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Lodged online via www.aemc.gov.au

RE: Improving Compensation Frameworks — ERC0425

Neoen welcomes the opportunity to respond to the AEMC's consultation paper on the National Electricity Amendment (Improving Compensation Frameworks) Rule (19 March 2026).

As you may be aware, Neoen is a specialist independent power producer, now owned by Brookfield, with a long term vision to produce renewable, competitively priced energy sustainably and at scale. With 8.4 GW in operation or under construction globally, we are targeting 10 GW by 2030. In Australia, Neoen has approximately 2.3 GW of BESS in operation or under construction. The compensation frameworks under consideration in this rule change directly affect how we invest in and operate these assets, and it is from that operational experience that this submission is made.

Fundamentally, we agree that current compensation frameworks should be updated to ensure they are fit-for-purpose given the increased reliance on directions in recent years to manage volatility in the power system. Specifically, we are concerned that the ability of the market operator to fall back on directions if required may be limiting the negotiation of fair commercial arrangements to contract required services (such as Minimum System Load). Furthermore, as the current settings were not envisaged for assets such as batteries (operating as both a load and a generator), directed assets risk being significantly under-compensated.

Question 1: How should upfront compensation be calculated?

We do not support the application of a VWAP-based methodology to battery storage assets. VWAP is not merely imprecise for BESS, it is the wrong framework. A BESS derives its commercial value from price arbitrage across intervals, not from energy volume. A regional VWAP calculated across a rolling period bears no meaningful relationship to what a particular battery would have earned on a given day.

BESS compensation should be based on actual market prices and demonstrated lost opportunity cost. The appropriate methodology is a counterfactual approach: comparing actual market outcomes across both the direction window and the post-direction state-of-charge (SOC) restoration window against the operating trajectory forecast by the most recent pre-dispatch run published before the direction was issued.

Critically, the methodology must account for post-direction SOC restoration losses. When a BESS exits a direction period at a materially different SOC than its pre-direction plan, it must restore that SOC at less

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favourable prices and suffers reduced discharge capability in subsequent high-price periods. This compounding loss is inherent to storage assets and is absent from any VWAP-based framework.

Question 4: Should cost recovery calculations apply to all trading intervals in which directions apply?

The full opportunity cost of an MSL-type direction spans both the negative-price charging window and the subsequent high-price discharge window. Any methodology that captures only the immediate direction interval will systematically under-compensate battery operators. The compensation guidelines must explicitly recognise this full-window loss profile for storage assets directed to charge.

Questions 5 and 6: How should AEMO and the independent expert receive and assess claims? What improvements can be made to the independent expert process?

The root cause of the current issues are that the current compensation methodology was not designed for the full range of direction types now being deployed, and there is no obligation on AEMO to remedy this proactively. Where it is clear the standard methodology will not produce adequate outcomes for a particular direction type emerging consistently (MSL being the most obvious current example) AEMO should be required to convene the independent expert and industry stakeholders in advance to agree a fit-for-purpose methodology before that direction type is deployed at scale. That methodology, once published, would apply consistently to all affected participants for all subsequent events of that type, replacing the current situation where participants construct bespoke claims from first principles while multiple independent experts reach inconsistent conclusions.

The overarching principle should be simple: directed asset owners are kept whole. Compensation should be pegged to the real spot prices the asset could no longer respond to as a result of the direction during the direction window and through the post-direction restoration period. The current vagueness in how opportunity costs are assessed routinely produces outcomes that fall well short of this standard. This principle should be stated explicitly in the compensation guidelines, with the counterfactual methodology as its practical example for battery energy storage assets.

Question 8: Do stakeholders see value in aligning supporting information requirements?

Yes, consistency over the supporting information requirements, as well as greater guidance on the process, would reduce the administrative burden felt by smaller participants and ensure fair and equitable outcomes between participants while improving the efficiency of the review process.

Question 11: Do stakeholders see merits that outweigh costs in consolidating the drafting of the compensation frameworks under a single NEM clause?

Yes, we do not think that claims should be rejected because they make a claim under the wrong clause or another sort of administrative issues. Combining both clauses would be an effective way of meeting this objective. The benefits and increased investor and developer confidence in the system would outweigh the costs in updating the NEM clause.

We look forward to engaging with the AEMC and other relevant stakeholders further on these initiatives. For further clarification please contact Max Collins at max.collins@neoen.com in the first instance.