



Australian Energy Market Commission

RULE DETERMINATION

INTERVENTION COMPENSATION AND SETTLEMENT PROCESSES

PROPONENT

Australian Energy Market Operator

30 MAY 2019

RULE

INQUIRIES

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ABOUT THE AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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SUMMARY

The Australian Energy Market Commission (AEMC or Commission) has made a rule that improves the administrative processes related to intervention compensation and settlement following market intervention.

The interventions framework in the National Electricity Rules (NER) provides the Australian Energy Market Operator (AEMO) with the tools to intervene in the market for reliability purposes (e.g. in the event of a breach of the reliability standard) or for power system security purposes (e.g. to maintain voltage). Interventions are typically used as a last resort and include, for example, directing a generator to maintain system strength or using emergency reserves. Following interventions, certain participants are entitled to compensation. The compensation framework makes sure that participants who have been directed by AEMO to provide services, or otherwise affected by an intervention, are not left out of pocket following an intervention. Once compensation amounts are determined, AEMO must settle these amounts, i.e. pay and recover the amounts accordingly.

The final rule streamlines the intervention compensation and settlement processes. The Commission considers that the final rule improves administrative processes, increases transparency, and provides consistency to intervention compensation and settlement processes, while supporting the efficient operation of the power system. Specifically, the final rule:

- alters the deadline for additional compensation claims by affected participants and market customers following a market intervention from the current seven business day deadline to 15 business days¹
- inserts a 15 business day limit for claims for additional compensation by directed participants²
- aligns the intervention compensation and settlement timetables by amending the intervention settlement time table to refer to 20 and 30 week settlement periods routine revised statements instead of 100, 150 and 200 business days
- removes the inconsistency between intervention compensation and settlement rules and extends intervention provisions to all AEMO intervention events.

This final rule has been made in response to two rule change requests submitted by AEMO on 17 December 2018, which were subsequently consolidated into one request. The Commission used the expedited process for this rule change as it considered it to be non-controversial. The substantive parts of the final rule commence on 30 May 2019. Schedule 2 of the final rule commences on 1 July 2021 and adds a minor terminology change in schedule 1 of the amending rule at the commencement of Schedule 6 of the *National Electricity Amendment (Five Minute Settlement) Rule 2017*.

1 Clause 3.12.2(f) of the NER.

2 Clause 3.15.7(a) of the NER.

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1 AEMO'S RULE CHANGE REQUEST

1.1 The rule change request

On 17 December 2018, the Australian Energy Market Operator (AEMO) submitted two related rule change requests to the Australian Energy Market Commission (AEMC or Commission) to amend the National Electricity Rules (NER) to better align the intervention compensation and settlement timetables and increase the deadlines for additional compensation claims following market intervention. The Commission decided to consolidate these requests at the commencement of the rule change process under the National Electricity Law (NEL).

The AEMC has assessed the consolidated rule change request under an expedited rule change process,³ on the basis that it is non-controversial.

1.2 Relevant background

The frequency of interventions has increased in the last two years, with direction events lasting on average three days and up to 22 consecutive days (for one direction event in April 2018).⁴ In the last two years, the number of directions has increased from less than ten in 2016, to 29 in 2017 and over 163 in 2018. AEMO engaged consultants (SW Advisory and Endgame Economics) to undertake a review of the intervention pricing and compensation process, as a result.

The resulting report outlined recommendations for improvements to the compensation process as well as alternative methodologies for improvements to the compensation process as well as alternative methodologies for intervention pricing. The final report of the AEMC's *Reliability Frameworks Review* highlighted the changing nature and frequency of interventions have led to anomalies and inefficiencies within the intervention pricing and compensation frameworks.⁵

AEMO sought stakeholder feedback on the issues raised by the aforementioned reviews through the establishment of its Intervention Pricing Working Group (IPWG). The IPWG met five times between November 2017 and May 2018 and considered that there may be benefit in making some changes to the intervention compensation framework and agreed that various rule changes should be proposed, including this consolidated rule change request.

