Australian Energy Market Commission

AEMC
Australian Energy Market Commission

RULE

Rule determination

National Electricity Amendment (ERC0425 Improving Compensation Frameworks) Rule 2026

Proponents

AEMO
Tilt Renewables

15 October 2026

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



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Executive Summary

1 The Australian Energy Market Commission (AEMC or Commission) has made a more preferable final rule (final rule) to improve compensation frameworks in the National Electricity Market (NEM). The final rule will improve the method and processes for assessing and calculating compensation, clarify the existing compensation rules, and increase alignment across the compensation frameworks.

2 Well-functioning compensation frameworks for directions, market suspension, and administered pricing are crucial to the effective operation of the market. This allows participants to have confidence in the compensation arrangements, and continue to provide the energy and other services the market needs during periods when interventions apply.

3 The final rule is based on the recommendations from the AEMC's review of the compensation frameworks following the 2022 energy crisis. The review, completed in 2024, assessed all the compensation frameworks and conducted extensive stakeholder engagement to identify appropriate improvements. Following completion of the review, the Australian Energy Market Operator (AEMO) submitted a rule change request largely seeking to implement these recommendations. Tilt Renewables also submitted two rule change requests related to compensation, and we have consolidated these requests with AEMO's to form one rule change project.

4 We have considered stakeholder submissions to our draft rule and determination. We have made several changes to the final rule as a result, including to:

- change the time limit for compensation claims to be lodged from 60 to 40 business days
- extend the implementation timelines
- broaden the definition of eligibility for directions compensation.

This final rule follows our 2024 review into the compensation frameworks

5 In June 2022, the NEM experienced extreme volatility and AEMO suspended the market. This stress-tested the calculation, processes, and administration of all three compensation frameworks. The AEMC subsequently self-initiated a review into compensation frameworks (compensation review), which we completed on 12 December 2024.

6 The rule change request from AEMO largely sought to implement the recommendations from this review with several key differences, which are described throughout this document. Stakeholder feedback to this review has also informed our policy thinking in this rule change.

7 The review, in consultation with stakeholders, arrived at a suite of recommendations that collectively sought to:

- ensure the frameworks provide the right objectives and correct incentives to support reliability and security during times of system and market stress
- provide clear and transparent methodologies that support the objectives and promote efficiency and effectiveness
- streamline governance, reducing unnecessary complexity and inconsistencies
- provide predictable and administratively simple compensation regimes, including through alignment where practicable.

8 This final rule has retained the same objectives and largely implements the suite of specific recommendations from the review, where included in AEMO's rule change request. The final rule

will improve outcomes for consumers by fostering higher levels of confidence among participants to provide the services the market needs in periods of stress.

We are making changes that align with feedback to the review

9 On a number of issues, the final rule reflects broad alignment among stakeholders across several rounds of consultation and implements the rule change as proposed in AEMO's rule change request.

10 The full list of positions taken in this final rule is provided below in Table 1. The final rule aligns with both the rule change requests and the review recommendations in these respects:

- introducing a formal objective for directions compensation
- harmonising calculation of compensation across frameworks, including allowing opportunity costs to be claimed for all compensation
- assessing, and recovering costs for, administered pricing compensation on a per-unit and per-trading-interval basis, with additional clarity for when the APC binds in multiple regions
- AEMO will receive and assess claims across all frameworks
- harmonising standards for supporting information across frameworks.

11 These positions reflect the extensive consultation with stakeholders conducted through the review and so far in this rule change process.

12 There are a number of issues the review did not address, but have been raised in one of the rule change requests. Furthermore, AEMO's rule change request included some divergences from the review recommendations. We consulted with stakeholders on these differences.

13 Areas where there was not broad agreement from stakeholders, or the rule change requests diverged from the review recommendations, are discussed in more detail in this document. These are:

- the calculation of compensation using a volume-weighted average price
- cost recovery arrangements, including for 'capacity directions'
- governance and administrative matters, including the processes related to the appointment of an independent expert.

The rule is a collection of small amendments

Table 1: Summary of policy positions

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final 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	As per draft
Preliminary compensation	Use a 12-month volume-weighted	Use a 12-month VWAP plus a fixed	As per review, but with a cap at	As per draft, but with no APC cap

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
for directions and market suspension	average price (VWAP) by technology and region	cost adjustment	the administered price cap (APC)	
Compensable direct costs	Introduce a consistent list of direct costs across frameworks	As per review	As per review	As per draft
Opportunity costs	Allow opportunity costs to be claimed under all compensation frameworks	As per review	As per review	As per draft
Assessment of administered pricing compensation	Administered pricing compensation assessed per-unit and on a per-trading-interval basis	As per review	As per review	As per draft
Administered pricing compensation cost recovery	Costs allocated on a per-trading-interval basis, with additional clarity for when the Administered Price Cap (APC) binds in multiple regions	As per review	As per review	As per draft
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' or specific cost recovery arrangements	As per rule AEMO's change request	As per draft
Directions compensation cost recovery	(No recommendation)	Directions compensation cost recovery based on all trading intervals with directions	As per rule change request	As per draft
Reception and assessment of	AEMO to receive and, with the independent	As per review	As per review	As per draft

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
claims	expert, assess all compensation claims			
Minimum threshold for compensation claims	(No recommendation)	Apply a $10,000 threshold to all compensation claims	As per rule change request	As per draft
Claim assessment costs	(No recommendation)	AEMO can recover assessment costs from the claimant	Claim assessment costs recovered from all cost-recovery market participants (CRMPs)	As per draft
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	As per draft, except the objections process is removed and additional safeguards on the selection of IEs are added
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	Consistent 40 business day time limit for all claims
Information standards for claims	Introduce standards for supporting information for administered pricing compensation claims and harmonise frameworks	As per review	As per review	As per draft
Eligibility assessment	(No recommendation)	Remove specific requirements for an eligibility assessment as this forms part of the compensation assessment	As per rule change request	As per draft
Cost recovery reporting	(No recommendation)	Remove requirement to estimate cost allocation by	Replace requirement for AEMO to estimate cost	As per draft, with more comprehensive requirement for

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
		registered participant category	allocation by registered participant category with reporting cost recovery by cost recovery market participants (CRMPs)	AEMO to report on cost recovery for directions
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	As per draft

Our final rule harmonises and improves the calculation of compensation payments

14 The review recommended that preliminary compensation for directions and market suspension be calculated using a volume-weighted average price (VWAP) methodology. This would be a change from the existing methods of using the 90th percentile of spot prices for directions and a benchmarking approach for market suspension.

15 Broadly consistent with the review and AEMO's rule change request, under the final rule preliminary compensation will be based on the rolling 12-month VWAP for each technology and region. This will improve the likelihood of upfront compensation being reflective of the costs to participants of providing energy or other services under direction or during a market suspension. In turn, this improves the ability for preliminary compensation to meet the respective compensation objectives.

16 Unlike the draft rule, the preliminary compensation will not be capped at the APC. We consider the VWAP is a good proxy for costs, and as such an APC cap risks under-compensating participants when costs are high. When costs are low, this cap would not bind. Therefore, the APC cap introduces risk while providing little benefit.

17 We consider the VWAP methodology is appropriate for all plant operating in the NEM. This is inclusive of storage, as there will be separate VWAPs for generation and consumption to allow for preliminary compensation to reflect the most relevant costs for storage.

18 Furthermore, the final rule harmonises the definitions of direct costs across compensation frameworks and allows opportunity costs to be claimed in all compensation frameworks. These changes allow participants to be appropriately and consistently compensated across frameworks,

while also reducing incentives for participants to favour one form of compensation over another.

19 The final rule allows administered pricing compensation to be calculated in a more targeted manner. Specifically, administered pricing compensation will be assessed on a per-trading-interval basis (instead of over an eligibility period) and on a per-unit basis (instead of across a portfolio). This mitigates perverse incentives that do not align with the administered pricing compensation objective to maintain incentives to supply services.

20 In response to stakeholder feedback, and following recent developments in the treatment of compensation for directions related to minimum system load, we have also broadened the eligibility of participants for compensation to include all participants that have taken action to follow a direction.

Our final rule changes the cost recovery process

21 Consistent with the change to assess administered pricing compensation in a more targeted manner, the final rule will amend the corresponding cost recovery process to allocate costs on a trading interval basis. Additionally, the final rule clarifies how costs for administered pricing compensation should be allocated where there are multiple affected regions. Currently, the National Electricity Rules (NER) only anticipate there would be one affected region for an administered pricing period.

22 The final rule also clarifies that directions compensation costs are allocated based on intervention trading intervals, instead of intervention price trading intervals as per the current rules. Intervention price trading intervals are a subset of intervention trading intervals where intervention pricing is used to set spot prices. Therefore, the final rule addresses the lack of clarity under the current NER on how costs should be recovered when intervention pricing does not come into effect during a direction.

23 In response to Tilt Renewables' rule change request, we are not making changes to cost recovery for 'capacity directions'. The theoretical efficiency benefits of allocating costs solely to the beneficiaries of these directions are likely to be minimal, as these directions are rarely used. Furthermore, this would require the introduction of a new classification of direction that does not currently exist. The specific parameters of this are unclear, and thus there are practical limitations meaning these benefits would not be realised and are outweighed by administrative burden and complexity.

Our final rule will streamline and improve governance and administrative arrangements

24 Stakeholder feedback in both the review and the consultation stage for this rule change highlighted the importance of transparency, clarity, and alignment across compensation frameworks. This objective is reflected in our changes to the governance and administrative arrangements.

Our final rule introduces consistent thresholds for all frameworks

25 Our final rule makes a number of changes to align and clarify the governance and administrative arrangements for compensation.

26 AEMO proposed to recover the administrative costs of assessing claims from the claimant. However, we consider this places undue burden on the claimant who has complied with a direction. Our final rule introduces an objective for directions compensation that the framework

should fully compensate claimants for costs incurred in following a direction. We have therefore not adopted AEMO's proposal in the final rule.

27 All market participants benefit from an effectively functioning and transparent compensation framework. Therefore, our final rule requires that administrative costs for assessing claims be recovered from all cost recovery market participants (CRMPs).

28 As AEMO proposed, our final rule raises the minimum threshold for compensation claims from $5,000 to $10,000. This reflects the growth in administrative costs from when they were originally set in 2005. We agree with AEMO's proposal that the threshold should reflect claim processing costs and reduce administrative burden, and therefore requires updating.

We have changed the role and selection of an independent expert

29 Our final rule introduces three consistent criteria by which a claim can be referred to an independent expert (IE). AEMO:

- may refer complex or difficult claims
- must refer opportunity cost claims
- must refer claims above a threshold of $50,000.

30 These criteria are consistent across all frameworks and thus meet the broader objectives of simplifying and aligning the compensation frameworks. This approach balances minimising administrative burden and assessment costs with assigning the assessment to the party best placed to make it.

31 Our final rule allows AEMO to refer complex and difficult claims to an independent expert. This ensures complex claims are assessed with the expertise required, improving the chance of accurate claims. Furthermore, particularly in the infancy of these frameworks, this will improve understanding of new processes and the calculation of opportunity costs under the new guidelines.

32 Participants will no longer have the right to object to an IE that AEMO has appointed. This function has never been used and uses valuable time. This time saving is reflected in the updated 40 business day time limit to submit a claim.

