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Attention: Samuel Martin
Australian Energy Market Commission
SYDNEY NSW 1235
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AEMC Consultation Paper – Amendment (Application of compensation in relation to AEMO interventions) Rule 2019

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission (**AEMC**) on its Consultation Paper on the National Electricity Amendments (Application of Compensation in relation to AEMO interventions) Rule 2019 (**Consultation Paper**).

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide coal-fired power stations. CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and, is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

General comments

CS Energy's comments relate to instances whereby AEMO is intervening to resolve a security issue that does not satisfy the RRN test (ie the scarce resource AEMO is intervening to obtain is a security service that is not traded in the market and cannot be supplied by the energy market or the ancillary services market eg system strength, inertia).

Currently AEMO directs on synchronous plant to supply the scarce resource, paying compensation to directed participants and affected participants after 'preserving' price signals with "what if" intervention pricing.

Where AEMO intervenes if there is a scarcity of energy, the energy price (with intervention pricing applied) is reflective of the value of energy at that time and should be used in

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settlement because it reflects the desired market state, even though the intervention is not the most effective way of obtaining the scarce resource. Similar rationale applies to interventions to obtain market ancillary services.

In contrast, where AEMO intervenes to address a shortfall of a service not traded in the market, by running intervention pricing to calculate a “what if it never happened price and dispatch” we preserve market signals for a service (ie energy) that is not scarce. The energy price (with the physical intervention) is reflective of the value of energy at that time and should be used in settlement because it reflects the desired market state, even though again the intervention is not the most effective way of obtaining the scarce resource.

CS Energy agrees that the AEMC’s proposed Rule change complements the AEMC’s draft Rule determination to remove intervention pricing where the service is not traded in the market (ERC0253). Compensation to affected participants, using the “what if it never happened” price and dispatch method, would further distort market signals.

However, the AEMC’s proposals under both this Rule change and ERC0253 fail to address the underlying problem that there is no compensation or payment for the scarce resource that the intervention is for ie system security services are not currently traded in the market.

In accepting the outcome of these proposed Rule changes, system services should be incorporated into the market. Consequently, CS Energy urges the AEMC to proceed with its review of system services and incorporation of these services into the ancillary markets as a matter of priority.

Yours sincerely



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