1.3 Current arrangements

The interventions framework in the NER provides AEMO with the tools to intervene in the market for reliability purposes (e.g. in the event of a forecast breach of the reliability standard) or for power system security purposes (e.g. to return the power system to a secure state). Following a market intervention AEMO initially notifies an affected participant or market customer⁶ of the compensation that has been determined.

³ Section 93 of the NEL.

⁴ AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p. 2.

⁵ AEMC, Reliability Frameworks Review, Final Report, 26 July 2018.

⁶ Largely retailers

1.3.1 Interventions Framework

The interventions framework comprises the Reliability and Emergency Reserve Trader (RERT), "directions" and "instructions"⁷ under clause 4.8.9 of the NER (clause 4.8.9 instructions).

The RERT allows AEMO to contract for emergency reserves (generation or demand-side capacity that is not otherwise available to the market). AEMO can use these emergency reserves in the event that it determines that market participants are not meeting the reliability standard (i.e. the level of reliability that the market is expected to provide).

AEMO can issue directions (in respect of scheduled plant or a market generating unit) to maintain system security and a reliable operating state. For example, direct a generator to increase its output, cancel or shift an outage or not to go off-line, if this is possible and can be done safely.

Clause 4.8.9 instructions are another form of market intervention available to AEMO. These are typically used to instruct a transmission network service provider to shed load involuntarily as a last resort.

1.3.2 Compensation framework

The first two types of intervention tools (RERT and directions) are known as AEMO intervention events in the NER. When they occur, AEMO is required to pay compensation to a number of affected parties. The compensation framework under the NER makes sure that participants who have been directed by AEMO to provide services are not left "out of pocket" by an AEMO intervention event. The compensation framework seeks to keep affected participants in the position that they would have been in but for the direction or RERT activation – thereby minimising market distortions resulting from the intervention.

Where AEMO issues a direction, compensation is payable to both "directed participants" (those parties to whom the direction was issued) and "affected participants" (those parties who are affected by the direction – for example, a generator the output of which was constrained down to minimise flow on effects from the direction).

Where AEMO activates the RERT, compensation is only available to "affected participants" – reflecting that, in relation to the RERT, there are no "directed participants". Instead, the party providing services under the RERT is compensated pursuant to the relevant contractual arrangements. The NER currently permit a seven business day deadline for market participants to lodge a claim for additional compensation.⁸

The Commission recently introduced a new rule for participant compensation following market suspension. This new rule introduced an additional compensation framework that will apply if, during a future market suspension, prices are set in accordance with the market suspension pricing schedule rather than via the normal National Electricity Market (NEM)

⁷ An instruction differs from a direction in the types of market participants AEMO can require taking action, and the nature of the action taken. AEMO issues directions to generators to increase (or decrease) their output or a scheduled load to decrease (or increase) consumption. Instructions generally involve AEMO requiring a network service provider or a large energy user to shed load.

⁸ pursuant to clause 3.12.2(b), 3.12.2(i) and 3.15.7B(a4) of the NER.

dispatch engine process.⁹ AEMO's proposed drafting in its rule change request did not incorporate this new compensation framework, which was not yet in place at the time. This new compensation framework forms part of the broader intervention compensation framework.

The market suspension pricing schedule is a schedule of average prices, based on prices in the preceding four weeks, that is used to set prices during a market suspension when normal pricing processes are not operating. The market suspension pricing schedule compensation framework is designed to compensate participants whose costs are not recouped via the prices set out in the market suspension pricing schedule.

1.3.3 Settlement revisions timetable

Settlement revisions are required to occur approximately 20 weeks and 30 weeks after the relevant billing period. A billing period is a period of seven days commencing at the start of the trading interval ending 12:30 am Sunday and includes 336 half hour trading intervals. Following AEMO's final determination of intervention compensation (and within the intervention settlement time frames) the amounts payable or receivable are included in the first preliminary statement, as part of the settlements timetable, immediately following the determination.

1.3.4 Related Work

In light of the growing number of directions being issued by AEMO to maintain system strength the AEMC is undertaking an investigation into intervention mechanisms and system strength in the NEM. As part of this investigation the AEMC is considering the experience to date with the current interventions framework, including any underlying issues within the framework. It is considering whether any refinements are warranted to that framework to support the power system in the most efficient manner possible and minimise the need for AEMO interventions and its consequences (e.g. compensation and intervention pricing).

