



26 August 2021
Australian Energy Market Commission
Reference: ERC0284
Submitted online.

Compensation for market participants affected by intervention events

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) directions paper, Compensation for market participants affected by intervention events (Directions Paper).

This submission contains the views of Stanwell and should not be construed as being indicative or representative of Queensland Government policy.

Introduction

Stanwell is a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia. While providing reliable and affordable energy for today, we are exploring new generation and storage technologies that will help reduce emissions while also ensuring Queensland's electricity supply remains secure and reliable.

Stanwell appreciates the Commission's work in progressing the compensation framework rule changes to date and the consideration of the material issues with the target-based approach to calculating compensation for scheduled loads raised by stakeholders. Stanwell agrees with the Commission's analysis of the issues raised in the Directions Paper and its proposed resolutions.

Options for calculating compensation

With respect to the options for calculating compensation:

- Stanwell supports Option 2 (compensation with regard to actual consumption/generation). This option addresses the concerns raised by AGL and AEMO about Option 1 (compensation based on targets) potentially providing perverse incentives for and over-compensation of scheduled load deviating from dispatch instructions for reasons other than those permitted under the National Electricity Rules.
- Accordingly, Stanwell does not support Option 1, and agrees with the concerns about this option raised by AGL and AEMO.
- Stanwell does not support Option 3 (bespoke claims process) as it would likely result in an increase in compensation costs, entail material administration costs through both the implementation and operation of the process, and not be consistent with the compensation processes for other participants and services.

phone +61 7 3228 4333 fax +61 7 3228 4524

GPO Box 800 Brisbane QLD 4001 ABN 37 078 848 674 stanwell.com

Clarification of the objective of the compensation framework

Stanwell supports the proposed clarification of the objective of the compensation framework to ensure it accurately reflects the compensation formulas for both affected participants and scheduled loads.

Considerations relating to bi-directional units in the compensation framework

Stanwell agrees with the Commission's analysis that the choice of compensation framework for a bi-directional unit be based on the target in the intervention pricing run as it provides the best indication of how the unit would have run in the absence of the intervention. Stanwell is not aware of an alternative that could provide a better indication of what would have occurred in the absence of AEMO intervention.

AEMC's two-way frequency control ancillary services (FCAS) compensation more expensive than AEMO's one-way compensation

While Stanwell acknowledges AEMO's concerns about the higher upfront costs of the Commission's preferred option, Stanwell supports the Commission's position on this issue. Stanwell believes a two-way approach for FCAS enablement compensation, whereby affected participants receive payments for losses and repay any gains, is more consistent with the National Electricity Objective than AEMO's proposed one-way approach.

Clarification of the QD formula

While AEMO's concern about the ambiguity of the word "difference" (given the sign of the outcome is important) also applies to the current definition of QD (i.e., "QD (in MWh) is the difference between the amount of electricity consumed by the scheduled load during the relevant intervention price trading interval determined from the metering data and the amount of electricity which AEMO reasonably determines would have been consumed by the scheduled load if the AEMO intervention event had not occurred"), Stanwell appreciates the Commission clarifying the intention of the QD formula in the final rule.¹

Conclusion

In conclusion, Stanwell appreciates the Commission acknowledging and responding to material issues raised in submissions to date and supports the Commission's preferred options on the issues raised in the Directions Paper.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please contact Evan Jones on (07) 3228 4536.

Yours sincerely,



Ian Chapman
Manager Market Policy and Regulatory Strategy

¹ AEMC, National Electricity Rules version 169, 3.12.2(a)(2)