33 AEMO recommended a consistent threshold of $50,000 for the referral of claims to the IE. This differs from the review recommendation, which had different thresholds across the frameworks.

34 Our final rule implements AEMO's recommendation, as this threshold should be broadly reflective of the costs associated with the IE assessment of the claim. Since no framework has inherently higher costs as they all vary significantly from case to case, we have aligned the thresholds across frameworks. This supports the broader objective of improved alignment and clarity. We assessed that $50,000 is appropriate, given the likely costs of an assessment by the IE.

We have made other administrative changes

35 We have made additional amendments to improve alignment and clarify processes. These include:

- Increasing time limits for claims to a consistent 40-business-day time limit across all frameworks. This improves alignment across frameworks, increases the time limit for participants, and appropriately balances time for claimants to accurately submit a claim with the potential costs and risks of not allowing AEMO and the IE sufficient time to process a claim before the 30-week settlement timeframe required in the rules.

- Removing the requirement for AEMO to do an eligibility assessment. This provision is duplicative, as an eligibility assessment is linked to an assessment of the cost of the claims and is therefore already assessed. AEMO will now have to notify participants if they are not eligible for preliminary compensation.
- Clarifying that all participants who take action to follow a direction are eligible for directions compensation, unless otherwise specified by the compensation guidelines.
- Amending AEMO's reporting requirements to improve alignment with the Integrating energy storage systems (IESS) rule change. The IESS rule changed cost recovery provisions so that costs are recovered from CRMPs. Our rule aligns compensation and reliability emergency reserve trader (RERT) cost recovery reporting with the CRMP approach introduced in IESS, with AEMO reporting the amount recovered from each CRMP.

We have decided not to change compensation for scheduling errors

36 Tilt Renewables identified that compensation for scheduling errors is based on spot prices, which may result in negative compensation when scheduling errors occur during negative price periods. However, the IESS rule amended the compensation calculation for scheduling errors to compensate participants appropriately. The rule does this by calculating the difference between error and non-error scenarios. The problem Tilt Renewables' rule change request sought to address therefore no longer exists.

We assessed our rule against three assessment criteria, taking stakeholder feedback into account

37 The Commission has considered the National Electricity Objective (NEO)[1] and the issues raised in the rule change request, and assessed the final rule against three assessment criteria outlined below. We gathered and analysed stakeholder feedback in relation to these criteria, and also considered feedback to the review.

38 Because the final rule is composed of a large number of smaller amendments, a quantitative assessment is not practicable. Our assessment of the final rule against the NEO is informed by engagement with stakeholders and analysis conducted in both this rule change and the review. The more preferable final rule would contribute to achieving the NEO by:

- **improving market efficiency** through aligning incentives with market benefits and allocating costs with parties best placed to manage them. The final rule achieves this by incorporating a directions objective and making changes to the calculation of compensation to meet the broader objectives of retaining incentives to provide services.
- **minimising costs and complexity** associated with the compensation frameworks through reducing administrative burden and streamlining processes. The final rule achieves this by redrafting much of the rules to consolidate, clarify, and prevent duplication in the rules, making them easier and clearer for participants to engage with. The final rule also introduces cost-reflective thresholds for administrative processes and allocates costs efficiently.
- **representing good regulatory practice** through improving the simplicity and transparency of the rules and having more stable and predictable compensation frameworks. The final rule achieves this by aligning practices and processes across the compensation frameworks. This includes, for example, by having consistent thresholds and time limits for claims across the three compensation frameworks.

1 Section 7 of the NEL.

The final rule will be implemented in stages

39 This final rule represents a collection of many interrelated amendments. Some of these changes are relatively simple to implement, while others will require AEMO to conduct process changes or system updates. To reflect this, some of the amendments in this rule will apply before others. This allows for incremental improvements to the compensation frameworks while process or system updates take place.

40 Our final implementation schedule retains the staging approach proposed in the draft rule, but with updated timelines following advice from AEMO and the publication of its high-level implementation assessment (HLIA). Other changes to the implementation schedule include:

- moving compensation for opportunity costs across frameworks from Schedule 2 to Schedule 1
- moving the update of the minimum threshold for additional claims to $10,000 from Schedule 2 to Schedule 1
- moving the alignment of direct costs across frameworks from Schedule 1 to Schedule 2.

41 The amendments that can be made quickly have been given an approximately 11-month implementation timeframe to allow the AEMC to update the compensation guidelines. Amendments that require AEMO to update processes will be required by July 2028, while those that require system updates have been given until June 2029. This third implementation date will also include a full consolidation and simplification of the compensation provisions in the NER.

42 The implementation dates for each schedule are provided below. See appendix E for full discussion of implementation, including which of the amendments summarised in Table 1 apply to which schedule.

43 For market participants, what this staging will mean in practice is that the AEMC will still receive administered pricing compensation claims under the current framework through to 1 September 2027. From 2 September 2027, the AEMC will continue to receive administered pricing compensation claims, but will assess claims using an updated guideline that reflects changes to the calculation of administered pricing compensation in the rules (Schedule 1 changes). From this date, participants will also be entitled to claim compensation for opportunity costs. From 2 July 2028, AEMO will receive and assess all claims. From this date, changes to improve the role and selection of the independent expert will take effect (Schedule 2 changes). From 3 June 2029, the full suite of changes takes effect, including using VWAP to calculate preliminary compensation and changes to cost-recovery of administered pricing compensation (Schedule 3 changes). Table 2 outlines the amendments that take place in each schedule.

Table 2: Amendments by each schedule of the final rule

Policy position	Schedule
Introduce an objective for directions compensation	Schedule 1 **(2 September 2027)**
Increase the minimum threshold for claims to $10,000	Schedule 1
Clarify and make more targeted compensation for administered pricing	Schedule 1
Changes to cost-recovery for directions compensation to include all intervention trading intervals	Schedule 1
Changes to cost recovery reporting for directions compensation and RERT to align with the IESS rule change	Schedule 1

Policy position	Schedule
Allow opportunity costs to be claimed across frameworks	Schedule 1
Clarify that all participants that take action to follow a direction are eligible for compensation	Schedule 1
Align claimable direct costs across frameworks	Schedule 2 **(2 July 2028)**
AEMO to receive and assess all claims	Schedule 2
Changes to the role and selection of the independent expert	Schedule 2
Align supporting information standards	Schedule 2
Remove the duplicative rule requiring AEMO to conduct an eligibility assessment	Schedule 2
Use VWAP for preliminary compensation	Schedule 3 **(3 June 2029)**
Clarify and make more targeted cost recovery for administered pricing compensation	Schedule 3
Recover costs of assessing claims from all CRMPs	Schedule 3
Align the time limit for claims at 40 days	Schedule 3
Remove the objections process from the IE appointment	Schedule 3

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1 The Commission has made a final determination and rule

The Australian Energy Market Commission (AEMC or Commission) has made this final determination to make a more preferable rule. It is in response to rule change requests submitted by the Australian Energy Market Operator (AEMO) and Tilt Renewables about compensation frameworks.

This chapter provides the context for the rule change requests, including the objectives and recommendations of the AEMC's review into compensation frameworks. This chapter also provides an overview of the changes the final rule will make and a summary of stakeholder engagement. A table summarising all the policy positions taken in this final rule is provided at the end of this chapter. The rest of the document is structured as follows:

- Chapter 2 discusses how the final rule will contribute to the national electricity objective
- Appendix A provides more detail on changes to the calculation of compensation
- Appendix B provides more detail on changes to the way in which AEMO recovers compensation costs
- Appendix C provides more detail on changes to governance and administration
- Appendix D provides more detail on other changes we are making
- Appendix E discusses the implementation approach and timetable
- Appendix F gives an overview of the rule-making process
- Appendix G provides the legal requirements to make a rule.

1.1 This rule change arises from our thorough review of the compensation frameworks

In June 2022, extreme market conditions led to administered pricing in all regions of the NEM except Tasmania. Due to the insufficiency of the Administered Price Cap (APC) at the time, many generators withdrew from the market, requiring AEMO to direct participants to keep the system secure and reliable and eventually suspend the market. This event tested many features of the market, including compensation frameworks for directions, administered pricing, and market suspension. The AEMC subsequently self-initiated a review into compensation frameworks (the review), which we completed in December 2024.

The review made a suite of recommendations to improve compensation frameworks. In summary, these were to:

- specify a separate objective for the directions compensation framework
- allow opportunity costs in each compensation category
- improve the method for calculating directions compensation
- nominate AEMO to receive all compensation claims and assess them together with the independent expert
- improve administrative rules and timelines, and clarifying obligations on claimants.

These recommendations sought to help ensure the compensation frameworks delivered on a few key objectives. These were to:

- ensure that the frameworks provide the right objectives and correct incentives to support reliability and security during times of system and market stress

- provide clear and transparent methodologies that support the objectives and promote efficiency and effectiveness
- streamline governance, reducing unnecessary complexity and inconsistencies
- provide predictable and administratively simple compensation regimes, including through alignment across the frameworks, where practicable.

These recommendations and objectives were informed by a wealth of stakeholder engagement throughout the review. This included two rounds of consultation, including on a suite of draft recommendations. The review considered 32 submissions from stakeholders, and met with a number of them to understand key concerns with the existing framework and opportunities for improvements.

AEMO's rule change request largely sought to implement the recommendations from the review. While the rule change request from Tilt Renewables relating to cost-recovery for 'capacity directions' pre-dates the review final report, it too aligns with one of the review recommendations.

While AEMO's rule change request broadly aligns with the review recommendations, it diverges on several policy issues. AEMO proposed to:

- retain the status quo (no separate cost-recovery) regarding cost-recovery for 'capacity directions'
- apply a consistent 33-day time limit for participants to submit claims.

AEMO also proposed several changes about which the review did not make recommendations. Discussion of these is integrated throughout the determination, and divergences from the review recommendations are clearly identified.

1.2 Our final rule will improve the compensation frameworks

A well-functioning compensation framework is critical to the effective operation of the market. It allows participants to have sufficient confidence in the frameworks to provide much-needed services during periods of market stress. In order to achieve this, a large suite of changes that all contribute to the improvement of these frameworks is needed. We have categorised these changes into the following:

- calculation of compensation
- recovery of compensation costs
- governance and administration
- other issues raised in the rule change requests.

This sub-section provides an overview of the changes in each category. More detail on each can be found in the appendices. The reasons for these changes and the ways in which they will meet the National Electricity Objective (NEO) are discussed in chapter 2.

1.2.1 Our draft rule would improve accuracy and alignment across frameworks in the calculation of compensation

Our final rule will make four changes to the calculation of compensation. Two of these are improvements to the accuracy of compensation, and two are improvements to alignment across frameworks.

Our final rule is to calculate preliminary compensation using a technology and region-specific volume-weighted average price (VWAP). This move away from the current arrangements, which compensate participants using the 90th percentile of spot prices, better reflects the costs to

participants of providing services during periods of market intervention. This will be calculated over a rolling 12-month period.

Our final rule does not include AEMO's original proposal for a fixed cost adjustment (FCA). The Commission considers the VWAP methodology alone is a better reflection of costs to participants, and that including an FCA risks systemically over-compensating participants at a cost to consumers.

Our final rule will introduce more targeted compensation for administered pricing by assessing on a per-unit and per-trading-interval basis. This prevents situations where profits in one trading interval reduce compensation for losses incurred in another interval. A similar situation can occur whereby profits for one unit can reduce compensation for losses incurred by another unit.

