

**IN THE DISPUTE RESOLUTION PANEL AT MELBOURNE**

(Constituted for a determination as to compensation under rule 226 of the National Gas Rules)

**BETWEEN:**

**IPOWER 2 Pty Limited & IPOWER Pty Limited**

(trading as **Simply Energy**) (ABN 67 269 241 237)

(**Simply Energy**)

**AETV Pty Ltd** (ABN 29 123 391 613)

(**AETV**)

**APA Facilities Management Pty Limited** (ABN 76 140 898 424)

(**APA**)

**Red Energy Pty Ltd** (ABN 60 107 479 372)

(**Red Energy**)

**Lumo Energy Australia Pty Ltd** (ABN 69 100 528 327)

(**Lumo**)

**M2 Energy Pty Ltd**

(trading as **Dodo Power & Gas**) (ABN 15 123 155 840)

(**Dodo**)

(together the "**Participants**")

and

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

(**AEMO**)

**DETERMINATION**

The Dispute Resolution Panel makes the following determination

1. It is confirmed that an Unintended Scheduling Result occurred 1 October 2016 as a result of the application of constraints on injections at the VicHub applied in the 10pm operating schedule for that gas day which should have been lower or removed. The Unintended Scheduling Result affected the financial position of each of the Participants.
2. The amounts of compensation (expressed inclusive of GST) listed in the table immediately below are payable to the Participants from the Participant compensation fund:

Simply Energy	\$12,279.14
AETV	\$93,552.68
APA	\$2,514.00
Red Energy	\$3,716.39
Lumo	\$2,158.48
Dodo	\$2,273.40

3. In accordance with agreements between the Adviser and each Participant evidenced through electronic survey responses, the costs of the dispute resolution processes, comprising the costs of the Adviser and of the DRP (but excluding the legal costs of the parties) are to be borne by the Participants on a pro rata basis, whereby each Participant is to bear the proportion of those costs which corresponds to the ratio of that applicant's compensation in accordance with order 2 above to the total of those costs. The total of those costs may not exceed \$10,000 plus GST unless otherwise agreed.
4. Within thirty days AEMO is to pay the Participants the amounts in order 2 above adjusted for their share of costs in accordance with order 3 and GST by electronic funds transfer or other means agreed with each party.

A handwritten signature in black ink, appearing to read 'G Thorpe'.

Gregory H Thorpe

5 June 2017

## REASONS FOR THE DETERMINATION

1. A market participant requested AEMO to investigate whether Unintended Scheduling Results occurred on 1 October 2016 due to application of operating restrictions by AEMO across the day, in particular limitations on injections of gas at the VicHub.
2. AEMO subsequently published a report entitled “DWGM - Compliance report and investigation into USR following event on 1 October 2016” stating that in its view a USR occurred as a result of constraint on injections of gas at the VicHub in the operating schedule for 10pm that day.
3. The Longford plant returned to service briefly at 0452 but injections ceased again at 0532 for a number of hours.
4. At 0840 AEMO provided a notice to the market of a threat to system security. At 0903 AEMO intervened in the market by publishing an operating schedule outside the standard times - an ad hoc operating schedule issued in accordance with rule 215(3).
5. AEMO applied various operating limitations throughout the day affecting each operating schedule and each pricing schedule in accordance with rule 343 and section 3.8B of the Wholesale Market Gas Scheduling Procedures (Victoria).
6. AEMO and the six market participants presented a joint submission to the DRP based on AEMO’s investigation of the events of the day and in particular whether an Unintended Scheduling Result had occurred on 1 October 2016.
7. The joint statement (and therefore common ground) is that the 10pm operating schedule was an Unintended Scheduling Result, with financial impacts. The 10am, 2pm and 6pm schedules were not Unintended Scheduling Results as each was affected by one or more of the exceptions within sub rules of rule 217(2).
8. Schedule 1 to the joint submission was AEMO’s report referred to earlier. This report provided relevant details of the operation of the market on the day. Schedule 2, entitled “Approach in calculating lost Market revenue” describes the process for calculating lost market revenue for each party.
9. The approach in calculating lost market revenue involves a number of steps including a “what if” schedule that estimates the schedule that should have occurred had the cause of the Unintended Scheduling Result not been present. In this case that the constraint in the 10pm schedule not been applied. The results of this “what if” schedule are used as input to calculations from which changes in market prices and financial flows are calculated. The resultant change in market revenue for each party is noted in the joint submission.
10. Separate confidential submissions were presented to the DRP prepared by AEMO and each of the parties. These confidential submissions provide further detail of the components of change in market revenue of the relevant party and a calculation of the resultant change in financial position of each party. The change in financial position is the net of change in market revenue and any change in cost. In this context, for example, costs can change because a party that was scheduled for a lesser volume as a result of the Unintended Scheduling Result will generally be lower because the gas not scheduled does not need to be purchased.

11. The key outputs from the process AEMO has used in Schedule 2 are the financial implications of the Participants although some volume data is also available and was presented in confidential submissions. I explored the potential to access information on the changes in volumes in order to perform reasonability checks. AEMO explained that volume data for actual market settlement is recorded in the Market Information Bulletin Board (MIBB) but not in the test environment where the “what if” calculations were performed. AEMO also noted that considerable time and effort would be required to effectively rerun the “what if” settlement with volume information included in the output. I have accepted that this effort is not commensurate with the size of this claim on the Participant Compensation Fund and note that each of the claimants has also joined with AEMO in making their confidential submissions. In the circumstances of this case and in light of the volume information available to me through the confidential submissions I am prepared to accept the confidential submissions in respect of change in market revenue.
12. I have reviewed the methodology and arguments in the confidential submissions relating to calculation of individual financial impact and I am satisfied that the methodology is appropriate in each case.
13. Under rule 226 the role of a DRP in a case such as this is to determine which Market Participants are to receive compensation from the Participant Compensation Fund, the amount of compensation each Market Participant is to receive and the manner and timing of such amounts. The amount of compensation is limited to the amount in the fund in accordance with rule 227.
14. The joint submissions state the amount in the Participant Compensation Fund is in excess of \$3 million and there are no other claims made or currently anticipated. I also note it is late in the financial year and therefore there is little reason to think the fund will not be able to meet this claim. Thus, the limitation of rule 227 is not a barrier to payment of the current claims.
15. The sum of the financial impacts on the Participants from the Unintended Scheduling Result within the Confidential submissions is \$116,494.09 (GST inclusive). This amount exceeds the current threshold under rule 217(4)(b) as adjusted in accordance with rule 217(5) meaning compensation may be payable from the Participant Compensation Fund.
16. Accordingly, I find AEMO should pay the Participants amounts from the Participant Compensation as specified in the Determination.



Gregory H Thorpe

5 June 2017