

26 September 2024



**EnergyAustralia**  
LIGHT THE WAY

Mr Tiffany O'Keefe  
Australian Energy Market Commission (AEMC)  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

Lodged electronically via AEMC website

Dear Ms O'Keefe

**Review into Electricity Compensation Frameworks – Draft Report (EPR0095)**

EnergyAustralia Pty Ltd  
ABN 99 086 014 968

Level 19  
Two Melbourne Quarter  
697 Collins Street  
Docklands Victoria 3008

Phone +61 3 8628 1000  
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au  
energyaustralia.com.au

EnergyAustralia (EA) is one of Australia's largest energy companies with around 2.4million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We own, contract, and operate a diversified energy generation portfolio spanning coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise over 5GW of generation capacity.

EA thanks the AEMC for the opportunity to comment on the Review into Electricity Compensation Frameworks (Review) draft report (the Draft Report). We are appreciative of the manner in which the AEMC has openly consulted with industry on this Review and believe it will result in meaningful outcomes which will ultimately reduce costs to consumers.

We are largely supportive of the majority of the recommendations set out in the Draft Report, including providing clear objectives and streamlining the governance and administrative arrangements across the three compensation frameworks. We support AEMO taking operational and administrative carriage of compensations processes which will streamline frameworks, and add much needed clarity, transparency and efficiency to assessment and settlement processes. EnergyAustralia also welcomes the application of a volume-weighted average price approach to upfront payments in the directions and market suspension compensation frameworks, although we're keen to understand how these payments will be calculated in practice, particularly with respect to declining coal assets.

Further, we support the inclusion of opportunity costs into each of the compensation frameworks as an essential part of the compensation package, in addition to the continued role of the independent expert in opportunity cost assessments. It is critical that biases are removed from all compensation assessments, particularly opportunity costs, and instead focus on the application of clear but broad costs definitions and standardised processes, where possible.

However, while EA supports an extension of opportunity costs and the role of the independent expert, such an extension will also likely result in additional associated administrative costs, which are ultimately borne by consumers. We encourage the AEMC to clarify the how independent expert fees are calculated, their scope of role and engagement/reporting obligations, and importantly how costs are expected to be recovered from the three compensation frameworks.

With respect to governance, while we are comfortable with AEMO taking on additional administrative roles across all compensation frameworks, we do have some concerns about how AEMO will manage internal intersecting objectives associated with constraints management, efficient dispatch and the operation of scarcity mechanisms (particularly directions) to manage reliability but more importantly security shortfalls. Recently, AEMO contacted registered battery energy storage system (BESS) owners to discuss proposed arrangements to address growing minimum demand conditions. While we acknowledge the AEMC's position that the Improving Security Frameworks final rule is anticipated to reduce the level of directions for system security events, it does not resolve the possibility that market outcomes could be changed as a result of AEMO's decision making against the above objectives.

As such, we strongly encourage the AEMC to widen their consideration and application of compensation under compensation frameworks, to account for all circumstances out of a generator or storage operators control – including where operators are constrained-on as a result of the actions of the market operator. We note this is currently not captured by the existing framework or contemplated by the Draft Report. The Australian Energy Council's submission provides a rigorous examination of compensation for constrained on generators and EA supports their submission.

If you would like to discuss this submission, please contact me on 0422 399 181 or [Dan.Mascarenhas@energyaustralia.com.au](mailto:Dan.Mascarenhas@energyaustralia.com.au).

Regards

**Dan Mascarenhas**  
Regulatory Affairs Manager