The final rule will make several improvements to alignment across frameworks through:

- aligning the direct costs participants can recover across all three frameworks
- allowing participants to claim opportunity costs in all three frameworks. This reflects that participants can incur opportunity costs regardless of the type of intervention, and that opportunity costs are becoming more important as the penetration of storage in the NEM increases
- ensuring more equal treatment for load and generation in direction compensation.

More detail on the changes to the calculation of compensation can be found in appendix A.

1.2.2 Our final rule improves compensation cost recovery arrangements

We have made two changes to the recovery of costs of compensation to align with the calculation process and better reflect the nature of directions.

In line with the change discussed above, administered pricing compensation costs will also be recovered on a per-trading-interval basis. The final rule also clarifies the cost recovery region for administered pricing compensation is the region(s) in which the administered price cap (APC) set the price.

The final rule will also change the cost recovery arrangements for directions compensation to be based on energy input and output during 'intervention trading intervals'. This moves away from the existing 'intervention price trading intervals', which is a subset of 'intervention trading intervals'. Directions may apply in intervals that are not 'intervention price trading intervals' which creates ambiguity in the current rules as to how compensation costs should be recovered.

Our final determination is not to proceed with Tilt Renewables' rule change request to recover costs for 'capacity directions' from consumers as the beneficiary of these directions. AEMO's rule change request did not agree with the proposed change from Tilt Renewables. While the review supported the proposed change, our final rule does not include this amendment. The benefits of this would be limited as these are rare, while implementing this would require costly process changes.

More detail on the changes to the recovery of compensation costs can be found in appendix B.

1.2.3 Our final rule will streamline and better align governance and administration of compensation

Consistent with the broader objectives of improved clarity around compensation, we are making a number of changes to the governance and administration processes associated with compensation. These seek to improve alignment between the frameworks and make the outcomes of compensation processes more transparent and predictable for participants.

These include:

- introducing consistent thresholds and fees for claims and referrals to an independent expert (IE)
- consistent criteria for referrals of claims to the IE
- AEMO would receive and process all compensation claims
- consistent information standards and time limits for submitting claims
- amending the cost recovery reporting requirements to align with broader changes made by the Integrating Energy Storage Systems (IESS) rule change.

More detail on the full suite of changes to governance and administration of compensation can be found in appendix C.

1.2.4 Our final rule includes decisions on other issues

The Commission has made final decisions on three other matters raised in the rule change requests. The final rule introduces an explicit objective for directions compensation. Currently, the National Electricity Rules (NER) only contain objectives for administered pricing and market suspension compensation. The directions objective will be "to enable directed participants to be compensated for the costs associated with complying with a direction." This objective is unique to the directions framework to reflect the emphasis on compensating costs, rather than retaining incentives to provide services in the case of the other frameworks.

The other final decisions the Commission has made are:

- Not to enact Tilt Renewables' proposal to introduce a $0/MWh price floor for the consideration of compensation for scheduling errors or any other changes to compensation for scheduling errors. The proposal predates changes to scheduling errors compensation made by the IESS rule.
- To redraft and consolidate the rules pertaining to compensation frameworks. As discussed in section 1.2.5 below, we are taking a staged implementation approach. The major redrafting to align and consolidate the rules will take effect in schedule three of the final rule.

More detail on the other changes included in the final rule can be found in appendix D.

1.2.5 Our final rule takes a staged approach to implementation

We developed a three-stage implementation timetable for the draft rule. This reflected both the large number of amendments that constituted the draft rule and the interdependencies between those amendments. We have retained a similar staging process for the final rule, but have updated the implementation dates.

Schedule 1 includes the amendments that do not require any process or system updates from AEMO. These have been given approximately an eleven-month implementation timeframe, which allows sufficient time for the AEMC to update the compensation guideline. Schedule 2 includes amendments that require AEMO to update its existing processes, while Schedule 3 includes amendments that require system updates from AEMO.

There are several contingent changes that may be simple to implement in isolation but require other more complex changes to occur concurrently or before they can be implemented. Our final timeline has considered these relationships. The final implementation timeline is summarised in Table 1.1 below.

Table 1.1: Final implementation timeline

	Schedule 1	Schedule 2	Schedule 3
Date	2 September 2027	2 July 2028	3 June 2029

In addition, there is a schedule with transitional rules that will commence shortly after the final rule is made. These provisions require AEMO and the AEMC to update guidelines and procedures by the relevant dates above. Given this rule change requires the AEMC to update the compensation guidelines by 2 September 2027, we are also amending the transitional rule from the *Integrating price-responsive resources (IPRR)* rule change. This will now require the AEMC to update the compensation guideline in line with the IPRR rule change by the date that AEMO approves an application for a voluntarily scheduled resource.

More detail on implementation, including the changes included at each stage and the differences between draft and final timelines, can be found in appendix E.

1.3 Stakeholder feedback shaped our determination

1.3.1 Stakeholder feedback informed several changes between draft and final rule

We received 17 submissions to our draft determination and rule. The draft rule reflected extensive stakeholder engagement since the commencement of the Compensation review. Stakeholders unanimously supported the overall intentions of the draft rule and major policy decisions. However, stakeholder feedback varied on several key issues, which we have considered for the final rule. Our final rule:

- removes the cap on preliminary compensation set at the level of the Administered Price Cap (APC)
- extends the time limit for submitting claims from 33 business days to 40 business days, rather than 60 as proposed in the draft rule
- broadens the definitions of eligibility for compensation, such that all participants who take action in response to an AEMO direction are eligible to claim compensation
- alters the implementation staging slightly and extends implementation dates.

These changes, the Commission's reasons for making them in the final rule, and stakeholder submissions that have informed our policy development are discussed in more detail in the appendices. Table 1.2 below summarises the policy positions taken in this final rule. We have identified where final policy positions differ from the draft determination.

Table 1.2: Summary of policy positions

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final 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	As per draft

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
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	As per review	As per draft, but with no APC cap
Compensable direct costs	Introduce a consistent list of direct costs across frameworks	As per review	As per review	As per draft
Opportunity costs	Allow opportunity costs to be claimed under all compensation frameworks	As per review	As per review	As per draft
Assessment of administered pricing compensation	Administered pricing compensation assessed per-unit and on a per-trading-interval basis	As per review	As per review	As per draft
Administered pricing compensation cost recovery	Costs allocated on a per-trading-interval basis, with additional clarity for when the Administered Price Cap (APC) binds in multiple regions	As per review	As per review	As per draft
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' or specific cost recovery arrangements	As per AEMO's rule change request	As per draft
Directions compensation cost recovery	(No recommendation)	Directions compensation cost recovery based on all trading intervals with directions	As per rule change request	As per draft

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
Reception and assessment of claims	AEMO to receive and, with the independent expert, assess all compensation claims	As per review	As per review	As per draft
Minimum threshold for compensation claims	(No recommendation)	Apply a $10,000 threshold to all compensation claims	As per rule change request	As per draft
Claim assessment costs	(No recommendation)	AEMO can recover assessment costs from the claimant	Claim assessment costs recovered from all cost-recovery market participants (CRMPs)	As per draft
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	As per draft, except the objections process is removed and additional safeguards on the selection of IEs are added
Time limit for claims	Consistent 60 business day time limit for all claims	Consistent 33 business day time limit for all claims	Consistent 60 business day time limit for all claims	Consistent 40 business day time limit for all claims
Information standards for claims	Introduce standards for supporting information for administered pricing compensation claims and harmonise frameworks	As per review	As per review	As per draft
Eligibility assessment	(No recommendation)	Remove specific requirements for an eligibility assessment as this forms part of the compensation assessment	As per rule change request	As per draft
Cost recovery reporting	(No recommendation)	Remove requirement to	Replace requirement for	As per draft, with more

Policy issue	AEMC review recommendation	AEMO's/Tilt's rule change request position	Draft position	Final position
		estimate cost allocation by registered participant category	AEMO to estimate cost allocation by registered participant category with reporting cost recovery by cost recovery market participants (CRMPs).	comprehensive requirement for AEMO to report on cost recovery for directions
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	As per draft

2 Our final rule will contribute to the national electricity objective

The final rule is made up of a number of small changes that the Commission considers will collectively contribute towards the National Electricity Objective (NEO). The final rule changes the calculation and cost recovery of compensation, governance and administration, and other matters that we have assessed against our assessment criteria. We consulted stakeholders on these criteria in the consultation paper. This chapter discusses our assessment of the final rule against the NEO using these criteria.

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.[2]

For this rule change, the relevant energy objective is the National Electricity Objective.

The NEO is:[3]

> to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system; and
>
> (c) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO.[4]

2.2 We must also take these factors into account

2.2.1 We have considered whether to make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NEO.[5]

For this rule change, the Commission made a more preferable rule. The reasons are set out in section 2.3 below.

2 Section 88(1) of the NEL.
3 Section 7 of the NEL.
4 Section 32A(5) of the NEL.
5 Section 91A of the NEL.

2.2.2 We have considered whether to make a final rule for the Northern Territory

The NER, as amended from time to time, apply in the Northern Territory, subject to modifications set out in regulations made under the Northern Territory legislation adopting the NEL.[6] Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.

The final rule amends portions of chapters 10 and 11 of the NER, which apply in the Northern Territory. However, the primary changes made by the final rule are to chapter 3 of the NER, which does not apply in the Northern Territory.

The Commission has determined to make a differential rule that disapplies the rule for the Northern Territory. The final rule will not have effect in the Northern Territory and no amendments to the NER as applied in the Northern Territory will be made as a result of the rule. This determination contributes to the NEO by avoiding the costs, complexity and ambiguity likely to arise in the Northern Territory framework if a uniform rule were made.

See appendix G for further information on rule making requirements in the Northern Territory.

2.3 How we have applied the legal framework to our decision

The Commission must consider how to address the shortcomings of the existing compensation frameworks against the legal framework.

We identified the following criteria to assess whether the proposed rule changes, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NEO:

- Principles of market efficiency
- Implementation considerations
- Principles of good regulatory practice.

These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request, for impacts within the scope of the NEO. Our reasons for choosing these criteria are set out in section 3.2 of the consultation paper. There was limited feedback from stakeholders about the assessment criteria outlined in our consultation paper. Tesla proposed an additional criterion of transparency and predictability.[7] The Commission agrees with Tesla that this is an important consideration. This currently makes up part of our consideration of good regulatory practice, and has therefore informed our final determination. We have not made any changes to the assessment criteria for this final determination and rule.

Due to the nature of this final rule being a suite of many small amendments, a quantitative assessment is not practical. The Commission has evaluated the impacts of the various policy options against the assessment criteria, taking into account the considerable amount of stakeholder feedback particularly to the review but also to the consultation paper and draft determination for this rule change.

The rest of this section explains why the more preferable rule best promotes the long-term interest of consumers when compared to other options and assessed against the criteria. While the final determination is for a more preferable rule, a large portion of the amendments in this final rule are as proposed in AEMO's rule change request.

6 These regulations are the National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations 2016.

7 Tesla, submission to the consultation paper, 30 April 2026, p. 3.

2.3.1 Our final rule will support improved market efficiency

The Commission's final rule promotes improved market efficiency in two key ways. First, it allocates costs efficiently. Second, the final rule establishes incentives to provide services that contribute to the effective functioning of the market.

