

5 November 2020



Katy Brady
Australian Energy Market Commission

Submitted via website.

Dear Ms Brady,

Compensation for market participants affected by intervention events (ERC0284) and Compensation following directions for services other than energy and market ancillary services (ERC0287)

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) draft determinations for rule changes *ERC0284: Compensation for market participants affected by intervention events* and *ERC0287: Compensation following directions for services other than energy and market ancillary services*.

PIAC supports both draft determinations as we consider they will result in a fairer, more efficient compensation process. We consider this process is likely to reduce costs to consumers in the short-term by improving administrative efficiency, and in the long-term by creating a more balanced compensation process that rewards generation and scheduled loads evenly, and encourages the efficient provision of necessary market services.

We reiterate that costs of directions and intervention events should be paid by those who benefit from them and risks should sit with those best-placed to manage them. Households have almost no ability to manage the risks of wholesale market operations, while AEMO and market participants are much better placed to do so. This should be reflected in the AEMC's consideration of how compensation should be determined, including what events or directions qualify for compensation.

ERC0287: Compensation following directions for services other than energy and market ancillary services

We note the draft rule adds a requirement for AEMO to notify the directed participant whether or not it determined a compensable service was provided,

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and provides for the directed participant to make a submission in response. We consider this improves the transparency of the compensation process, however we highlight it opens up the possibility of increased administrative costs due to potential challenges to determinations. We recommend a review of this arrangement after it has been implemented to assess how the ability to challenge determinations is being used and whether it is leading to good consumer outcomes.

We reiterate we support a move towards assessing compensation claims in-house by AEMO and do not support the AEMC requiring an independent expert to assess complex claims above \$20,000. Independent experts can be costly and over-reliance on them may discourage AEMO from building its own expertise and capacity. Claims assessed in-house by AEMO should be subject to the same level of transparency as those assessed independently and we do not consider the AEMC has made clear why an independent expert is best placed to assess larger claims.

ERC0284: Compensation for market participants affected by intervention events

We note the AEMC has adopted a method for calculating BidP (used to determine compensation for scheduled loads) proposed by AGL. We welcome the AEMC adopting methods that will better meet the interests of consumers, and consider the AGL method is likely to achieve this.

As this rule change is likely to change the quantum of compensation paid to participants individually and in aggregate, we recommend the AEMC review the impact of these changes following implementation to ensure they are resulting in efficient outcomes for consumers.

We welcome the opportunity to discuss these matters further with the AEMC.

Yours sincerely

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Public Interest Advocacy Centre

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