On 4 April 2019 the Commission published a consultation paper which actions the recommendations set out in the Commission's *Reliability Frameworks Review* final report. The AEMC also commenced consultation on two rule change requests submitted by AEMO which seek to amend the interventions framework and compensation framework in relation to:

- the threshold which limits the amount of compensation payable to directed and affected participants after an intervention¹⁰
- whether the 'regional reference node' test should apply to the RERT. This test is used by AEMO to determine when intervention pricing should apply¹¹

Draft determinations are due to be published by 5 September 2019.¹²

9 Participant compensation following market suspension Rule 2018

10 Threshold for participant compensation following market suspension (ERC0255)

11 Application of the regional reference node test to the reliability and emergency reserve trader (ERC0253).

12 Further information is available on the AEMC website: <https://www.aemc.gov.au/market-reviews-advice/investigation-intervention-mechanisms-and-system-strength-nem>.

1.4 Rationale for the consolidated rule change request

In its rule change request, AEMO stated that the frequency of interventions has increased over the last two years. As a result, it engaged a consultant to examine the impact of these interventions and formed a working group to work through the associated issues. The working group discussed a number of issues, including the inefficiencies created by the misalignment of intervention compensation and settlement processes.

The issues raised by AEMO primarily relate to changes to administrative aspects of the framework in relation to the deadlines for additional compensation claims following market intervention and the alignment of intervention compensation and settlement timetables as outlined below.

1.4.1 Deadline for additional compensation claims for relevant market participants

AEMO proposed to alter the deadline¹³ for additional compensation claims by affected participants and market customers following a market intervention. Following a market intervention AEMO initially notifies an affected participant or market customer¹⁴ of the compensation that has been determined.

The NER currently permits a seven business day deadline for market participants to lodge a claim for additional compensation.¹⁵ In its rule change request, AEMO states that, as directions have been more complex in the last two years, involving multiple, overlapping and extended interventions, this may be insufficient time for the participant to calculate the merits of claiming additional compensation.¹⁶

1.4.2 Directed participants' deadline for additional compensation claims

Directed participants are also permitted to make additional compensation claims following an intervention. However, while the NER specifies clear deadlines for additional compensation claims for affected participants, it does not set a deadline for additional compensation claims by directed participants.

This is an issue as AEMO must finalise all compensation and associated recovery calculations relating to a single intervention event or series of related events within the same overall time frame. As a result AEMO has, in practice, set a seven-day limit for directed participant claims for consistency with the affected participant deadline outlined in clause 3.12.2(f) of the NER.¹⁷

1.4.3 Alignment of intervention compensation and settlement timetable

In accordance with the NER, AEMO must provide, for market participants, a financial settlement service for the billing and clearance of all market trading transactions under chapter 3 of the rules. The NER currently defines the timetable for determining and paying

¹³ Pursuant to clause 3.12.2(f) of the NER

¹⁴ Largely retailers.

¹⁵ pursuant to clause 3.12.2(b), 3.12.2(i) and 3.15.7B(a4) of the NER

¹⁶ AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p2

¹⁷ AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p3

participant compensation in business days after the intervention event ends (100, 150 or 200 business days depending on the circumstances), whereas the settlement revision¹⁸ time lines are defined in weeks after the end of each billing week (20 and 30 weeks).

The 100 and 150 business day time frames are similar to but not aligned with the settlement revisions that occur approximately 20 weeks and 30 weeks after the relevant billing week as required by clause 3.15.19(b) of the NER. The 200 business day timeline sits outside both settlement revision periods. AEMO has stated that updated metering data is processed in time to support these routine settlement revision processes, but in many instances the final updates will not be accounted for in the intervention compensation calculations, due to the misaligned time frame.¹⁹

Additionally, AEMO noted that following the "final determination" of intervention compensation (and within the intervention settlement time frames), clause 3.15.10C(b) of the NER requires that the amounts payable or receivable are included in the first preliminary statement (and corresponding final statement) immediately following the determination. AEMO states that these statements will relate to a different billing week than the billing week in which the intervention occurred as the intervention and settlement time tables are not aligned. This can be impracticable if the "final determination" of intervention compensation is produced very close to the next preliminary settlement statement.