One of the key changes to the calculation of compensation is the final decision to adopt a technology-specific VWAP methodology for the calculation of preliminary compensation. In using this approach, efficient market outcomes will determine preliminary compensation amounts. As discussed in chapter 1 and in more detail in appendix A, this will result in compensation that more closely reflects the underlying costs of providing a service, reducing costs for consumers. This is a more preferable rule in that it does not adopt AEMO's proposal for an FCA to be included in preliminary compensation. The Commission considers AEMO's proposed approach would raise a systemic risk of over-payment, resulting in inefficient excess costs being borne by consumers.

The final rule further supports market efficiency by reducing the risk of disincentivising participants from providing services during periods of market stress. The rule achieves this by removing the APC cap on VWAP preliminary compensation (that was included in the draft rule). In the unlikely event that the costs to participants of providing services exceed the APC, this provides improved confidence to participants that they can recover costs of following a direction, while avoiding the cost of submitting additional claims.

Also contributing to the efficient allocation of costs, administration costs for processing claims are, under the final rule, to be recovered from all CRMPs, rather than the claimant. This contributes to the objective of encouraging participants to provide services during periods of market intervention, as well as ensuring the beneficiaries of the compensation framework, as far as possible, bear the costs. This is as opposed to the current arrangements, under which directed parties or claimants bear the administration costs associated with the claim. The market as a whole benefits from a well-functioning compensation framework, and thus the costs should be allocated on that basis.

As discussed in the review, the Tilt Renewables proposal to recover costs for 'capacity directions' from consumers represents an efficiency improvement as these are the beneficiaries of the direction. However, the final rule does not include this change as these directions are rare, and the benefits are therefore minimal. We have considered this in the context of additional costs and complexity (discussed in section 2.3.2 below), and determined the costs outweigh the efficiency benefits. This is discussed further in appendix B.

Among the suite of changes that make up the final rule are improvements to the calculation and recovery of administered pricing compensation. Under the current rules, profits in one trading interval can reduce compensation for losses in another interval. A similar situation can occur whereby profits for one unit can reduce compensation for losses incurred by another unit. This incentivises participants to withdraw capacity from units that are making a loss in particular intervals. In mitigating the risk of perverse incentives to withdraw capacity during particular intervals of an administered pricing period, the final rule would incentivise participants to continue to supply energy during administered pricing, leading to more efficient market outcomes and better competition. These changes are discussed in more detail in appendix A and appendix B.

Efficiency is further improved by the reduction in perverse incentives. As discussed in section 2.3.2 below, our final rule improves alignment between the frameworks by allowing opportunity costs to be recovered across all frameworks. Having different claimable costs across frameworks introduces potentially perverse incentives whereby participants prefer one type of intervention over another.

Also contributing to the objective of retaining incentives to provide services are the improvements to the consistency, transparency and predictability of the rules. Improved confidence in the compensation frameworks to deliver on the compensation objectives encourages participants to provide services during periods of market intervention. These are discussed further below in section 2.3.3.

2.3.2 Our final rule will minimise implementation costs and complexity

The amendments in this final rule collectively contribute towards improved alignment between compensation frameworks and simplicity in the rules that outline them. This minimises the regulatory burden for market participants, lowering costs associated with making claims, and reducing the chance of incorrect claims and resultant insufficient compensation. This reflects the feedback stakeholders provided to the review in 2024.

A key area of improved alignment between frameworks is in the costs that can be recovered. Our final rule will consolidate a list of direct costs that is the same for all three compensation frameworks. Furthermore, our final rule would allow participants to claim compensation for opportunity costs across the types of intervention. Our final rule replaces "loss of revenue" with "opportunity cost" in the directions framework, and allows opportunity costs to be claimed in the market suspension framework.

More detail on the consolidation of the rules can be found in appendix D. Other areas of improved alignment include:

- consistent thresholds for minimum claims and referrals of claims to an independent expert across frameworks
- consistent time-limits for submitting claims and consistent standards for supporting information
- AEMO would receive and process all claims.

More details on how these amendments will operate can be found in appendix C.

In addition to improving alignment on minimum thresholds, these have been updated to better reflect the costs associated with processing or assessing claims. Claims will have a minimum threshold of $10,000. This contributes to minimising costs and complexity by limiting claims to only those where the cost to process them does not exceed the benefit to market participants of providing them.

Similarly, a threshold of $50,000 for referrals to an IE reflects the fact that there are often greater costs associated with referring a claim to an IE than arise when AEMO processes a claim. This is also reflected in the other criteria for referrals that increase costs, namely opportunity cost claims and claims of higher cost or complexity to assess.

Our final rule does not include Tilt Renewables' proposal to recover costs for 'capacity directions' from consumers. As discussed above, there are minimal efficiency benefits from this approach. However, AEMO does not currently have a distinct classification of direction for 'capacity directions'. The specific characteristics of these directions are unclear, and they are rarely used. Requiring AEMO to update its processes to classify directions in this way represents an additional implementation cost that is not warranted by the benefits. This is discussed further in chapter 1 and appendix B.

2.3.3 Our final rule represents good regulatory practice

As has been reiterated through this document, a key objective of this rule is to improve participants' confidence in the compensation frameworks to encourage them to continue to provide services during periods of market intervention. The assessment criterion of good regulatory practice reflects this objective. This criterion is met through the final rule improving the transparency and simplicity of the rules, as well as improving the predictability of compensation outcomes.

As discussed in section 2.3.2, there are a number of areas in which the final rule would improve alignment across the frameworks, making them simpler for participants to engage with, and making the outcomes they provide more predictable. The final rule will also simplify engagement with compensation frameworks and reduce regulatory burden through consolidating the frameworks in the rules. This drafting consolidation is discussed in more detail in appendix D.

The recommendations of the review in 2024 formed the basis of AEMO's rule change request, and the final rule largely aligns with those recommendations. This final rule therefore represents good regulatory practice by addressing issues highlighted by the events of June 2022.

The final rule also includes amendments to AEMO's cost recovery reporting requirements. Under the final rule, AEMO will no longer be required to report cost recovery for directions compensation and Reliability and Emergency Reserve Trader (RERT) by participant category, but rather on a cost recovery market participant (CRMP) basis. This aligns with changes the IESS rule made to the way costs are recovered, therefore representing good regulatory practice through alignment with other regulation.

The final rule also requires AEMO to report on cost recovery for all types of directions, not just those to provide energy.[8] This improves alignment between the frameworks and improves transparency for market participants, in keeping with the assessment criteria discussed above.

8 See clause 3.13.6A of the final rule, schedule 3.

A Our final rule will harmonise and improve the calculation of compensation payments

The Commission has made a final rule to align the calculation of compensation payments across compensation frameworks. This includes:

- moving to a volume-weighted average price methodology to be used in calculating preliminary compensation for directions and market suspensions
- harmonising the definitions of direct costs across the three compensation frameworks that were the focus of the review and AEMO's rule change request
- allowing opportunity costs to be claimed across these three frameworks.

Additionally, assessment of administered pricing compensation under the rule is more targeted, with compensation calculated on a per-trading-interval and per-unit basis.

A.1 We are harmonising preliminary compensation based on volume-weighted average prices

Under the final rule, AEMO will calculate preliminary compensation for directions and market suspensions based on the 12-month VWAP for each technology in each region. This VWAP methodology is broadly consistent with the proposed approaches in AEMO's rule change request and in the compensation review.[9]

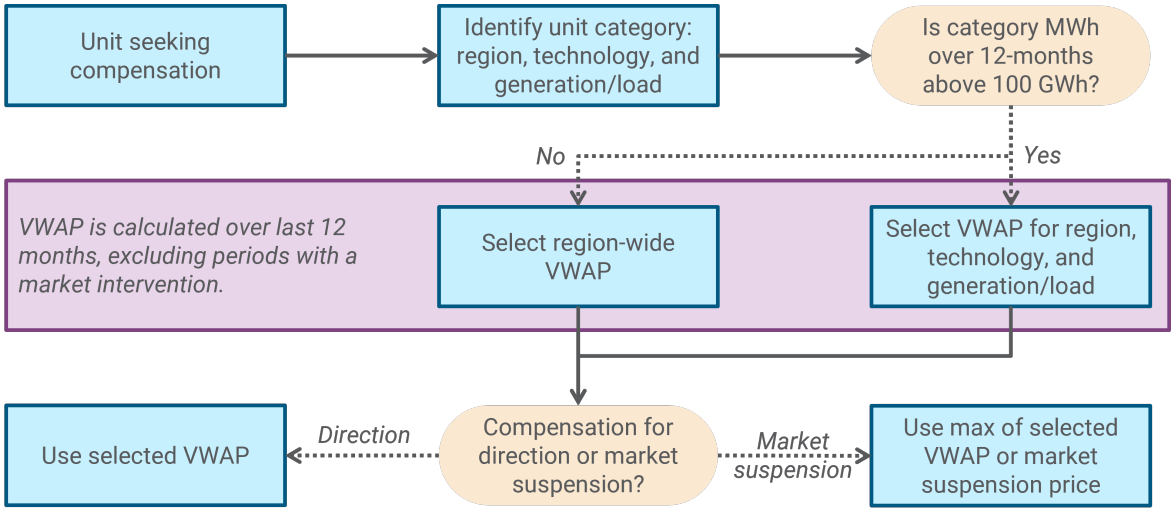
We consider the methodology outlined in this final determination will contribute to achieving the NEO, in respect of efficient investment in and operation of electricity services, because it will:

- Improve the likelihood that preliminary compensation is cost-reflective. This reduces the risk of systemically under or over-compensating participants.
- Harmonise preliminary compensation methodologies across frameworks. This mitigates incentives for participants to favour being directed during market suspension periods, and therefore better aligns with the objectives of each framework.

The diagram below illustrates the method for calculating preliminary compensation under the VWAP methodology. The rest of this section provides more detail on the VWAP methodology, as well as a summary of stakeholder views.

9 AEMC, Review into electricity compensation frameworks final report, pp. 14-18.
AEMO, Rule change proposal to align the compensation frameworks, pp. 17-19.

Figure A.1: Preliminary compensation methodology



Note: This preliminary compensation methodology applies to the provision and consumption of energy. The 100 GWh threshold does not apply to preliminary compensation for ancillary services, meaning the technology category VWAP is always selected for ancillary services.

A.1.1 Our VWAP methodology will improve the cost-reflectivity of preliminary compensation

The Commission considers the VWAP methodology introduced in the final rule and outlined in this determination is the most appropriate for determining preliminary compensation. Compared to the 90th percentile and benchmarking approaches currently used for preliminary directions and market suspension compensation, the VWAP is more likely, in the long-term, to reflect the participants' costs of providing energy and other services. This is because the VWAP is based on actual market prices and dispatch outcomes, therefore reflecting decision-making by participants to offer generation or load based on operating costs, start-up costs, energy constraints, and other cost considerations. In submissions to the draft determination, all stakeholders who commented on this issue broadly supported the use of a VWAP for preliminary compensation.[10]

A cost-reflective method for preliminary compensation delivers more efficient outcomes for consumers by reducing the frequency and magnitude of under- and over-compensation to participants. The costs of over-compensation are borne by consumers with no mechanism for rectification. While participants may seek additional compensation if they are under-compensated, material risks of under-compensation can reduce participant confidence in their ability to recover their costs through the compensation frameworks. In turn, this reduces incentives to continue supplying services during interventions. Therefore, it is important that preliminary compensation be cost-reflective to deliver efficient cost and reliability outcomes for consumers while meeting the objectives of the compensation frameworks.

