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Australian Energy Market Commission
National Electricity Amendment (Compensation for Market Participants Affected by
Intervention Events) Rule 2020 Consultation Paper
GPO Box 2603
Sydney 2001

**National Electricity Amendment (Compensation for Market Participants Affected
by Intervention Events) Rule 2020 Consultation Paper**

The South Australian Chamber of Mines and Energy (SACOME) welcomes the opportunity to make this submission to the Australian Energy Market Commission's (AEMC) National Electricity Amendment (Compensation for Market Participants Affected by Intervention Events) Rule 2020 Consultation Paper (the Paper).

SACOME is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

SACOME recognises that this consultation is focused on the Australian Energy Market Operator's (AEMO) rule change requests relating to the amount of compensation payable to affected participants and market customers with scheduled loads under clause 3.12.2 of the National Electricity Rules (NER).

Under the NER, when AEMO intervenes in the market by dispatching the Reliability and Emergency Reserve Trader (RERT) or issuing a direction, it is required to compensate those participants directed to provide services, or who are dispatched differently as a result of the intervention.

SACOME notes that AEMO's two proposed rule change requests seek to address:

- *"Affected participant compensation for FCAS losses"* by including losses related to market ancillary services in the list of factors that can be considered when determining additional compensation claims lodged by affected participants; and
- *"Compensation for scheduled loads affected by interventions"* by amending the way that compensation is calculated for market customers with scheduled loads which are dispatched differently as a result of an AEMO intervention event.

Energy affordability and reliability are of paramount importance to resources sector operators and have a direct impact on business viability, new project development and investment decisions.

The energy needs of the resources sector are distinct given the scale of operations; the quantity of energy required to power them; the consequences of an interruption to supply; and access to energy as a pre-requisite to project development.

SACOME does not support rule changes that will increase energy prices for SACOME member companies for minimal benefit, particularly when the current compensatory framework has not detrimentally impacted on the services provided by participants in the National Electricity Market.

While SACOME recognises AEMO's important role in maintaining network supply, reliability, and security, SACOME member companies have raised concerns about the cost implications of AEMO'S recent market interventions which are ultimately borne by the customer.

SACOME, on behalf of member companies, recently wrote to AEMO to express these concerns. In particular, member companies raised FCAS price increases in South Australia and the cost accountability of maintaining network supply, reliability and security as areas of key concern.

SACOME member companies have experienced substantial FCAS price increases in South Australia. In Q1 2020 total NEM system costs increased to \$310 million, representing 8% of the energy costs for the quarter, when the typical NEM system costs quarterly value is 1-2%.

The main drivers of these record NEM system costs were three major power system events, the most notable being the 18-day separation of the Victorian and South Australian power systems. These events contributed \$229 million, or 74%, of system costs for the quarter.

- FCAS costs increased to a quarterly record high of \$227 million.
- The cost of directing units to maintain system strength increased to \$33 million, the highest quarter on record.

These are significant increased costs to business and compound an unsustainable operating environment for industry.

SACOME member companies also contend that AEMO's role in maintaining network supply, reliability and security does not have sufficient accountability to reduce costs over time.

That is, while AEMO is required to procure such services at least cost given the prevailing market conditions, AEMO is not required to take actions to lower the cost of their market interventions over the long-term. Greater transparency around these measures would be welcomed.

SACOME reiterates it does not support rule changes that will further increase energy prices for SACOME member companies, particularly given the importance of energy prices as a component of resources sector operators' business viability.

SACOME thanks the AEMC for the opportunity to provide feedback to the Paper and remains committed to ongoing dialogue with the AEMC in relation to these matters.

Kind regards



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