AEMO identified the following issues arising due to misaligned timetables:²⁰

- The calculation of compensation quantities may not be based on the best available metering data, meaning that the final payments could over or under compensate market participants.
- Market participants may have increased difficulty reconciling settlement statements and aligning or streamlining their business processes where compensation payments adjustments are made in settlement statements for different billing weeks.
- Unnecessary administration of out-of-cycle payments.

1.4.4

Inconsistencies between intervention compensation and settlement rules

AEMO also proposed some corrections and clarification of a number of inconsistencies within and between the intervention compensation and settlement provisions of the NER.

AEMO proposed that although clause 3.12 of the NER addresses the determination of compensation payments for AEMO intervention events generally, covering both directions and RERT activations, the two categories are not consistently addressed in the settlement provisions:²¹

- Clause 3.15.10C(a) of the NER, which deals with the inclusion of intervention compensation in settlement statements, refers only to directions, not the broader

18 Settlement revisions are the revised statements issued by AEMO of provisionally calculated compensation amounts and refined through the inclusion of improved data such as updated metering data

19 AEMO, Rule Change Proposal - Alignment of Intervention Compensation and Settlement Timetables, p5

20 AEMO, Rule Change Proposal - Alignment of Intervention Compensation and Settlement Timetables, p5

21 AEMO, Rule change proposal - Alignment of Intervention Compensation and Settlement Timetables, p5 & 6

category of AEMO intervention events. This may be because clause 3.15.9 of the NER (RERT recovery) mentions the inclusion of RERT-related compensation recovery amounts in (preliminary and final) settlement statements, although it is insufficiently detailed and does not address the timing differences between initial and final determination amounts.

- Clause 3.12.1 of the NER fails to mention the determination of amounts under clause 3.15.9. AEMO's practice is to determine final compensation and recovery amounts for RERT interventions in the same time frame as for directions.
- Clause 3.15.10C of the NER is expressed by reference to the billing period in which a direction was issued. This wording does not adequately cover intervention events that span billing periods, and is inconsistent with clause 3.12.2(d) of the NER.
- Clause 3.15.10C(b) of the NER appears to require final compensation amounts to be included in preliminary settlement statements. AEMO considers that the inclusion of either amount in a preliminary statement is unnecessary, and only delays payment of amounts that have already been finally determined.

1.5 Solution proposed in the rule change request

AEMO proposed the following amendments to the NER to address the issues identified above.²²

1.5.1 Deadline for additional compensation claims

AEMO proposed to increase the deadline for additional compensation claims from seven business days to 15 business days.

AEMO proposed that altering the deadline for additional compensation claims by affected participants and market customers following a market intervention would provide participants with more time to assess the impact of intervention events before deciding whether to lodge a claim for additional compensation.²³ AEMO proposed that this in turn would reduce the administrative overhead for participants to maintain the capability to respond in short time frames to events that may have high impact on financial returns.²⁴

The proposed solution would reduce the time for AEMO to assess a claim and determine final compensation to approximately 13 weeks. AEMO considers that this time is sufficient to assess claims and determine final compensation amounts.²⁵

AEMO noted that this proposed change would require minor updates to the formulation of AEMO's intervention settlement timetables, which are published individually for each AEMO intervention event (or series of related interventions). It stated that no other changes are envisaged to AEMO's procedures and guidelines that are established and maintained under the NER.²⁶

22 Any changes to the rules as a result of this rule change request will be made against the version of the rules existing at the time the rule is made

23 AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p6

24 Ibid, p6.

25 Ibid, p6.

26 Ibid, p6.

1.5.2 **Directed participants' deadline for additional compensation claims**

AEMO proposed that clause 3.15.7B(a) of the NER be amended to insert a 15 business day limit for claims for additional compensation by directed participants. AEMO's proposed solution also corrects a cross-referencing error in clause 3.15.7B(a)(2) of the NER and removes redundant drafting in clause 3.12.2(f) of the NER.²⁷

AEMO stated that the adjustment will codify what AEMO currently does in practice and contribute to consistency and certainty in the application of the rules to directed participants.²⁸

1.5.3 **Alignment of intervention compensation and settlement timetable**

AEMO proposed that clause 3.12.1(a) of the NER be amended to refer to the 20- and 30-week routine revised statements, instead of 100, 150 or 200 business days as applicable. In practice, this will result in the timing for the current 100 and 150-day processes being increased (by up to 2 weeks). The existing 200-day process will be shortened (by approximately 10 weeks).