The final rule will apply VWAPs that are specific by technology, region, and generation/consumption categories.[11] This allows the preliminary compensation framework to more accurately reflect the underlying costs of providing or consuming energy, or other services.

10 Submissions to the draft determination: AGL, p. 2; Akaysha, p. 2; Alinta, p. 1; Delta, p. 1; EnergyAustralia, p. 4; ENGIE, pp. 1-2; EUAA, p. 2; Origin, p. 1; Shell, pp. 5-6; Stanwell, p. 2; Tesla, p. 2.

11 See cl 3.12.3(f) and schedule 3.2, in Schedule 3 of the final rule.
Note: in this and all subsequent references to the final rule in this appendix, the Schedule 3 reference is used. Some amendments may also appear in schedules 1 and 2. See Appendix E for details on the implementation timeline.

- Different technologies have different underlying costs and operating profiles, and thus should have different VWAPs for preliminary compensation to be cost-reflective. We consider AEMO, through its role and activities as market and system operator, is best placed to define and classify technology types through procedures. The final rule requires AEMO to consult on these procedures, providing further transparency to participants on technology classifications.[12]
- VWAPs will also be separated by each region to reflect different costs and spot revenue opportunities between NEM regions.
- For storage, it is appropriate to have one VWAP for generation and one VWAP for consumption.[13] This reflects the separate costs and market values of generation and consumption, and allows storage to receive an average price arbitrage for energy that is equally consumed and generated. Conversely, using one VWAP for generation and consumption for the same technology would result in net positions cancelling out and reducing the cost-reflectivity of preliminary compensation. We note that this is a change from the existing arrangements, where preliminary compensation is only applicable for the provision of energy and not the consumption of energy. We consider that it is important for participants to be eligible to receive preliminary compensation for both the generation and consumption of energy as storage plays an increasingly important role in the NEM.

We consider that a 12-month period for calculating the VWAP is appropriate for balancing stability and recency. With 12 months, the VWAP should be sufficiently stable for participants to predict expected preliminary compensation (reducing operational uncertainty) and trend towards average plant costs with a sufficiently large dataset. Furthermore, the time period is also short enough for the VWAP to reflect recent market conditions (such as high price events).

The final determination is to exclude periods with market interventions from VWAP calculations to preserve the cost-reflectivity of the VWAP. Market interventions distort market outcomes and can result in plant being dispatched below costs, meaning that their inclusion in VWAP calculations would reduce the extent to which preliminary compensation reflects unit costs. The final determination will exclude the following periods from VWAP calculations:[14]

- periods with active directions
- market suspension periods
- administered pricing periods.

One stakeholder also considered, in a submission to the draft determination, that other periods should be excluded where system services contracts are deployed, or where AEMO used non-network, limit-based generic constraints to alter the dispatch merit order.[15] Consistent with our draft determination, we have not excluded the suggested periods as they are less transparent and predictable relative to directions, market suspensions, and administered pricing periods, which could lead to less predictability of preliminary compensation and undermine the compensation objectives. While other intervals may have prices impacted by factors other than interventions, we have focused on excluding market interventions for which participants can receive compensation, as the ability to receive compensation alters participant behaviour in the market in line with compensation objectives.

12 Clause 3.12.3(j) of the final rule.

13 See cl S3.2(b) and (c) in Schedule 3 of the final rule. We have also made changes to scheduled load references for compensation to also include the load of scheduled bidirectional units.

14 See definition of "TI" in clause S3.2(a) of Schedule 3 of the final rule.

15 Shell, submission to the draft determination, 03 September 2026, pp. 1-2.

This method for calculating the VWAP is broadly consistent with AEMO's rule change request and the compensation review. Key differences are having VWAPs for generation and consumption (to improve cost-reflectivity for storage) and excluding market suspensions and administered pricing periods from calculations (extending the logic of excluding market interventions).

Preliminary compensation will not include a fixed cost adjustment

Consistent with the compensation review and differing from AEMO's rule change request, the draft determination did not include a fixed cost adjustment (FCA) in addition to the VWAP for preliminary compensation.

In its rule change request, AEMO proposed to include an additional FCA in preliminary compensation as AEMO considered the VWAP may under-compensate participants where the costs of complying with a direction are higher than typical.[16] In turn, AEMO considered including an FCA would reduce the number of additional compensation claims, reducing administrative burden for AEMO and costs for market participants.

In submissions to the draft determination, AEMO did not raise the FCA issue again, and only Delta supported including the FCA.[17]

The Commission has therefore not included an FCA in this final determination for the same two key reasons outlined in the draft determination:

- **The VWAP is cost-reflective:** As it is based on actual market price and dispatch outcomes, the VWAP reflects the actual financial decisions and outcomes for participants operating units in the NEM. In turn, this means that the VWAP is sufficiently cost-reflective for preliminary compensation and an improvement on the status quo. Consequently, we expect the frequency and magnitude of under-compensation, and in turn the number of additional compensation claims, will reduce relative to the status quo.
- **Including an FCA would increase costs to consumers:** Including an FCA would reduce under-compensation and the number of additional compensation claims, at the cost of risking systemically over-compensating participants. Consumers bear the costs of over-compensation, with no mechanism to claim back over-compensated amounts. Under-compensation risks are borne by participants and can be mitigated through additional compensation claims.

The VWAP method will be consistent across all technologies

The Commission's final determination is to apply the VWAP methodology to calculate preliminary compensation consistently for all technologies. We consider that allowing preliminary compensation for generation and consumption, at separate VWAPs, appropriately reflects the relevant costs for storage and reduce uncertainty and risks associated with seeking compensation for consumption through the additional compensation claim process. Where units are under-compensated, they may seek additional compensation through the additional compensation claim process. For the purposes of the VWAP methodology, demand response will be calculated as generation.

Though some stakeholders raised the issue of preliminary compensation for opportunity costs in submissions to the consultation paper, submissions to the draft determination did not seek to incorporate opportunity costs into preliminary compensation. The final rule maintains the position that preliminary compensation will not include opportunity costs.

16 AEMO, Rule change proposal to align the compensation frameworks, pp. 18-19.

17 Submissions to the draft determination, AEMO, 7 September 2026; Delta, 28 August 2026, p. 1.

We note that our other reforms to the compensation frameworks in this rule change will improve the ability for storage operators to be compensated for their opportunity costs. This includes:

- allowing opportunity costs to be assessed across the three key compensation frameworks
- broad improvements to administrative and governance matters regarding additional compensation claims
- a consolidation of the compensation frameworks clauses to improve simplicity and clarity for stakeholders.[18]

A.1.2 The VWAP methodology will improve consistency across frameworks to mitigate perverse incentives

The final determination will apply the above VWAP methodology to preliminary compensation for:

- **Directions compensation:** The VWAP method replaces the 90th percentile approach for preliminary compensation.[19]
- **Market suspension compensation:** Preliminary compensation for a unit will be calculated based on the greater of the market suspension price and the relevant VWAP.[20] The VWAP will replace the current benchmarking approach.

This approach is consistent with AEMO's rule change request and the compensation review. By aligning the preliminary compensation calculations, the final rule:

- reduces unnecessary complexity in the compensation frameworks
- reduces incentives for participants to favour being directed during market suspensions, while ensuring any plant dispatched during a market suspension is no worse off than if it were directed.

A.1.3 A regional VWAP will apply where there is insufficient data

In appendix A.1.1, we describe how VWAPs will be calculated separately for different categories of plant, where there are categories for different combinations of technologies, regions, and generation/consumption. However, there can be issues with using different VWAPs for different categories:

- **Insufficient data:** If there are few units of a technology within a region (including any new technologies), there may be insufficient data to calculate a VWAP that accurately reflects the unit's costs, particularly if the units are rarely dispatched. Insufficient data for a VWAP category can increase under- or over-compensation risks.
- **Manipulation of compensation amounts:** Since the VWAP is based on actual dispatch and price outcomes, participants could seek to manipulate their VWAP to receive excessive compensation. The risk of VWAP manipulation is low but non-zero, as the participant would need to operate units of a technology that are few in number in a region and are predictably directed, in addition to having confidence that additional compensation would offset any reduced profits during normal market operations.

To address these issues, the regional VWAP will be used for preliminary compensation to a unit, if the unit is in a category that has generated or consumed less than 100 GWh of energy over the 12-

18 This is done in Schedule 3 of the rule.
19 Specifically, this will apply to directions for the provision of energy or market ancillary services.
20 Clause 3.12.3(h) of Schedule 3 of the final rule.

month VWAP timeframe.[21] We consider this approach is appropriate for mitigating the above issues by:

- providing a predictable, stable, and technology-agnostic VWAP that can be used when there is uncertainty about a unit's costs
- having an energy generation/consumption threshold representing a level of spot market participation and exposure where there is increased confidence the VWAP is cost-reflective.

This approach is consistent with submissions from stakeholders to the consultation paper, suggesting a minimum amount of data for calculating a category's VWAP, below which a fallback mechanism for preliminary compensation should be used.[22]

We consider that an energy threshold is the appropriate mechanism to trigger when a regional VWAP should be used. Both issues are related to when there are too few units and/or too little unit operation to provide confidence in a VWAP being cost-reflective. Therefore, energy generation/consumption levels can be used to identify when both issues might arise.

We also consider 100 GWh is an appropriate threshold, having considered the equivalent generation requirements for a single unit to meet the threshold.[23] We also conducted heuristic analysis of historical regional generation/consumption and regional concentration for different technologies, using technology type and technology detail definitions in AEMO's *NEM January 2026 Generation Information*.[24]

We recognise that the ability for a technology category to exceed the threshold is partly dependent on the specificity of technology definitions, which are to be defined by AEMO through procedures. However, we consider that the level of the threshold should be determined through the NER and that 100 GWh is sufficient regardless of technology definitions, as it was partly determined by considering the energy generation of a single unit.

It is worth noting that this regional VWAP approach would not apply to ancillary services. We consider that the likelihood and magnitude of issues for ancillary services is materially less than for the provision/consumption of energy, such that we do not consider a regional VWAP method is necessary for ancillary services.

In submissions to the draft determination, EnergyAustralia expressed support for the minimum threshold, while EUAA sought further clarity on how it would operate, which will be provided in the guidelines.[25] No stakeholders raised concerns with this approach.

A.1.4 Our final rule does not cap the VWAP at the APC

Our draft determination outlined a proposal to cap preliminary compensation, calculated as the VWAP for each technology in each region, at the APC. The intention was that this would reduce perverse incentives where participants may favour a unit being directed during administered pricing if the unit has a corresponding VWAP that is higher than the APC. Additionally, we noted that the APC is set to allow most generators to cover short-term costs, therefore capping the VWAP at the APC would reduce risks of over-compensation and incentives for participants to manipulate the VWAP.

21 Clauses S3.2(e)-(f), in Schedule 3 of the final rule.

22 Submissions to the consultation paper: AEMO, 5 May 2026, p. 3; EnergyAustralia, 30 April 2026, p. 2.

23 For example, a generic 265 MW large open cycle gas turbine would need to operate at full capacity for 377 hours to generate 100 GWh, or at an assumed minimum stable operating level of 50 MW for 2,000 hours.

