3 September 2026

Australian Energy Market Commission (AEMC)

Via AEMC website: www.aemc.gov.au

Improving compensation frameworks – Draft determination

Alinta Energy welcomes the opportunity to provide feedback on the 'Improving compensation frameworks' draft determination.

We welcome the Commission's efforts to enhance how compensation is assessed and administered across directions, market suspension and administered pricing. In principle, we support the adoption of a volume-weighted average price (VWAP) methodology for preliminary compensation in lieu of the existing 90th percentile approach. However, our primary concern is the Commission's proposal to set the VWAP at the administered price cap (APC). We consider that this fails to reflect historical dispatch outcomes and risks under-compensating participants during periods of volatility.

Our key points are set out below, followed by our detailed response.

Alinta Energy's key points:

Volume-weighted average price methodology

- **The volume-weighted average price methodology should not be capped at the administered price cap.**

Opportunity costs

- **We support allowing opportunity costs to be claimed across all compensation frameworks.**

Volume-weighted average price methodology

The volume-weighted average price methodology should not be capped at the administered price cap.

In principle, Alinta Energy is supportive of the Commission's proposal[1] to implement a VWAP for preliminary compensation by technology and region. However, while we support the adoption of a VWAP methodology, we hold concerns that setting the VWAP at the APC conflicts with the Commission's stated objective of improving cost reflectivity of preliminary compensation.[2] In periods following sustained volatility, historical dispatch outcomes may produce a VWAP above the APC, reflecting the revenues participants would have earned

[1] Draft determination, p.14.
[2] Draft determination, p.14.

without intervention.

Setting the APC as a cap to the VWAP prevents preliminary compensation from reflecting observed market outcomes, posing a risk that participants will be under-compensated in the circumstances where precise compensation is most essential.

We note the Commission recognises that:

> "*Some stakeholders considered that the VWAP should not be capped at the APC, as the VWAP should reflect historical dispatch outcomes and could result in under-compensation. Supported by analysis of VWAPs over 2025,* ***we do not expect that, in practice, the VWAP would often be capped*** *at the APC and do not consider this cap would result in systematic under-compensation*".[3]

If, as the Commission suggests, historical data implies the VWAP would only infrequently exceed the APC, then the practical value of retaining the APC is limited. In the limited circumstances in which the cap would bind, this would reflect the fact that a VWAP exceeds the APC in historical pricing and dispatch outcomes. Inhibiting the ability for preliminary compensation to represent actual outcomes in the market therefore undermines the very basis for implementing a VWAP approach.

Whilst the Commission notes the potential for perverse incentives[4] if the APC is not applied, if the cap is anticipated to apply infrequently, this risk appears remote. Contrastingly, if the cap *is* applied, it introduces a tangible risk of under-compensation and raises the probability that participants would need to seek further claims for compensation to recover costs. This is likely to increase both the amount and value of ensuing compensation claims, thus re-allocating costs from the preliminary compensation process to more complicated claim assessment processes, adding administrative burdens for both claimants and assessors. Ultimately, this would undermine the contributions of the draft rule towards improving market efficiency and minimising costs and complexity.[5]

Opportunity costs

We support allowing opportunity costs to be claimed across all compensation frameworks.

The ability for participants to claim opportunity costs is a key aspect of an effective compensation framework. Applying this uniformly across all types of intervention will bolster confidence from participants that costs incurred can be recovered.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact Isidora Stefanovic at isidora.stefanovic@alintaenergy.com.au.

Yours sincerely,

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[3] Bolded for emphasis. Draft determination, p.18.
[4] Draft determination, p.18.
[5] Draft determination, p.vii.