

IN THE DISPUTE RESOLUTION PANEL AT MELBOURNE

(Constituted for a determination as to compensation under rule 3.16.2 of the National Electricity Rules)

AGL Hydro Partnership (ABN 86 076 691 481) (AGL)

And

Australian Energy Market Operator Limited (ABN 94 072 010 327) (AEMO)

DECISION OF THE DISPUTE RESOLUTION PANEL

(Mr G. H. Thorpe)

1. In a Scheduling Error Report, dated 20 January 2010 AEMO declared that “it failed to follow the central dispatch process...” for the five minute dispatch intervals on 19 November from 14:50 to 17:05 hours and on 20 November for the majority of dispatch intervals from 10:55 to 13:15hours.
2. Subsequently AGL initiated a claim that it suffered a net loss of \$571,935.06 as a consequence of the scheduling error. In accordance with Rule 3.16.2 this claim was referred to the present Dispute Resolution Panel (DRP) seeking a determination that an amount of compensation should be paid to it.
3. In a joint submission (Joint Submission) to the Panel AEMO and AGL noted that compensation in the above amount was sought and that AEMO agreed with the claim.
4. A hearing was conducted on 9 June 2010.
5. The calculation of the compensation was based on the difference between the revenue from the spot market due to the expected dispatch output in

the absence of the scheduling error and actual output, less the operating costs AGL did not incur as a result of reduced output (avoided costs).

6. In accordance with rule 3.16.2(h) the calculation of loss used the actual Spot Price.
7. The calculation of difference in dispatch output was based on the calculation presented by AEMO in its Scheduling Error report of 20 January.
8. In considering the claim the Panel:
 - a. Has ascertained that AEMO received no comments in response to its Scheduling Error Report;
 - b. Has been provided with appropriate evidence to verify the avoided costs that have been used; and.
 - c. Identified that the calculation of compensation to be paid from the fund could use actual costs or what could be argued as reasonable costs, which would require comparison of actual operations and best practice. In reviewing whether to ask for submissions on the question the Panel's view was that in this case the amount by which compensation might vary would be only a small percentage of the total amount claimed and less than the estimated costs of preparing submissions. Accordingly the argument about reasonableness did not arise in this case, nor was there any allegation of the applicant acting in an improper manner. The Panel notes that the question of reasonableness may need to be considered in the future.

9. Accordingly the Panel has accepted the calculation of loss by AGL in the Joint Submission.
10. In determining the amount of compensation to be paid to AGL, Clause 3.16.2 requires a Panel, *inter alia*:
 - a. To determine the manner and timing of payment; and
 - b. To take into account the current balance of the fund and the potential for further liabilities to arise during the year and to recognise that the aggregate liability in any year in respect of scheduling errors cannot exceed the balance of the Fund.
11. The Joint Submission noted that the Panel in Macquarie Generation determined that a “year” is a reference to a financial year and that “liabilities” is a reference to potential actual liabilities. The Panel has also adopted this approach.
12. The Joint Submission noted that at the present time the Fund has a balance of \$3,446,017. If the compensation was paid in full the balance would be reduced to \$2,874,082.
13. It is unlikely that further actual liabilities will arise in this current financial year.
14. In these circumstances there is no reason to deny AGL the full amount of its claim.
15. Accordingly the Panel determines that compensation in the amount of \$571,935.06 is payable to AGL in respect of the scheduling error and that

this amount should be paid by 30 June 2010 in a manner to be notified in writing by AGL to the AEMO.

16. AGL has not claimed interest and the parties have agreed that each should bear their own costs and share the costs of the Panel and Dispute Resolution Advisor equally. The Panel sees no reason to depart from these arrangements.

A handwritten signature in black ink, appearing to read 'G. H. Thorpe', written in a cursive style.

G. H. Thorpe

June 2010