AEMO stated that these adjustments would:²⁹

- ensure that the best available metering data is used in the calculation of compensation quantities, through the alignment of compensation determinations with the settlement revision timetable
- improve the practicality of the timetable for AEMO and participants and mitigate compliance risk for AEMO by aligning intervention compensation payments with the settlement revision timeline for each billing week in which an AEMO intervention event occurred
- provide consistency and certainty in the application of the compensation rules to all AEMO intervention events, irrespective of category and duration.

1.5.4 **Inconsistencies between intervention compensation and settlement rules**

AEMO proposed to extend the intervention settlement provisions in clause 3.12 of the NER to fully incorporate RERT interventions and RERT recovery amounts under clause 3.15.9 of the NER so that longer duration events are accommodated, inconsistencies resolved, and unnecessary administrative steps removed. AEMO's proposed solution also amends clause 3.15.10C of the NER to:³⁰

- refer to settlement statements for billing periods in which any type of AEMO intervention event occurred
- remove reference to clause 3.15.14 (preliminary statements)
- for the settlement of final compensation amounts after determining additional claims, align with the changes to clause 3.12.1(a).

27 AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p6.

28 AEMO, Rule Change Proposal - Deadlines for Additional Compensation Claims Following Market Intervention, p3.

29 AEMO, Rule change proposal Alignment of intervention compensation and settlement timetables, p6.

30 AEMO, Rule change proposal Alignment of intervention compensation and settlement timetables, p6.

The proposed changes are limited to maintaining consistency between the provisions of the rules, as well as to maintain consistency between rules involving directions and those involving RERT. These particular changes aim to simplify, in the NER, the timetable used to recover RERT, directions and compensation costs, rather than change the timetable.

1.6 The rule making process

On 4 April 2019, the Commission published a notice advising of its commencement of the rule making process and consultation in respect of the consolidated rule change requests.³¹ A consultation paper identifying specific issues for consultation was also published. Submissions closed on 2 May 2019.

The Commission considered that each of the rule change requests, as consolidated, was a request for a non-controversial rule as defined in s.96 of the NEL. Accordingly, the Commission commenced an expedited rule change process, subject to any written requests not to do so. The closing date for receipt of written requests was 18 April 2019.

No requests to not carry out an expedited rule change process under the NEL were received. Accordingly, the rule change request was considered under the expedited process as set out in the NEL.³²

The Commission received two submissions. These submissions are discussed in section 3 of this final rule determination.

³¹ This notice was published under s.95 of the National Electricity Law (NEL).

³² Section 96 of the NEL.

2 FINAL RULE DETERMINATION

2.1 The Commission's final rule determination

The Commission's final rule determination is to make the final rule largely as proposed by AEMO. The Commission's reasons for making this final rule determination are set out in section 2.4.

This chapter outlines:

- the rule making test for changes to the NER
- the assessment framework for considering the rule change request
- the Commission's consideration of the final rule against the national electricity objectives (NEO).

Further information on the legal requirements for making this final rule determination is set out in Appendix A.

2.2 Rule making test

2.2.1 Achieving the NEO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).³³ This is the decision-making framework that the Commission must apply.

The NEO is:³⁴

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.

2.3 Assessment framework

In assessing the consolidated rule change request against the NEO the Commission considered that the relevant aspect of the NEO is the promotion of efficient investment in and use the following principles:

- **Reducing administrative costs:** Improving the practicality of administrative processes in the NEM can reduce administrative costs for participants and contribute to cost savings being passed on to customers.
- **Improving transparency and clarity:** The provision of relevant and accurate information to parties who require such information to carry out their responsibilities under the NER is important in supporting the efficiency of the power system.

³³ Section 88 of the NEL.

³⁴ Section 7 of the NEL.

