

29 April 2026

Australian Energy Market Commission  
Project Lead Mr Max Bonic

Submission lodged via the Project Page.

Dear Mr Bonic,

## **SUBMISSION TO CONSULTATION PAPER IMPROVING COMPENSATION FRAMEWORKS**

Delta Electricity ('**Delta**') welcomes the opportunity to comment on the Australian Energy Market Commission's ('**AEMC**') consultation paper on Improving Compensation Frameworks (ERC0425).

Delta generally supports the direction of proposals outlined in the consultation paper, particularly those changes that improve transparency, consistency and the effectiveness of incentives for market participation during periods of market stress. Delta supports the consolidation of the three rule change requests, as this will allow the AEMC to consider all proposals raised by the Australian Energy Market Operator ('**AEMO**') and Tilt Renewables concurrently, enabling a more efficient use of AEMC resources and decisions to be made from a holistic perspective.

In addition to the issues raised in this consultation paper, Delta strongly advises that the Administered Price Cap ('**APC**') Compensation Guidelines themselves must be reviewed and clarified for the APC framework to operate effectively in future. Delta's experience following the June 2022 event demonstrated that parts of the existing Guidelines were open to interpretation, which materially undermined confidence in the framework and weakened incentives for future participation.

### **Review of APC Compensation Guidelines**

Delta considers the following changes are required to the Guidelines:

#### Clear and transparent thresholds for technical limitations

Greater clarity would be achieved by explicitly defining objective thresholds in the Rules and/or Guidelines for determining when a generator is technically limited, including where limitations relate to fuel availability. Clear thresholds would improve consistency in assessment and better reflect the operational characteristics of different fuel types, including logistical and contractual fuel supply constraints.

Establishing such thresholds would reduce reliance on post-event interpretation and ensure that assessments are applied in a predictable and objective manner across different market events.

#### Alignment of compensation analysis with established criteria

Further improvements could be made by ensuring that compensation assessments align strictly with the criteria set out in the Rules and Guidelines. Adherence to these criteria would limit discretionary judgment beyond what is contemplated in the framework and support consistent application across claims.

Clarifying the assessment approach within the Guidelines would enhance transparency, provide greater certainty for participants, and improve confidence that claims will be assessed against known and objective standards.



### **Upfront compensation and volume-weighted average price ('VWAP') methodology**

Delta supports a VWAP approach as it improves cost reflectivity and consistency across frameworks. A rolling 12-month, technology- and region-specific VWAP remains sensible, with exclusions for intervention periods. The methodology should sit in the Guidelines rather than the Rules to allow flexibility. Delta supports AEMO's proposal to include a fixed cost adjustment for upfront directions compensation. Compensation that only reflects short-run marginal costs fails to recognise the full cost of participation and undermines incentives to remain available during adverse conditions.

### **Cost recovery for administered pricing compensation**

Delta supports AEMO's proposal to clarify cost recovery arrangements for administered pricing compensation.

### **Recovery of capacity direction costs**

Delta supports recovering the costs of capacity directions solely from customers. This aligns with the principle of recovering costs from the beneficiaries of the intervention.

### **Cost recovery across all directed intervals**

Delta supports generalising cost recovery calculations to apply to all trading intervals in which directions apply, not just those with intervention pricing. This approach better reflects that directions impose costs and opportunity costs regardless of whether an intervention price is active, and aligns with the objective of ensuring participants are reasonably compensated when required to take actions they otherwise would not.

### **Receipt and assessment of claims**

Delta supports the proposed governance changes where AEMO receives and administers all compensation claims and opportunity cost claims are assessed by an independent expert.

Delta supports the introduction of minimum value thresholds, provided that thresholds:

- do not prevent legitimate claims from being made; and
- are applied consistently across compensation frameworks to minimise confusion and reduce regulatory burden.

### **Independent expert process**

Delta strongly supports improvements to the independent expert process, particularly in relation to:

- transparency in the selection and appointment of experts;
- consistency in interpretation of technical limitations; and
- clear guidance on the criteria to be applied.

### **Time limits for supporting information and claims**

Delta agrees that time limits should be applied across compensation frameworks, provided sufficient time is allowed for opportunity cost claims. Based on its own experience, Delta proposes:

- a minimum of 12 weeks for opportunity cost claims; and
- a shorter timeframe (around 8 weeks) for direct cost claims.





Inadequate timeframes risk disadvantaging participants with more complex operational constraints. The AEMC should therefore be cautious when imposing time limits on claims that may be very material in both size and complexity.

### **Aligning supporting information requirements**

Delta agrees there is value in aligning supporting information requirements across compensation frameworks. This would:

- improve transparency;
- reduce administrative burden; and
- provide clearer guidance to participants considering future claims.

### **AEMO determining eligibility for other compensable services**

Delta supports AEMO's proposal to remove the separate process for determining eligibility for "other compensable services" under cl. 3.15.7A(a)-(d). The assessment of whether a service is compensable should be conducted together with the assessment of the costs of the claim itself.

### **Consolidating compensation frameworks into a single rule**

Delta sees merit in consolidating compensation frameworks under a single NER clause, provided:

- the unique features of each framework are preserved;
- consolidation reduces ambiguity rather than increasing it; and
- the overarching objective of maintaining incentives for participation remains central.

If implemented carefully, consolidation could reduce regulatory burden and improve consistency.

### **\$0/MWh price floor for scheduling error compensation**

Delta has no specific objection to a \$0/MWh price floor for scheduling error compensation, provided it does not distort commercial incentives, is consistent with the objectives of the compensation frameworks, and is clearly integrated with the IESS rule amendments.

However, a uniform \$0/MWh floor risks failing to account for the operational characteristics of storage assets. Delta supports an approach whereby scheduling error compensation reflects the fair value of the resource at the time of the error, capturing lost profit from either foregone generation or foregone charging/pumping for storage assets.

### **Assessment criteria**

Delta supports the proposed assessment criteria, with the caveat that the objectives of the compensation frameworks must remain central to decision-making. In particular, the criteria should strongly reflect:

- the objective of maintaining incentives for participation;
- allocative efficiency of resources; and
- the need for reasonable compensation, including opportunity costs.

Delta's experience from 2022 indicates a disconnect between what has been deemed "sufficient incentive" under the APC framework and what market participants consider sufficient in practice. Addressing this disconnect should be a key outcome of this rule change process.





Thank you for your consideration. Please contact me at [joel.aulbury@deltapae.com.au](mailto:joel.aulbury@deltapae.com.au) should you wish to discuss any aspects of this submission.

Yours sincerely,

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ACTING ENERGY MARKETS RISK MANAGER**