24 AEMO's Generation Information webpage can be found here.

25 Submissions to the draft determination, EnergyAustralia, 3 September 2026, p. 4; EUAA, 3 September 2026, p. 2.

Three stakeholders argued in submissions to the draft determination that preliminary compensation should not be capped by the APC.[26] These argued that if market conditions are particularly volatile, then costs to provide the services the market needs in volatile conditions may exceed the APC. We noted in our draft determination that the APC is designed to be set high enough that this would not be the case, and therefore it is unlikely that this would bind.

The Commission agrees with stakeholders that if costs to provide services do not exceed the APC, then to the extent that the VWAP is a good proxy for costs in the long term, this cap serves no purpose. In cases where costs do exceed the APC, then this cap will lead to under-compensation for participants who provide services during periods of market stress. The Commission therefore considers that the benefit provided by the cap is limited, and exceeded by potential risks.

The Commission has made a final determination to remove the APC cap, which no stakeholders explicitly supported in submissions to the draft determination.

A.2 We are harmonising definitions of direct costs across compensation frameworks

The final rule harmonises the direct costs that can be claimed across the three key compensation frameworks by consolidating them in one definition: "the costs incurred by the relevant Market Participant as a direct result of the relevant compensation event". The final rule includes a non-exhaustive list of direct costs:[27]

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

This change enhances consistency between the compensation frameworks, as there are currently separate lists and definitions of direct costs that can be claimed.[28] Having separate definitions of direct costs can increase confusion among stakeholders due to inconsistency across compensation frameworks. Furthermore, having one consistent list of direct costs improves predictability and transparency in the frameworks, promoting good regulatory practice. The final determination is consistent with proposed changes from the compensation review and AEMO's rule change request.[29]

Six stakeholders explicitly supported harmonising direct costs in line with the draft determination in submissions.[30]

The Commission notes that, in a change from the draft rule, the final rule aligns the direct costs for the compensation to market participants affected by directions and the use of RERT (but who were not subject to a direction and did not provide RERT), with the definition outlined above.[31]

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26 Submissions to the draft determination, Akaysha, 3 September 2026, p. 2; Alinta, 3 September 2026, p. 1; Shell, 3 September 2026, pp. 5-6.

27 Clause 3.12.4(a) in Schedule 3 of the final rule.

28 These lists can be found in NER clause 3.12.2(a1)(1) for compensation for participants affected by AEMO intervention events, NER clauses 3.15.7A(g)(3) and 3.15.7B(a3) for directions compensation, NER clauses 3.14.5B(d)-(d1) for market suspension compensation, and in the AEMC's compensation guidelines for administered pricing compensation.

29 AEMC, Review into electricity compensation frameworks final report, p. 35.
AEMO, Rule change proposal to align the compensation frameworks, p. 20.

30 Submissions to the draft determination, AGL, 8 September 2026, p. 2; CS Energy, 1 September 2026, p. 2; EnergyAustralia, 3 September 2026, p. 4; ENGIE, 3 September 2026, p. 2; Origin, 3 September 2026, p. 1; Tesla, 18 August 2026, p. 1.

31 Clause 3.12.2(a) of the final rule, Schedule 3.

Greater alignment of compensation frameworks promotes transparency, consistency and streamlined governance, reducing the risk of inconsistent outcomes across similar compensation arrangements. This is consistent with the principles of good regulatory practice.

A.3 Our final rule will allow opportunity costs to be claimed across the three compensation frameworks

The final rule harmonises the three key compensation frameworks by allowing opportunity costs to be claimed consistently across these frameworks. This is consistent with the proposed changes from the review and AEMO's rule change request.[32]

Under the current arrangements, there are different approaches to compensation for opportunity costs:

- **Administered pricing:** opportunity costs can be claimed
- **Directions:** loss of revenue can be claimed
- **Market suspension:** neither opportunity costs nor loss of revenue can be claimed.

The Commission considers that this inconsistency increases complexity and does not reflect that participants can incur opportunity costs regardless of intervention type. Additionally, inconsistencies between compensation frameworks could create perverse incentives for participants to seek one form of compensation over another.[33] These perverse incentives may negatively impact reliability and the efficient operation of the spot market, in addition to being inconsistent with the compensation objectives. Therefore, the inconsistent treatment of these costs across the current frameworks is not appropriate.

Therefore, we consider that opportunity costs should be claimable under the three key compensation frameworks. This will support the achievement of the compensation objectives and promote achievement of the NEO by supporting the reliable and secure operation of the power system. Implementing this change involves replacing 'loss of revenue' with 'opportunity costs' in directions compensation and allowing opportunity costs to be claimed for market suspensions.[34]

As discussed in appendix C, all opportunity cost claims will be assessed in line with the AEMC's compensation guidelines.[35] The Commission will update the compensation guidelines to be consistent with the final rule, as well as general improvements based on learnings from assessing opportunity cost claims from June 2022.[36] Our expectation is for the compensation guidelines to provide confidence to claimants on how opportunity costs would be valued and that AEMO and the independent expert would assess opportunity cost claims consistently.

Allowing opportunity costs to be claimed across the three key compensation frameworks is consistent with the changes proposed in the compensation review and AEMO's rule change request. Throughout the consultation stages in this rule change and the review, stakeholders broadly supported allowing opportunity costs to be claimed across frameworks. Consistent with feedback to the consultation paper, submissions to the draft determination emphasised that any approach to opportunity costs should be subject to clear guidance. Some stakeholders, however,

32 AEMC, Review into electricity compensation frameworks final report, p. 11.
AEMO, Rule change proposal to align the compensation frameworks, p. 20.

33 For example, participants may seek to be directed during a market suspension to be able to claim compensation for 'loss of revenue'.

34 See clauses 3.12.4(c), (d) and (e), referring to "total costs" which includes opportunity costs, as defined in clause 3.12.4(a), in Schedule 3 of the final rule.

35 See the definition of "opportunity costs" in clause 3.12.4(a), in Schedule 3 of the final rule.

36 See clause 11.196.2 in Schedule 4 of the final rule.

expressed concern with the implementation timelines for allowing opportunity cost claims across frameworks. These are discussed further in Appendix E.

A.4 Administered pricing compensation will be calculated on a per-trading-interval and per-unit basis

Under the final rule, administered pricing compensation will be assessed in a more targeted manner. Specifically, administered pricing compensation will be assessed:[37]

- on a per-trading-interval basis, instead of an eligibility period, and
- per-unit, instead of across a portfolio.

These changes will mitigate perverse incentives that are not aligned with the objective of the administered pricing compensation framework. This is because, under the current arrangements, profits in one trading interval or by one unit can reduce compensation for losses incurred in another trading interval or by another unit.

The Commission is conscious that these changes may increase costs to consumers due to higher administered pricing compensation payments. However, we expect the improved reliability benefits from resolving perverse incentives will outweigh any additional costs.

Our final determination is consistent with the changes proposed in the compensation review and AEMO's rule change request.[38] While there was limited commentary on this issue in submissions to the draft determination, we note that there was strong support for this change in stakeholder feedback to the compensation review.[39]

A.4.1 Assessing compensation on a per-trading-interval basis mitigates perverse incentives

Administered pricing compensation is currently assessed over an eligibility period.[40] An eligibility period is defined as the period from the first trading interval in a trading day in which the price limit event occurs to the last trading interval of that trading day.[41]

Assessing compensation across an eligibility period can create perverse incentives that are counter to the objective of the administered pricing compensation framework. This is because profits in intervals within an eligibility period can offset losses incurred in other intervals when assessing compensation amounts. In turn, this provides incentives for units to withdraw capacity in loss-making intervals to maximise profits, negatively impacting reliability for consumers during administered pricing periods. Note that this is particularly relevant for regions affected by inter-regional price scaling, where participants may be in a profitable position during the eligibility period before prices are capped by the APC.

Furthermore, there are also unclear interactions between administered pricing and the other compensation frameworks. As administered pricing compensation is assessed over an eligibility period, there can be instances where a claimant is eligible for both administered pricing compensation and directions or market suspension compensation. The NER and compensation guidelines currently suggest that in these situations, earlier compensation decisions should be re-assessed and potentially revised when assessing administered pricing compensation.

37 See clauses 3.12.4(a) and (d)(1) in Schedule 3 of the final rule.

38 AEMC, Review into electricity compensation frameworks final report, pp. 28-30.
AEMO, Rule change proposal to align the compensation frameworks, p. 20.

39 Submissions to *Review into electricity compensation frameworks* draft report: AEC, p. 5; AEMO, p. 6; AGL, p. 4; Hydro Tasmania, p. 1; Shell, p. 5; Tesla, p. 1.

40 NER clause 3.14.6(b).

41 NER clause 3.14.6(a).

The final determination to assess administered pricing compensation on a per-trading-interval basis will remove the perverse incentives, as profits made in some intervals will not offset losses in other intervals when compensation is being calculated. Additionally, assessing compensation on a per-trading-interval basis enables a clear differentiation for calculating compensation when there are multiple interventions.[42]

A.4.2 Assessing compensation on per-unit basis mitigates perverse incentives

In its assessment of opportunity cost claims arising from June 2022, the Commission applied the current NER clause 3.14.6(b) and assessed compensation across all units that make up a claim for a participant.[43]

For the same reasons set out in appendix A.4.1, assessing compensation across all units of a participant under the current rules drafting can create perverse incentives, where profits made by one claimed unit can offset losses incurred by another claimed unit when calculating compensation amounts. These incentives are for profit-maximising participants to not operate units that would incur losses when they have another unit generating profits at the same time, thereby resulting in negative reliability outcomes for consumers.

Therefore, the final determination to assess administered pricing compensation on a per-unit basis will mitigate this perverse incentive and support the objective of maintaining incentives for participants to continue to supply services during administered pricing. This will contribute to the NEO by supporting the reliability of electricity supply.

42 Note that the broader consolidation of the compensation frameworks and processes under the NER further addresses this issue (see generally Schedule 3 of the final rule). Changes to the compensation guidelines will further support addressing this issue.

43 See for example AEMC, Final decision - Snowy Hydro direct and opportunity cost claim, here.

B Our final rule will change the arrangements for recovering compensation costs

The Commission has made a final determination and rule to clarify how the costs of administered pricing compensation and directions compensation are recovered. These changes are minor and aimed at clarifying parts of the existing NER that are unclear or do not always operate as intended, resulting in a more efficient allocation of compensation costs. The final rule does not make any changes to cost allocation for 'capacity directions'.

Our policy positions have not changed on cost recovery between draft and final stages of this rule change. The Commission has, however, made drafting improvements for the final rule.

B.1 We are clarifying cost recovery arrangements for administered pricing compensation

The final rule clarifies that administered pricing compensation costs are recovered:[44]

- on a trading interval basis
- based on the region(s) where the price was set by the administered price cap (APC), also known as the cost recovery region(s).