- **Improving consistency:** The provision of consistency in the NER can increase certainty for market participants in relation to processes for compensation and increase the potential to reduce ongoing administrative costs.

2.4 Summary of reasons

The final rule made by the Commission is published with this final rule determination. The key features of the final rule are:

- extending the deadline for additional compensation claims submitted by affected and directed participants from seven to 15 business days
- aligning the intervention compensation and settlement timetables alongside addressing inconsistencies between intervention compensation and settlement rules.

The final rule is largely the same as the proposed rule. There are minor differences to incorporate the introduction of the participant compensation following market suspension framework, which was introduced in the NER recently, and minor drafting changes to better reflect the policy intent. None of these changes alter the intent of AEMO's consolidated rule change proposal.

Having regard to the issues raised in the rule change request and during consultation, the Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NEO for the following reasons:

- **Reducing administrative costs:** Extending the deadline for additional compensation claims submitted by affected and directed participants from seven to 15 business days will improve the practicality of administrative processes and reduce administrative costs for participants who would have otherwise had to respond in a shorter period of time to interventions that might have had a costly financial impact.
- **Improving transparency and clarity:** The final rule will improve transparency and clarity through the alignment of the intervention compensation and settlement timetables and ultimately support improvements to the efficiency of the power system.
- **Improving consistency:** The final rule will improve consistency in the application of the rules through the application of clear and consistent deadlines in relation to additional compensation claims to affected participants, market customers and directed participants, alongside correcting cross-referencing errors and removing redundant drafting in the NER.

3 ISSUES RAISED AND COMMISSION'S CONCLUSIONS

This chapter outlines the issues as raised by AEMO in the consolidated rule change request, alongside stakeholder submissions, the Commission's analysis and conclusions pertaining to:

- deadlines for additional compensation claims
- directed participants' deadline for additional compensation claims
- alignment of intervention compensation and settlement timetables
- inconsistency between intervention compensation and settlement rules.

3.1 Deadlines for additional compensation claims

Submissions to the consultation paper from AGL³⁵ and EnergyAustralia³⁶ stated that they support the rule change put forward by AEMO to increase the deadline for additional compensation claims from seven business days to 15 business days.

In light of the increase in directions over the last two years, and complexity of these events, extending the time for participants to claim additional compensation from seven days to 15 days is appropriate.

Altering the deadline for additional compensation claims by affected participants and market customers following an AEMO market intervention will provide participants with more time to assess the impact of intervention events before deciding whether to lodge a claim for additional compensation. The final will reduce the time for AEMO to assess a claim and determine final compensation to approximately 13 weeks. The Commission notes that AEMO considered that this is sufficient time for determining final compensation amounts.

The final rule therefore alters the deadline for additional compensation claims by affected participants and market customers following a market intervention event from the current seven business day deadline to 15 business days.³⁷

3.2 Directed participants' deadline for additional compensation claims

AGL's submission³⁸ to the consultation paper supports the specification of a 15-business day limit for claims for additional compensation by directed participants, consistent with affected participant and market customer compensation.

Amending the NER to specify a deadline for directed participants is appropriate as it will improve certainty for directed participants in relation to the process for making additional compensation claims.

35 AGL, submission to consultation paper, p. 1.

36 Energy Australia, submission to consultation paper, p. 1.

37 Clause 3.12.2(f) of the NER.

38 AGL, submission to consultation paper, p. 1.

The final rule, therefore, inserts a 15 business day limit for claims for additional compensation by directed participants.³⁹

3.3 Alignment of intervention compensation and settlement timetables

The submission⁴⁰ to the consultation paper from AGL supports the alignment of the intervention compensation and settlement timetable with reference to the 20- and 30-week routine revised statements; and EnergyAustralia's submission⁴¹ to the consultation paper also supports for AEMO's proposed changes to align the intervention and settlement timetables.⁴²

These adjustments will improve the practicality of the timetable for AEMO and participants and provide certainty in the application of the compensation rules to all AEMO intervention events irrespective of category and duration. The Commission also has made minor drafting amendments to make sure that the market suspension pricing schedule period, introduced by the participant compensation following market suspension framework, is aligned with the routine revised settlement statements issued after the relevant billing period.

