

Improving Compensation Frameworks Information Sheet

We are seeking your feedback on changes to the compensation frameworks

The Australian Energy Market Commission (AEMC) has received three rule change requests relating to the National Electricity Market (NEM) compensation frameworks. Tilt Renewables submitted two rule change requests on 14 March 2023. The Australian Energy Market Operator (AEMO) submitted a rule change request on 1 December 2025. These rule change requests seek to amend the National Electricity Rules (NER) to update the compensation frameworks for administered pricing, directions, market suspension, and scheduling errors.

The AEMC has published a consultation paper to initiate this rule change. We are seeking submissions from stakeholders by 30 April 2026.

The rule change requests alter the compensation frameworks following lessons learnt from the June 2022 market suspension

These rule change requests follow the market suspension of June 2022, which revealed problems in the compensation frameworks for all three types of directions, market suspension and administered pricing. The AEMC subsequently completed a *Review into compensation frameworks*. The recommendations of the review sought to:

- ensure the compensation frameworks provide the right objectives and correct incentives to support reliability and security during times of system and market stress
- provide clear and transparent methodologies that support the compensation objectives and promote efficiency and effectiveness
- streamline governance, reducing unnecessary complexity and inconsistencies
- provide predictable and administratively simple compensation regimes, including through alignment where practicable.

AEMO's request focuses on changes to the compensation frameworks recommended in our review. Most of the changes align with the recommendations. AEMO also proposed additional changes to the compensation frameworks, which have not been previously consulted on. These divergences relate to the rule drafting of compensation frameworks and other detailed matters.

Tilt Renewables' first rule change proposes to allocate costs of capacity directions to consumers, as the ultimate beneficiary of these directions. Its second rule change proposes to impose a \$0/MWh price floor on spot prices to compensate participants for scheduling errors.

We have consolidated three rule change requests

All three of these rule change requests propose changes to the compensation frameworks. We have therefore consolidated these rule change requests into a single rule change project under section 93 of the National Electricity Law (NEL).

We are seeking stakeholder feedback on four changes to the compensation frameworks

The consolidated rule change contains four major components. These changes would:

- introduce a formal objective for directions compensation,
- change the calculation and cost recovery of compensation payments,

- change compensation governance and processes, and
- align compensation frameworks by re-structuring the NER.

We are seeking stakeholder feedback on these and the full suite of detailed changes to the compensation frameworks outlined in the rule change requests and discussed in the consultation paper.

We are seeking stakeholder feedback regarding our proposed assessment criteria

We are also seeking stakeholder feedback regarding our proposed assessment criteria. Considering the National Electricity Objective and the issues raised in the rule change requests, we propose assessing the rule change request against three assessment criteria:

- Principles of market efficiency: promoting incentives for ongoing participation in the market and promoting productive and allocative efficiency for unit commitment and dispatch. This minimises the need for AEMO intervention and facilitates the continued function of the market.
- Implementation considerations: appropriately balancing implementation costs with benefits. Solutions to reduce complexity have potential benefits, but should be implemented in a simple, low-cost manner.
- Principles of good regulatory practice: ensuring compensation frameworks are predictable and transparent to improve confidence in the market and future-proof these frameworks.

Submissions are due by 30 April 2026 with other engagement opportunities to follow

There are multiple options to provide your feedback throughout the rule change process. We are particularly interested in stakeholder feedback on new issues or proposed changes, or targeted areas we have highlighted in this paper. These matters are highlighted in the consultation question boxes in the consultation paper. Stakeholders are also welcome to provide feedback on any other issues, solutions, or matters relating to the compensation frameworks.

Written submissions responding to this consultation paper (project code ERC0425) must be lodged with the Commission by 30 April 2026 via the Commission's website, www.aemc.gov.au.

There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions. See the section of this paper titled "How to make a submission" for further instructions and contact details.

For information contact:

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