Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

3 September 2026

To Ms Collyer,

Improving compensation frameworks – Draft determination

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission's (Commission) draft determination on improving compensation frameworks in the National Electricity Market (NEM).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE is supportive of the Commission's proposed reforms to compensation frameworks and agrees that harmonisation across the frameworks would improve clarity and streamline governance. ENGIE agrees that well-functioning compensation frameworks are important for providing participants with certainty and confidence on cost recovery following market disruptions.

Calculation of compensation payments

Preliminary compensation based on volume-weighted average prices

ENGIE supports alignment of the calculation of preliminary compensation across the different compensation frameworks. ENGIE is comfortable with the Commission's proposed volume-weighted average price (VWAP) methodology and is particularly supportive of the VWAP calculations excluding specific periods (i.e. those with active directions, market suspension, or administered pricing) due to the associated distortions on the benchmark calculation.

The draft rule proposes to apply different VWAPs that are specific to the technology, region, and generation/consumption categories. While ENGIE appreciates that this methodology may result in more targeted preliminary compensation amounts, there is a risk that segmenting the VWAPs in this manner could result in distorted results where there is a lack of benchmark plants or if there is no historical data on the relevant technology type. ENGIE acknowledges that the proposed use of a regional VWAP in instances where there is insufficient data will partly mitigate this risk.

Harmonising the definitions of direct costs and opportunity costs across compensation frameworks

As the proposed VWAP methodology retains a risk of under-compensation from the use of benchmarks, ENGIE supports the retention of additional compensation claims, including for both direct costs and opportunity costs. ENGIE supports the Commission's proposal to harmonise the direct costs that can be claimed across the three key compensation frameworks.

While the non-exhaustive list of direct costs in the draft rule will likely cover most types of direct costs, ENGIE would support the Australian Energy Market Operator (AEMO) developing Procedures that set out guidance on other direct costs reasonably incurred in connection with the relevant resource. This approach would provide greater flexibility and ability for AEMO to expand the detail of acceptable direct cost claims. ENGIE notes that in the past it has had to provide the same explanations of why it sought compensation for direct costs on multiple occasions, as different independent experts have been appointed.

As part of any AEMO Procedure or guidance, in addition to AEMO publishing its assessment of direct cost claims from participants, ENGIE would support AEMO providing a running consolidation of approved direct cost claims. This would provide a greater level of knowledge and transparency across industry on the scope of direct cost claims and the types of direct cost categories that may or may not be accepted in a claim.

Opportunity costs to be claimed across the compensation frameworks

ENGIE supports the Commission's proposal to allow opportunity costs to be claimed across the three compensation frameworks and ensuring consistent treatment to compensation for opportunity costs. ENGIE considers that this is a sensible change that addresses the identified perverse incentives under the current frameworks, where a participant may be incentivised to seek one form of compensation over another.

Assessment of administered pricing compensation on a per-trading interval and per-unit basis

ENGIE supports the Commission's proposed treatment of administered pricing compensation, which would result in a more targeted assessment and avoid the current perverse outcomes where compensation for losses in one trading interval or by one unit can be reduced due to profits obtained in another trading interval or by another unit.

Streamline the governance and administration of the compensation frameworks

ENGIE supports the Commission's nine proposed administrative and governance changes. ENGIE agrees with administrative and governance arrangements being aligned across all compensation frameworks. This approach will reduce regulatory burden and simplify the process for compensation claims. ENGIE supports a quick resolution to compensation claims and is comfortable with a unified 60-business day limit for the submission of all types of compensation claims.

Objective for directions compensation

As noted in its submission to the Commission's 2024 review into compensation frameworks, ENGIE has extensive experience in the directions regime and supports the introduction of a clear objective for the directions compensation framework.[1]

Concluding remarks

ENGIE supports the Commission's draft rule and appreciates the Commission's work over several years to review and improve the efficiency of compensation frameworks. Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0436 929 403.

Yours sincerely,

Matthew Giampiccolo

Matthew Giampiccolo
Manager, Regulation and Policy

[1] ENGIE 2024, Submission to Draft Report – Review into electricity compensation frameworks (EPR00095), September, p. 1.