The Commission notes that the introduction of five-minute settlement will require a minor change to a defined term used in aligning the timetables under the final rule.⁴³

The final rule therefore amends clause 3.12.1(a) of the NER to maintain this approach and to refer to the 20 and 30 week routine revised statements instead of 100, 150 and 200 business days.

3.4 Inconsistency between intervention compensation and settlement rules

The changes proposed by AEMO aim to simplify, in the NER, the timetable used to recover RERT, directions and compensation costs. The changes do not change the RERT cost recovery process or methodology used,⁴⁴ they only relate to the alignment of compensation timetables for all interventions with the settlement timetable.

AGL's submission to the consultation paper supports extending the intervention settlement provisions to fully incorporate RERT, making it consistent with other kinds of interventions.⁴⁵ EnergyAustralia's submission also broadly supports AEMO's proposed changes.⁴⁶

Therefore, the final rule extends the intervention provisions in clause 3.12 of the NER to fully incorporate the RERT and related costs under clause 3.15.9 of the NER. The final rule also

39 Clause 3.15.7B of the NER

40 AGL, submission to consultation paper, p. 1.

41 Energy Australia, submission to consultation paper, p. 1.

42 AGL, submission to consultation paper, p. 1.

43 Five-minute settlement will see the introduction of a newly defined term to take effect in 2021, "intervention price trading interval" will be substituted to "intervention pricing 30-minute period". The final rule incorporates this change for clause 3.15.10C(a)

44 The Commission's recent final determination of the Enhancement to the RERT rule change, however, did make changes to the cost recovery process. See <https://www.aemc.gov.au/rule-changes/enhancement-reliability-and-emergency-reserve-trader>

45 AGL, submission to consultation paper, p. 1.

46 Energy Australia, submission to consultation paper, p. 1

refers to settlement statements for billing periods in which any kind of intervention event occurred, removes the reference to preliminary statements (clause 3.15.14 of the NER) and aligns with the intervention settlement timetable in relation to the settlement of final compensation amounts after determining additional claims.

3.5 Implementation

AEMO can apply the final rule immediately following approval so does not consider any transitional provisions are necessary. As a result, the substantive parts of the final rule commence on 30 May 2019.

The final rule adds in a reference to "intervention price trading interval" into clause 3.15.10C(a) that will be substituted to "intervention pricing 30-minute period" at the commencement of the *National Electricity Amendment (Five Minute Settlement) Rule 2017*.

As a result Schedule 2 of the final rule commences on 1 July 2021 immediately after the commencement of Schedule 6 of the *National Electricity Amendment (Five Minute Settlement) Rule 2017*, which will introduce the terminology change into the NER.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
IPWG	Intervention Pricing Working Group
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National electricity objective
NER	National Electricity Rules
RERT	Reliability and Emergency Reserve Trader

A LEGAL REQUIREMENTS UNDER THE NEL

This appendix sets out the relevant legal requirements under the NEL for the AEMC to make this final rule determination.

A.1 Final rule determination

In accordance with s. 102 of the NEL the Commission has made this final rule determination in relation to the rule proposed by AEMO.

The Commission's reasons for making this final rule determination are set out in section 2.4.

A copy of the final rule is attached to and published with this final rule determination. Its key features are described in section 3.

A.2 Power to make the rule

The Commission is satisfied that the final rule falls within the subject matter about which the Commission may make rules. The final rule falls within s.34 of the NEL as it relates to regulation of the operation of the national electricity market.⁴⁷

A.3 Commission's considerations

In assessing the consolidated rule change request the Commission considered:

- its powers under the NEL to make the rule
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NEO.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.⁴⁸

A.4 Civil penalties

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NEL be classified as civil penalty provisions.

The final rule does not amend any clauses that are currently classified as civil penalty provisions under the NEL or National Electricity (South Australia) Regulation. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the final rule be classified as civil penalty provisions.

⁴⁷ Section 34(1)(a)(i) NEL

⁴⁸ Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

A.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as conduct provisions.

The final rule does not amend any rules that are currently classified as conduct provisions under the NEL. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the final rule be classified as conduct provisions.