AEMC
Australian Energy Market Commission

INFORMATION

Improving Compensation Frameworks

We are seeking feedback on a draft determination and draft rule to improve compensation frameworks

On 9 July 2026, the Australian Energy Market Commission (AEMC) published a draft determination and more preferable draft rule to improve compensation frameworks in the National Electricity Market (NEM).

The draft rule proposes a suite of amendments to improve how compensation is assessed and administered across directions, market suspension, and administered pricing. These changes would clarify the rules, improve consistency across frameworks, and provide clearer, more predictable processes for participants. The draft changes are summarised in Attachment A.

Well-functioning compensation frameworks are critical to maintaining participant confidence during periods of market intervention. By strengthening these frameworks, the draft rule aims to support reliability and security in the NEM by ensuring participants are appropriately compensated for providing energy and other services during system and market stress events.

The draft rule largely implements recommendations from the AEMC's 2024 review into compensation frameworks. The AEMC has also made a draft determination on other proposals from rule change requests submitted by AEMO and Tilt Renewables.

Key elements of the draft rule include:

- improving the calculation of compensation by introducing a consistent methodology across frameworks
- allowing opportunity costs to be claimed across all compensation frameworks
- introducing clearer and more consistent governance and administrative processes
- improving alignment in cost recovery arrangements and supporting information requirements.

We welcome submissions to the draft determination by 3 September 2026.

We are proposing draft changes that align with feedback to the review

This rule change follows the AEMC's review into compensation frameworks, initiated after the June 2022 energy crisis, where extreme market conditions led to administered pricing, directions, and the suspension of the market. The review identified the need for clearer, more consistent, and more efficient compensation frameworks. It recommended improving transparency, aligning methodologies, and reducing unnecessary complexity across the frameworks.

Stakeholder feedback to both the review and consultation paper has informed the development of the draft rule, with broad support for improving clarity, predictability and alignment across compensation frameworks.

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Attachment A: Summary of draft rule policy positions

Table 1: Summary of policy positions

POLICY ISSUE	AEMC REVIEW RECOMMENDATION	AEMO'S/TILT'S RULE CHANGE REQUEST POSITION	DRAFT POSITION
Objectives for compensation frameworks	Add a directions compensation objective for participants to be compensated for complying with directions	As per review	As per review
Preliminary compensation for directions and market suspension	Use a 12-month volume-weighted average price (VWAP) by technology and region	Use a 12-month VWAP plus a fixed cost adjustment (FCA)	As per review
Compensable direct costs	Introduce a consistent list of direct costs across frameworks	As per review	As per review
Opportunity costs	Allow opportunity costs to be claimed under all compensation frameworks	As per review	As per review
Assessment of administered pricing compensation	Administered pricing compensation assessed per-unit and on a per-trading-interval basis	As per review	As per review
Administered pricing compensation cost recovery	Costs allocated on a per-trading-interval basis, with addidional clarity for when the Administered Price Cap (APC) binds in multiple regions	As per review	As per review
Cost recovery for 'capacity directions'	'Capacity directions' compensation to be recovered solely from consumers	Tilt: Recover costs for 'capacity directions' from consumers AEMO: Retain status quo, with no rules definition of 'capacity directions'	As per AEMO's rule change request
Directions compensation cost recovery	(No recommendation)	Directions compensation cost recovery based on all trading intervals with directions	As per rule change request
Reception and assessment of claims	AEMO to receive and, with the independent expert, assess all compensation claims	As per review	As per review
Minimum threshold for compensation claims	(No recommendation)	Apply a $10,000 threshold to all compensation claims	As per rule change request
Claim assessment costs	(No recommendation)	AEMO can recover costs from the claimant	Claim assessment costs recovered from all cost recovery market participants (CRMPs)
Role and selection of the independent expert (IE)	AEMO and the IE should assess claims, and the IE should assess all opportunity cost claims. Further consideration is needed on selection	AEMO refers all opportunity cost claims, complex claims, and claims above $50,000 to the IE	As per rule change request. In the case of objections, AEMO appoints a new IE from a panel of available and qualified IEs
Time limit for claims	Consistent 60 business day time limit for all claims	Consistent 33 business day time limit for all claims	As per review
Information standards for claims	Introduce standards for supporting information for administered pricing compensation claims and harmonise frameworks	As per review	As per review
Eligibility assessment	(No recommendation)	Remove specific requirements for an eligibility assessment as this forms part of the	As per rule change request

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POLICY ISSUE	AEMC REVIEW RECOMMENDATION	AEMO'S/TILT'S RULE CHANGE REQUEST POSITION	DRAFT POSITION
		compensation assessment	
Cost recovery reporting	(No recommendation)	Remove requirements to estimate cost allocation by registered participant category	Replace requirement for AEMO to estimate cost allocation by registered participant category with reporting cost recovery by cost recovery market participants (CRMPs)
Scheduling error compensation	(No recommendation)	Tilt: Apply a $0/MWh price floor for the consideration of compensation for scheduling errors Not addressed in AEMO's rule change request	Do not progress with Tilt Renewables' proposal for a $0/MWh floor to apply to compensation claims for scheduling errors