *trading interval* of that *trading day*.

opportunity costs means the value of opportunities foregone by the claimant due to the price limit event as defined in the compensation guidelines.

price limit event means:

(1) for *Scheduled Generators* and *Non-Scheduled Generators*:

(i) the *dispatch price* for a *dispatch interval* is set by the *administered price cap* during an *administered price period*; or

(ii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.2(e)(2); or

(iii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.5(g) or 3.14.5(m);

(2) for *Market Participants* in respect of *scheduled load*:

(i) the *dispatch price* for a *dispatch interval* is set by the *administered floor price* during an *administered price period*; or

(ii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.2(e)(4); ~~and~~or

(iii) the *dispatch price* for a *dispatch interval* is set as a result of the application of clause 3.14.5(g) or 3.14.5(m);

(3) for *Scheduled Network Service Providers*:

(i) the *dispatch price* for a *dispatch interval* for a *region* towards which the *Scheduled Network Service Provider* is transporting power is set by the *administered price cap* during an *administered price period*; or

(ii) the *dispatch price* for a *dispatch interval* for a *region* towards which the *Scheduled Network Service Provider* is transporting power is set as a result of the application of clause 3.14.2(e)(2)~~.~~; or

(iii) the *dispatch price* for a *dispatch interval* at a *regional reference node* towards which the *Scheduled Network Service Provider* is transporting power is set as a result of the application of clause 3.14.5(g) or 3.14.5(m); and

(4) for *Ancillary Service Providers*, in respect of an *ancillary generating unit* or an *ancillary service load*:~~,~~

(i) the *ancillary service price* for a *dispatch interval* is set by the *administered price cap* during an *administered price period*; or

(ii) the *ancillary service price* for a *dispatch interval* is set as a result of the application of clause 3.14.5(g).

relevant region means a *region* in which the *dispatch price* or *ancillary service price* (as relevant) is set by the price limit event.

total costs means the direct costs and opportunity costs determined in accordance with the compensation guidelines provided that, in the case of a claimant that is a *Market Network Service Provider*, the total costs must be the costs incurred due to transporting power towards the relevant region and must not include costs incurred, or revenues earned, due to transporting power away from the relevant region.

(b) If a price limit event occurs then the following are eligible to claim *Registered Participants* compensation for the eligibility period:

(1) a *Scheduled Generator* or *Non-Scheduled Generator* in the relevant region;

(2) a *Market Participant* in respect of a *scheduled load* that has been *dispatched* in the relevant region in that eligibility period;

(3) a *Scheduled Network Service Provider* that transported power towards the relevant region; and

(4) an *Ancillary Service Provider* that provided *market ancillary services* in the relevant region in the eligibility period,

provided that the relevant claimant has incurred total costs during the eligibility period that exceed the total revenue it received from the *spot market* during that period.

Compensation - objective and basis

(c) The objective of the payment of compensation under this clause 3.14.6 is to maintain the incentive for:

(1) *Scheduled Generators*, *Non-Scheduled Generators* and *Scheduled Network Service Providers* to supply *energy*;

(2) *Ancillary Service Providers* to supply *ancillary services*; and

(3) *Market Participants* with *scheduled load* to consume *energy*~~.~~,

during price limit events.

(d) The amount of compensation payable in respect of a claim under this clause 3.14.6 must be based on direct costs and opportunity costs.

Compensation guidelines

(e) The *AEMC* must, in accordance with the *transmission consultation procedures*, develop and *publish* guidelines (**compensation guidelines**) that are consistent with paragraphs (c) and (d) and that:

(1) define the types of opportunity costs in relation to which a person can make a claim under this clause 3.14.6;

(2) outline the methodology to be used to calculate the amount of any compensation payable in respect of a claim under this clause, including the methodology for calculating direct costs and opportunity costs; and

(3) set out the information *AEMO* and a claimant must provide to enable the *AEMC* to make a determination as to compensation under this clause 3.14.6.

(f) The *AEMC* must ensure that there are compensation guidelines in place at all times.

Note:

The first compensation guidelines were made on 30 June 2009 and have been amended from time to time since that date. The current version of the compensation guidelines are available on the AEMC's website www.aemc.gov.au.

(g) The *AEMC* may from time to time, in accordance with the *transmission consultation procedures*, amend or replace the compensation guidelines.

