NEOEN

Max Bonic
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000
Lodged online via www.aemc.gov.au/contact-us/lodge-submission

RE: Improving Compensation Frameworks Draft Determination

Dear Mr Bonic,

Neoen Australia welcomes the opportunity to respond to the Commission's draft determination and draft rule for ERC0425, published on 9 July 2026.

Neoen has invested over $9 billion in Australia to-date, and currently operates 22 assets across the country, including 2.7 GW / 9.1 GWh of battery storage. Given this significant investment in battery storage, we support the Commission's objective to implement clearer, more predictable compensation frameworks, and strongly support extending opportunity cost as a claimable component of compensation for directions.

We remain concerned, however, about the implementation schedule proposed for these critical reforms. Given the impacts are already being seen in the market, as outlined in further detail below, we consider any further delay unacceptable and we strongly urge the AEMC consider opportunities to expedite implementation.

The existing problem

The draft rule change is not addressing a theoretical future problem—it is addressing a real and present gap in the rules.

As you are aware, Neoen's Blyth battery in South Australia has been directed by AEMO on four occasions since December 2025 to manage Minimum System Load conditions. In all cases the asset has received zero or near-zero compensation. Claims have been knocked back on procedural grounds and on the basis that the value lost by a BESS forced to sit empty during the lowest price times in the lead-up to the evening peak (highest price times) is not claimable—precisely the kind of loss opportunity cost compensation is intended to capture. We are also aware that assets operated by other parties have experienced similar outcomes.

Further, it must be noted that this exposure is not limited to short, one-off weekend and public holiday directions of modest impact. The Heywood Interconnector has experienced extended unplanned outages before. Were similar scenarios to arise during the upcoming Spring, AEMO would likely require South Australian batteries to maintain MSL conditions for the duration. Based on claims to date, operators in that position would have no realistic path to compensation, and the financial exposure arising from a single event could run into the millions of dollars.

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The timeframe to address the existing problem

The draft rule places opportunity cost compensation for directions in Schedule 2, commencing 15 October 2027, 12 months after the final rule is made (and 18 months after the process was initiated). We do not accept this timeframe.

Given a rule change is required to introduce opportunity costs as claimable, it is now certain these costs cannot be claimed until October 2027. A further year long wait is not a neutral outcome: it is 12 additional months in which private investment can be directed to provide a service under a framework that, as our own experience shows, effectively has zero prospect of compensation and creates genuine losses for those assets.

We understand the draft determination considers the inclusion of opportunity costs will require updates to AEMO's processes for assessing and referring claims, and as such a 12-month delay is required. We do not agree.

New clause 3.15.7A(g1) defines opportunity costs incurred by a Directed Participant by direct reference to the existing Compensation Guidelines made under clause 3.14.6(e). New clause 3.15.7A(j)(1A) requires the Independent Expert (IE) follow those guidelines "to the extent applicable". While the guidelines were written with administered pricing in mind, not directions, the draft rule already accounts for this: the IE is only required to follow them “to the extent applicable”, and the IE is expressly permitted to have regard to any other information relevant to their assessment. Therefore, we consider an update to the guideline should not be required before a directions claim for opportunity costs can be assessed. The substantive process step required is AEMO referring eligible claims to an IE, which is a straightforward extension of a referral process that already exists. We would welcome the Commission's explanation of what additional work the remaining 12 months is intended to cover, as it is not apparent from the draft rule.

Request

Private investment flows to batteries precisely because the technology is required to manage changing and volatile market conditions. It is increasingly difficult to justify further investment when these same assets are left most exposed by the compensation framework intended to support these volatile and unexpected conditions. The prospect of being directed to provide services critical to maintaining the system without compensation kills the investment case before it starts. If the compensation framework cannot be relied upon, the incentive to invest in what the system needs disappears.

Given the above, we ask the Commission to bring forward the commencement of opportunity cost compensation for directions claims. If the Commission is not prepared to accelerate the schedule across all directions, we would ask that MSL directions be carved out and treated as a special case, with opportunity cost explicitly claimable from 1 October 2026 to capture as much of the high-risk shoulder period as possible.

We look forward to engaging further with the AEMC, AEMO and other relevant stakeholders on this important issue. For further clarification, please contact Max Collins (max.collins@neoen.com) in the first instance.