Your ref. ERC0425

1 September 2026

The Project Manager
Improving Compensation Frameworks
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted online at: [Lodge a submission | AEMC]

Dear Project Manager

SUBMISSION: DRAFT DETERMINATION IMPROVING COMPENSATION FRAMEWORKS RULE CHANGE

CS Energy welcomes the opportunity to provide a submission in response to the Draft Determination on the proposals to improve the *National Electricity Rules*' (**Rules**) compensation frameworks (**Draft Determination**).

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the State's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland. CS Energy is developing a 400 MW gas-fired peaking generator at Brigalow near Kogan Creek in Queensland.

Key recommendations

CS Energy in general supports the proposed amendments to the compensation frameworks. We have comments on four matters.

The application of the Volume Weighted Average Price (**VWAP**) methodology is a significant improvement. CS Energy supported the Australian Energy Market Operator's (**AEMO's**) proposal for the VWAP to be complemented by a fixed cost adjustment to compensate participants for unit start-up and minimum generation costs. We had noted before VWAP still could result in compensation payments that do not reflect the full costs incurred by participants subject to an intervention.

Brisbane Office
PO Box 2227
Fortitude Valley BC Qld 4006
Phone 07 3854 7777

Callide Power Station
PO Box 392
Biloela Qld 4715
Phone 07 4992 9329

Kogan Creek Power Station
PO Box 41
Brigalow Qld 4412
Phone 07 4665 2500

CS Energy Ltd ABN 54 078 848 745 www.csenergy.com.au

The Draft Determination observes fixed cost adjustment in preliminary compensation would increase the risk of over-compensating participants at the expense of consumers who have “no mechanism to claim back over-compensated amounts”. CS Energy agrees it would be inequitable in these circumstances to place this risk on consumers and accepts the requirement to seek any fixed cost adjustments through additional compensation claims.

A key problem with the compensation frameworks is their separate lists and definitions of direct costs to be considered in determining participants’ compensation. The draft Rule sensibly provides a sound, common and non-exhaustive list of direct costs:

- energy input costs;
- operating and maintenance costs directly attributable to the relevant pattern of operation to provide services, including acceleration or delay costs of maintenance work;
- wear and tear directly attributable to the relevant pattern of operation; and
- other costs incurred in connection with the relevant claimant operating during the intervention.

The Draft Determination notes that clause 3.12.2(a1) of the Rules provides another statement of direct costs for compensating participants who were affected by, but not subject to, a direction. CS Energy agrees the Draft Determination’s common statement of direct costs should replace the costs listed in clause 3.12.2(a1).

The recognition of opportunity costs is a core benefit offered by the proposed Rules. The draft Rule defines “opportunity costs” as “the value of opportunities forgone by the relevant *Market Participant* as a result of the relevant compensation events, as defined in the *Compensation Guidelines*”. We note the timetable for implementing the Rule changes provides for opportunity costs to be claimable across frameworks from 15 October 2027. CS Energy encourages the AEMC to consult at the earliest opportunity on amendments to the *Compensation Guidelines* “based on learnings from assessing opportunity cost claims from June 2022”.

Last, the draft Rules provide a maximum of 60 business days for participants to lodge compensation claims. This contrasts with the current 33 business day limit. CS Energy considers the proposed additional time is warranted. The preparation of a compensation claim for opportunity costs is likely to be more complex than preparing a claim for direct costs only.

We understand AEMO wants the Rules to retain the current 33 business day limit for participants to lodge compensation claims because of a concern about the interaction of the compensation framework’s operation with the functioning of the settlements process. CS Energy manages its settlements and reconciliation process for compensation on an ad hoc basis rather than within its business-as-usual process. It would be useful to understand the practical reasons that would prevent AEMO from a applying a similar approach. We are concerned because we would not consider it reasonable for a manageable administrative issue, for example, to adversely affect our ability to prepare a rigorous compensation claim. It is important to recognise participants have strong financial incentives to prepare and lodge compensation claims as soon as possible. They will not draw out the process longer than necessary to properly prepare a claim.

CS Energy notes that over time participants might become familiar with common types of opportunity cost claims. This would increase the speed with which they can prepare and lodge a claim. Nonetheless, we consider it is important to allow time for more complex events to be analysed and compensation claims made.

If you would like to discuss this submission, please contact Don Woodrow, Market Policy Manager, on either 0407 296 047 or dwoodrow@csenergy.com.au.

Yours sincerely

Dr Alison Demaria
Head of Policy and Regulation