Under the current NER, cost recovery for administered pricing compensation is based on the cost recovery region and spanning the whole eligibility period.[45]

We consider that administered pricing compensation should be recovered on a trading interval basis within an eligibility period, instead of across an eligibility period. This aligns with the final determination to calculate administered pricing compensation on a trading interval basis, providing a clear allocation of compensation costs. It is also consistent with the policy intent of the *Compensation arrangements following application of an administered price cap and administered floor* rule change, which introduced the concept of eligibility periods.[46]

The clarifications to the cost recovery region(s) will resolve a flaw in the current NER, which only anticipates one cost recovery region per eligibility period. Therefore, if the APC applies in multiple regions or claimants have facilities in multiple regions, the NER is unclear on how administered pricing compensation costs should be recovered across the multiple regions.[47]

During the compensation review, the Commission and AEMO identified several scenarios that should be covered by the NER.[48] This final determination has made changes to cost recovery for administered pricing compensation consistent with the changes proposed in the compensation review and in AEMO's rule change request.[49] The final rule codifies the intended approach to cost recovery, by clarifying that the region from which to recover compensation for a particular unit in a trading interval is:

- if the unit is located in a region where the spot price is set by the APC, that region

44 See clause 3.15.10 in Schedule 3 of the final rule.

45 NER clause 3.15.10.

46 The project page for the *Compensation arrangements following application of an administered price cap and administered floor* rule change can be found here.

47 For reference, this occurred in June 2022 when spot prices were set by the APC across multiple regions.

48 AEMC, Review into electricity compensation frameworks final report, pp. 36-37.

49 AEMC, Review into electricity compensation frameworks final report, p. 36.
AEMO, Rule change proposal to align the compensation frameworks, p. 21.

- if the unit is not located in a region where the spot price is set by the APC, the region(s) with spot price(s) set by the APC and with energy flows from the unit's region.

This approach aims to allocate costs to the regions that had spot prices set by the APC and notionally received energy from the compensated unit (if the unit is located in the capped region or is in a separate region exporting towards the capped region). This is consistent with the approach for inter-regional price scaling.[50] In turn, this approach will result in costs being allocated to the beneficiaries of increased reliability from the administered pricing compensation framework.

B.2 We are clarifying cost recovery arrangements for directions compensation

The final rule clarifes that directions compensation is recovered based on energy input and output during 'intervention trading intervals'.[51]

This is a minor clarification from the existing rules, where cost recovery of directions compensation is based on energy input and output during 'intervention price trading intervals'. Intervention price trading intervals are a subset of intervention trading intervals where intervention pricing is used to set prices.[52]

AEMO raised in its rule change request that directions may apply in trading intervals where intervention pricing does not apply.[53] This means that the current rules are unclear on how costs should be recovered for such periods.

We consider it will be beneficial for the rules to be clarified for directions compensation cost recovery to be based on intervention trading intervals, instead of only intervention price trading intervals. This will resolve uncertainty where a direction applies without intervention pricing. Additionally, this will also ensure compensation costs are recovered based on the intervals in which the directed service is provided, resulting in a more efficient allocation of costs.

Our final determination is consistent with AEMO's proposal in its rule change request.

The final rule clarifies how the costs of compensation for directions other than for energy and ancillary services are recovered, following a request from AEMO. The existing formula for this cost recovery process referred to Cost Recovery Market Participants paying a share of the "compensation recovery amount", which is defined to include only compensation for directions for energy (these costs are recovered under a separate provision).[54] The final rule specifies that this formula applies for recovery of compensation for "other directed services".[55] New defined terms are also established to simplify the drafting throughout this clause.[56]

50 See NER clause 3.14.2(e) for the current approach to inter-regional price scaling when the APC is applied.

51 See references to 'intervention trading intervals' in clause 3.15.8(b) and 3.15.8(g) in Schedule 1 (and carried through to Schedule 3) of the final rule.

52 NER clause 3.9.3(b).

53 AEMO, Rule change proposal to align the compensation frameworks, p. 21.

54 In the formula in NER cl 3.15.8(g), the definition of "CRA" refers to "compensation recovery amount" which is defined in cl 3.15.8(a) in relation to directions for energy. Cost recovery for directions for energy is covered in cl 3.15.8(b).

55 Final rule Schedule 3, cl 3.15.8(h), referring to "other directed services compensation amount" as defined in cl 3.15.8(g).

56 New terms "negative compensation amount" and "positive compensation amount" are defined in cl 3.15.8(a0) and used for calculating the compensation recovery amount for directions for energy in cl 3.15.8(a), directions for ancillary services in cl 3.15.8(e) and directions for other services in cl 3.15.8(g), rather than repeating the same lists of amounts in each calculation. Final rule, Schedule 3.

B.3 We have not made changes to cost allocation for capacity directions compensation

The final rule will not change the cost allocation of compensation for 'capacity directions'.

Under the current arrangements, compensation for directions for services other than energy or ancillary services is recovered from both generators and customers, based on their share of net generation. This includes 'capacity directions', which are directions for storage plant to consume energy for the purposes of ensuring reliability at a later point.

Tilt Renewables proposed in a rule change request that the costs of compensation for capacity directions be recovered solely from consumers, rather than from both consumers and generators, as they are under the existing framework.[57]

The Commission previously recommended in the review that compensation costs for capacity directions be recovered solely from consumers.[58] This was because consumers, not generators, are the beneficiaries of capacity directions due to increased reliability. Therefore, the proposed change could result in a more efficient allocation of costs while removing potentially perverse incentives for generators to reduce output during periods when capacity directions are in place.[59]

The Commission has determined that a change to cost recovery specifically for capacity directions is not warranted. While we maintain our view that there are theoretical benefits associated with the proposed change, the practical benefits will be immaterial and are likely to be outweighed by administrative burden and complexity.

- The benefits of the proposed change would likely be minimal, as capacity directions should rarely be used. The inherent design of the energy-only market in the NEM provides strong price signals and incentives for storage to operate in a manner that is consistent with ensuring reliability. We expect capacity directions to only be used by AEMO as an absolute last-resort mechanism when the spot market is not functioning to deliver price signals as intended, such as during the June 2022 market suspension. Combined with other reforms to compensation and market resilience (including changes to the market price settings), we expect the likely additional benefits of the proposed change would be negligible.
- There is likely to be administrative burden and complexity with creating a distinct category for capacity directions. As raised by AEMO in their submission to the consultation paper, there is subjectivity in determining whether a direction is a capacity direction, in addition to complexities for market settlement.[60] We consider these administrative complexities could increase uncertainty in cost allocation for directions that may be considered to be capacity directions.

In addition to the likely benefits and costs of the proposed change, we consider it would not be appropriate to have separate cost recovery arrangements specifically for capacity directions. The current cost recovery arrangements do not distinguish between different types of directions. Given the likelihood of capacity directions and the intention of directions as a generic, last-resort mechanism for AEMO to manage the power system, we do not consider it appropriate to introduce specific cost recovery approaches for different directions.

57 Tilt Renewables, Rule Change Request – Recovery of Funds for Capacity Directions, p. 1.

58 AEMC, Review into electricity compensation frameworks final report, p. 38.

59 Generators may be incentivised to reduce output during capacity directions to avoid the associated compensation costs. This can have negative impacts on reliability and, if material, could be mitigated by not allocating capacity direction compensation costs to generators.

60 AEMO, submission to the consultation paper, 5 May 2026, p. 4.

The position above is consistent with our draft determination and rule. The Commission notes that two stakeholders commented on recovering costs for capacity directions from consumers in submissions to the draft determination. AGL considered that the risks and costs outlined above are manageable and that consumers should pay the cost of these directions as the beneficiary.[61] EUAA, however, strongly supported the position taken in the draft determination for largely the reasons outlined above.[62]

61 AGL, submission to the draft determination, 03 September 2026, p. 2.

62 EUAA, submission to the draft determination, 03 September 2026, p. 2.

C Our final rule will streamline the governance and administration of the compensation frameworks

Our final rule will make several administrative and governance changes to the compensation frameworks. In particular, the final rule addresses:

- governance matters
- alignment between frameworks
- the selection and role of the independent expert.

Our final rule will alleviate confusion and uncertainty, giving participants confidence in the frameworks to continue to provide services during periods of market intervention.

Box 1: Our final rule will make ten administrative and governance changes

AEMO's rule change request largely adopted the review's recommendations on governance and administrative matters. It also proposed minor changes, such as adding a notice-based mechanism for ineligibility and aligning cost recovery reporting categories with the Integrating Energy Storage Systems (IESS) rule change.

Our final rule will implement AEMO's proposed changes, with some differences regarding time limits and the independent expert. The final rule will:

- ensure AEMO receives and assesses all compensation claims, alongside the independent expert
- establish a new minimum threshold that will apply to all compensation claims
- allow AEMO to recover administrative costs for assessing compensation claims from CRMPs
- align and extend the time limit to submit compensation claims
- make four changes to the independent expert appointment and referral process
- harmonise the standards for supporting information
- remove the process for assessing compensation eligibility
- clarify eligibility for compensation
- add a notice-based mechanism for ineligibility
- change AEMO's cost-recovery reporting categories.

C.1 Under our final rule, AEMO will receive and assess all compensation claims with the independent expert

Under our final rule, AEMO will receive all compensation claims to simplify governance and prevent confusion. AEMO will then assess the claims or refer them to the independent expert in certain scenarios.[63]

Following the June 2022 market suspension, stakeholders raised concerns that the governance over the three frameworks was confusing and caused unnecessary delays. Under the existing rules, AEMO processes market suspension and directions compensation claims while the AEMC is responsible for assessing administered pricing compensation claims. The divided governance structure was incompatible with claims that spanned multiple frameworks, which confused

63 See clause 3.12.4(j) and (m) in Schedule 3 of the final rule.

participants and caused delays. It imposed an unnecessary regulatory burden on participants during a period of market stress. Stakeholder submissions to the compensation review noted that AEMO had more experience and better access to data to assess all claims.[64]

Aligned with the review recommendations, AEMO's rule change request proposed that AEMO would receive all compensation claims. AEMO, and the independent expert in certain scenarios, would assess all claims. This will reassign the responsibility of receiving and assessing administered pricing compensation claims from the AEMC to AEMO and the independent expert. The AEMC will remain responsible for the compensation guidelines. The recommendation was well-supported by stakeholders in submissions to the review.[65]

Stakeholder submissions to the consultation paper and draft determination also supported the change.[66] CS Energy submitted that the governance change aligns with the functions of the market bodies and will lead to more consistent compensation outcomes. AGL submitted that having AEMO centrally administer the framework would reduce duplication, improve consistency, and simplify engagement with compensation arrangements.

Our final rule is largely consistent with our draft rule, it will reduce regulatory uncertainty for stakeholders by aligning the governance of the compensation frameworks with the functions of the market bodies. AEMO will process all compensation claims, while the AEMC will develop the compensation and opportunity cost guidelines. This will simplify the frameworks governance and reduce the regulatory burden on claimants and the market bodies.

C.2 We are applying a new minimum threshold for compensation claims

In line with AEMO's rule change request, our final rule will implement a new $10,000 threshold across all frameworks.[67] The compensation review did not make any recommendations regarding minimum thresholds. However, the review did emphasise the benefits of alignment and simplicity across the framework. Stakeholder submissions to the draft determination supported the $10,000 uniform minimum threshold for all compensation claims.[68] The threshold reflects the cost of assessing claims, ensuring the value of the claim exceeds that cost. This will ensure the benefits of compensation exceed the administrative costs of processing the claims. We acknowledged stakeholder feedback that claims will often exceed the threshold, and consider this a positive feature. Compensation benefits all market participants by providing incentives to continue to provide services, in line with the objectives for administered pricing and market suspension compensation. A higher threshold would have negative commercial consequences for participants and undermine the objectives. The consistent threshold will provide internal consistency and simplify the frameworks, making it easier for participants to navigate the claims process. As discussed in Appendix E, this update to the threshold has been brought forward in the final rule into Schedule 1.