Process for making a claim

(h) A person who is eligible under paragraph (b) may make a claim for compensation by providing the *AEMC* and *AEMO* with written notice of its claim in the form required by the compensation guidelines.

(i) A claim under paragraph (h) must be made within 5 *business days* of notification by *AEMO* that an *administered price period* has ended or the suspension of the *spot market* in one or more *regions* has ended (whichever is applicable).

Initial steps on receipt of claim

(j) Following its receipt of a notice under paragraph (h), the *AEMC* must promptly:

(1) publish a notice on its website stating that it has received a claim under paragraph (h). The notice must:

(i) provide information on the general nature of the claim;

(ii) state whether or not the claim is a direct cost only claim; and

(iii) state that the *AEMC* will publish a notice when it commences formal assessment of the claim; and

(2) seek such information from the claimant that the *AEMC* reasonably considers is required to enable assessment of the claim including, in the case of a claim other than a direct cost only claim, the methodology used by the claimant to determine its opportunity costs.

Formal commencement of claim

(k) As soon as practicable after the *AEMC* is reasonably satisfied that it has sufficient information from the claimant to assess its claim, the *AEMC* must publish a notice on its website that it has formally commenced its assessment of the claim specifying whether or not the claim is a direct cost only claim.

Determination of direct cost only claims

(l) Not later than 45 *business days* after publication of the notice under paragraph (k) in respect of a direct cost only claim, the *AEMC* must *publish* its final decision as to:

(1) whether compensation should be paid by *AEMO* in relation to the claim; and

(2) if so, the amount of compensation that should be paid.

(m) Before making its final decision under paragraph (l) the *AEMC* must consult with the claimant.

(n) In making its final decision under paragraph (l), the *AEMC* must apply the compensation guidelines unless it is satisfied that there are compelling reasons not to do so.

Determination of claims other than direct cost only claims

(o) In relation to a claim other than a direct cost only claim, the *AEMC* must, as soon as practicable but not later than 35 *business days* after publication of the notice under paragraph (k) *publish*:

(1) the claimant's proposed methodology for determining the claimant's opportunity costs;

(2) the methodology the *AEMC* proposes to use in determining the claimant's opportunity costs (**draft opportunity cost methodology**); and

(3) an invitation for written submissions to be made to the *AEMC* on the draft opportunity cost methodology by a date not less than 20 *business days* after the invitation is made (**submission closing date**).

(p) Any person may make a written submission to the *AEMC* on the draft opportunity cost methodology by the submission closing date.

(q) Not later than 35 *business days* after the submission closing date the *AEMC* must *publish* its final decision on:

(1) the methodology it will use in determining the claimant's opportunity costs; and

(2) whether compensation should be paid by *AEMO* in relation to the claim; and

(3) if so, the amount of compensation that should be paid.

(r) Before making its decision on the matters referred to in paragraph (q), the *AEMC* must consult with the claimant.

(s) In making its final decision as to the matters referred to in paragraph (q), the *AEMC* must:

(1) take into account the submissions made in response to the invitation to in subparagraph (o)(3); and

(2) apply the compensation guidelines unless it is satisfied that there are compelling reasons not to do so.

Extensions of time

(t) Despite anything to the contrary in this clause 3.14.6, the *AEMC* may extend a period of time specified in this clause if it considers the extension reasonably necessary to enable it to properly assess the claim because of the complexity or difficulty of assessing the claim or because of a material change in circumstances.

(u) The *AEMC* must publish any extension of time made under paragraph (t).

Costs of claim

(v) The *AEMC* may recover from a claimant for compensation under this clause any costs that are incurred by the *AEMC* in carrying out their functions under this clause in respect of that claim. For this purpose the *AEMC* may require the claimant to pay all or a proportion of those costs to the *AEMC* prior to the claim being considered or determined.

3.15 Settlements

3.15.10 Administered price cap, ~~or~~ administered floor price ~~compensation payments~~or market suspension price compensation payments

(a1) In this clause 3.15.10:

cost recovery region means the *region* in which:

(1) a ~~the~~ *dispatch price* was set during an *administered pricing period* by the *administered price cap* or *administered floor* price; or

(2) an ~~the~~ *ancillary service price* was set during an *administered pricing period* by the *administered price cap*; or

~~(~~3) a~~the~~ *dispatch price* or *ancillary service price* was set as a result of the application of clause 3.14.5(g) during suspension of the *spot market* in the *region*,~~.~~

in the eligibility period.

eligibility period has the same meaning as in clause 3.14.6(a).

(a) If the *AEMC* awards compensation to a *Scheduled Generator*, *Non-Scheduled Generator*, *Market Participant*, *Scheduled Network Service Provider* or *Ancillary Service Provider* under clause 3.14.6, then *AEMO* must determine an amount which shall be payable by each *Market Customer* who purchased electricity from the *spot market* in the cost recovery region.

(b) *AEMO* shall determine the amounts payable for each eligibility period by each of the *Market Customers* referred to in clause 3.15.10(a) as follows:

$$\frac{APC \times E_i}{\sum E_i}$$

where

APC is the total amount of any compensation payments awarded by the *AEMC* to *Scheduled Generators*, *Non-Scheduled Generators*, *Market Participants*, *Scheduled Network Service Providers* or *Ancillary Service Providers* in respect of that eligibility period in accordance with clause 3.14.6.

E_i is the sum of all of the *Market Customer's adjusted gross energy* amounts, determined in accordance with clauses 3.15.4 and 3.15.5, in respect of each *trading interval* in the eligibility period and each *connection point* for which the *Market Customer* is *financially responsible* in the cost recovery region i.

$\sum E_i$ is the sum of all amounts determined as "E_i" in accordance with this clause 3.15.10 for all *Market Customers* in the cost recovery region.

(c) Within 25 *business days* of being notified by the *AEMC* that compensation is to be paid to a *Scheduled Generator*, *Non-Scheduled Generator*, *Market Participant*, *Scheduled Network Service Providers* or *Ancillary Service Provider* in accordance with clause 3.14.6, *AEMO* shall include in statements provided under clauses 3.15.14 and 3.15.15 separate details of any amounts payable by or to *Market Participants* as determined in accordance with this clause 3.15.10.

3.15.10A Goods and services tax

(a) In this clause 3.15.10A:

"GST" has the meaning given in the GST Act; and

"GST Act" means the *A New Tax System (Goods and Services Tax) Act 1999* (C'th);

"supply" and **" taxable supply"** each have the meaning given in the GST Act, and the definition of "*supply*" in Chapter 10 does not apply.

(b) Despite anything else in the *Rules*, *Participant fees*, *spot prices*, adjustments for *directions*, *reserve settlements*, market suspension price compensation payments, *administered price cap* compensation payments, system security *direction settlements*, *re-allocation transactions*, compensation, interest, *settlements residues*, *ancillary services settlements*, *settlements residue* distributions (including *auction* proceeds), *auction expense fees* and other prices, fees, charges and amounts payable to or by *AEMO*, the *AER* or the *AEMC* in respect of supplies under the *Rules* exclude GST. Accordingly:

(1) where a *Registered Participant* makes a taxable supply to *AEMO*, the *AER* or the *AEMC* under or in connection with the *Rules* on or after 1 July 2000, *AEMO*, the *AER* or the *AEMC* (as applicable) must also pay the *Registered Participant* making the supply an additional amount equal to the consideration payable for the supply multiplied by the applicable GST rate;

(2) where *AEMO*, the *AER* or the *AEMC* makes a taxable supply to a *Registered Participant* under the *Rules* on or after 1 July 2000, the *Registered Participant* must also pay *AEMO*, the *AER* or the *AEMC* (as applicable) an additional amount equal to the consideration payable for the supply multiplied by the applicable GST rate; and

Note

This clause is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

(3) *AEMO* must include in *preliminary statements*, *final statements*, *routine revised statements*, *special revised statements*, statements and invoices issued under the *Rules* the additional amounts contemplated by clauses 3.15.10A(b)(1) and (2).

(c) However, if the additional amount paid or payable to a *Registered participant*, *AEMO*, the *AER* or the *AEMC* under clause 3.15.10A(b) in respect of a taxable supply differs from the actual amount of GST payable by or to the *Registered Participant*, *AEMO*, the *AER* or the *AEMC* (as applicable) under the GST Act in respect of the relevant supply, then adjustments must be made in accordance with clause 3.15.19 so as to ensure the additional amount paid under this clause in respect of the supply is equal to the actual amount of GST payable under the GST Act in respect of the supply.