The minimum threshold applies to individual units or participants'aggregated claims arising from a relevant intervention event. In submissions to the draft determination some stakeholders expressed concern about how the minimum threshold and aggregation would operate where

64 Submissions to the compensation review draft report: the AEC; AEMO; EUAA; and Snowy Hydro.

65 Submissions to the compensation review draft report: the AEC; AEMO; AER; AGL; CS Energy; Delta; EnergyAustralia; Hydro Tas; Shell Energy; Snowy Hydro.

66 Submissions to the consultation paper: AEMO; AGL; CS Energy; Delta; Snowy Hydro; submissions to draft determination: AGL; EUAA; Origin; Shell; Snowy Hydro.

67 See clause 3.12.4(h) in Schedule 3 of the final rule.
AEMO, rule change request, 27 November 2025, p. 22.

68 Submissions to draft determination: AEMO; EUAA; Origin.

compensation arises from multiple small events or claims.[69] Stanwell expressed that during periods of market stress, AEMO may intervene several times in a short space of time. These may each fall under the threshold but could aggregate to a substantial claim. The final rule already allows participants to itemise claims for multiple interventions into a single claim that exceeds the threshold, as long as the time limits are not breached. The compensation guideline represents an opportunity to clarify this process further.

C.3 AEMO will recover administrative costs for assessing compensation claims

Our final rule does not allow AEMO to charge claimants an administrative fee. Instead, AEMO's administrative costs will be recovered from all Cost Recovery Market Participants (CRMPs).[70]

AEMO's rule change request proposed charging claimants an assessment fee for directions compensation. It proposed that the fee would prevent spurious claims and cover the cost of administering the compensation frameworks. Stakeholder submissions did not directly comment on the administrative fee. However, in submissions to the consultation paper, stakeholders did cite the review recommendations to reduce the burden of preparing and submitting claims on participants.[71]

Our final rule, which is consistent with our draft rule, does not include AEMO's proposed administrative fee. For directions compensation, a fee would place a burden on claimants who complied with directions and were insufficiently remunerated. It does not align with the review's recommended objective for directions compensation, to fully compensate costs incurred by a direction. It would also slightly disincentivise participants making market suspension or administered pricing compensation claims, which does not align with the objective for either framework. Finally, as the compensation frameworks benefit all market participants by aligning incentives for participants with the effective function of the market, placing the administrative cost of the frameworks onto claimants will be an inappropriate cost allocation.

Our final rule will instead recover AEMO's administrative costs from CRMPs to ensure claimants are fully compensated for complying with directions.

C.4 We are aligning and extending the time limit to submit compensation claims

The final rule will apply a unified 40-business-day limit to submit all types of compensation claims.[72] This change improves alignment across frameworks, simplifying the rules. It also provides claimants sufficient time to gather information and submit claims, while still allowing AEMO time to complete claims within the 30 week settlement cycle.

Table A.1 sets out the different time limits proposed in the review and the rule change process to date. Notably, the draft determination proposed an extended and aligned 60-business-day time limit for all compensation claims. The 60-business-day broadly aligned with stakeholder views for an extended time limit for submission of compensation claims. While submissions differed in the exact time limit, ranging from 40 to 120 business days, most stakeholders supported extending

69 Submissions to draft determination: Energy Australia, p.3; Shell, p.5; Stanwell, p.3

70 See clauses 3.15.8A(a)(3), 3.15.8A(f)(3) and 3.15.10(b)(5) in Schedule 3 of the final rule.

71 Submissions to the consultation paper: AGL, 6 May 2026, Energy Australia, 30 April 2026, Neoen, 30 April 2026, Origin 30 April 2026, and Snowy Hydro, 30 April 2026.

72 See clause 3.12.4(g) in Schedule 3 of the final rule.

and aligning the existing time limits.[73] Stakeholders noted that compensation claims, particularly those including opportunity cost claims, were difficult and time-consuming to prepare. Stakeholders also articulated that periods of broad market stress would translate into organisational stress, and their internal resources would be stretched.[74] The Commission recognised these challenges and recommended extending the time limit. Submissions to the draft determination broadly supported this 60-day time limit for compensation claims.[75]

Table C.1: Proposed time limits for compensation claims

Review and rule change process	Proposed time limits
Current rules	33 business days (excluding administered pricing)
Submissions to the compensation review	40 to 120 business days
AEMO rule change request	33 business days
Draft determination	60 business days
AEMO submission to draft determination	33 business days
Final determination	40 business days

C.4.1 The draft time limits would have provided insufficient time for assessing claims

In its submission to the draft determination and in the HLIA, AEMO submitted that a 60-day time limit leaves insufficient time to assess complex claims and meet the 30-week settlement timeframe.[76] Figure C.1 is taken from AEMO's submission, and provides an overview of how these processes would function under a 60-day time limit in relation to the 30-week settlement timetable. Additionally, constrained timeframes for AEMO or an independent expert to assess claims increases the chance of incorrect, varied, or contestable claims. This is not aligned with the overall intention of these reforms and also risks increased costs for participants.

The Commission notes that even with AEMO's proposal for a unified 33-day time limit, these existing processes will need to be streamlined as AEMO's process outlined in its submission could exceed the settlement window by up to 6 business days.

AEMO also highlighted that regularly having compensation claims assessed and settled outside this 30-week revised settlement timetable creates costly new processes for out of cycle settlements, leading to less certainty in settlement timelines. Provided an adjustment is sufficiently material, AEMO can make an out-of-cycle settlement. However, this is intended as a last resort, and excessive time limits for claims risk systematising a reliance on these costly settlements.

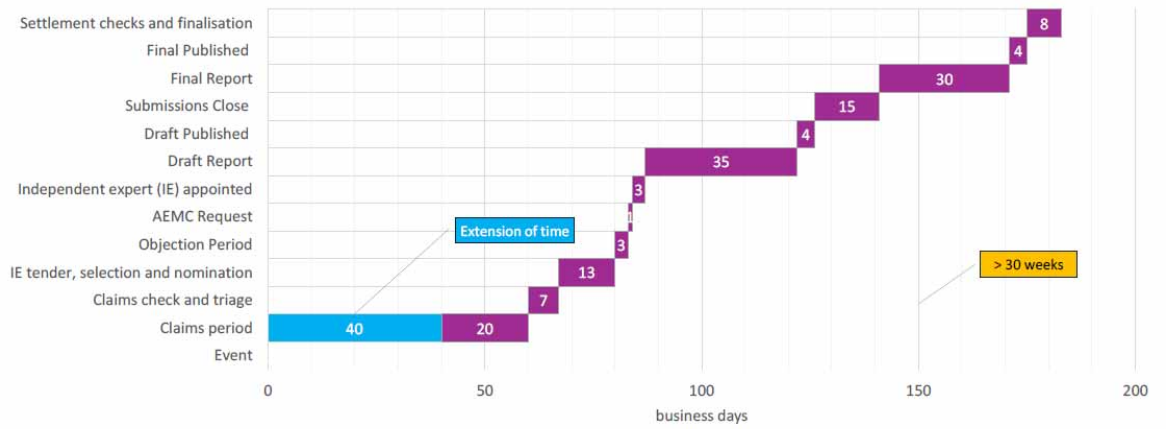
73 Submissions to the compensation review draft report: AGL; Alinta; CS Energy; Delta; Energy Australia; Hydro Tas; Origin; Shell Energy.

74 Shell Energy, submission to the compensation review final report, 26 September 2026.

75 Submissions to draft determination: AGL p.3; EnergyAustralia, p.4; ENGIE, pp. 2-3; Origin, p.1; Shell, p.6.

76 AEMO, submission to draft determination, 7 September 2026, pp 3-4; AEMO draft High level implementation assessment improving compensation frameworks, August 2026.

Figure C.1: AEMO's current assessment process under a 60-day time limit



Source: AEMO, submission to the draft determination, p. 3.

C.4.2 We have explored opportunities to maximise time limits for participants

While we agree with AEMO's submission that a 60-day time limit does not allow sufficient time for AEMO or the IE to assess claims accurately, the Commission considers that maximising the time limit for participants to submit a claim minimises the risk of inaccurate or incomplete claims. AEMO's proposed 33-business-day limit would be challenging for participants to meet, increasing regulatory burden and the risk of inadequate compensation.

We have therefore examined AEMO's process for streamlining opportunities to increase time limits for participants. As discussed above, reducing assessment times for AEMO or the IE risk reducing the predictability or accuracy of claims assessment. Similarly, removing or reducing the draft assessment and consultation period for claims assessment would result in less transparency for participants and therefore potentially less accurate assessments. The Commission has therefore decided to remove the objections process from the IE appointment. This allows for an increase to the time limit to 40 business days from AEMO's proposal of 33 business days.

Stakeholders noted that the existing objection process for the appointment of an independent expert adds time to the claims process and, to date, has never been used.[77] We consider any potential risks associated with removing the objection process can be appropriately managed through changes to the independent panel process discussed in appendix C.5.

This change removes seven days from AEMO's processes which can then be given to participants to make claims, increasing the timelines from 33 business days to 40.

C.4.3 This rule change makes engagement with the compensation frameworks simpler

The Commission acknowledges that 40 business days is a tighter time limit than stakeholders supported in submissions to the draft determination, and is at the lower end of the range supported in submissions to the Compensation Review. However, we consider it is appropriate given the costs associated with either reducing the assessment timeframes afforded to AEMO or an independent expert, or systematising the risk of out-of-cycle settlement processes.

77 Submissions to draft determination: EnergyAustralia, p.3; Shell, p.3

The Commission also notes that we have made a number of clarifying and streamlining changes in this final rule that will make it easier for participants to make claims. These include:

- Aligning compensable costs across frameworks. This includes allowing opportunity costs to be compensated under all frameworks and aligning the list of direct costs that participants can claim.
- Aligning supporting information requirements across frameworks.
- Consolidating the compensation frameworks in a single part of the rules for easier engagement.
- Updating the compensation guidelines to cover all intervention scenarios, not just administered pricing.

In addition to these improvements, the Commission notes that a unified 40-business-day time limit across all frameworks is an extension on current time limits. Therefore, we consider this limit best mitigates to AEMO's settlement processes while allowing participants sufficient time to submit claims.

C.5 We have made four changes to the independent expert referral process

Our final rule will:

- apply consistent referral thresholds for all types of compensation
- allow AEMO to send complex or difficult claims to the independent expert
- require AEMO to maintain a panel of suitably qualified and available independent experts
- remove the administrative process that allows participants to object to the appointment of an independent expert.

C.5.1 The final rule will align the thresholds for referral

Consistent with our draft rule, our final rule will set a $50,000 threshold to refer claims to the independent expert.[78]

AEMO proposed a consistent $50,000 threshold across all three frameworks to refer claims to the independent expert. This differs from the review recommendations, which reflected existing frameworks and did not extensively consider the associated thresholds. Submissions to the review did not comment on this matter.

Consistent with submissions to the consultation paper, stakeholder submissions to the draft determination mostly supported alignment across frameworks and AEMO's proposed threshold.[79]

Akaysha maintained its view expressed in the submission to the consultation paper that the threshold for the referral of a claim to independent expert should be considerably higher. Akaysha recommends a threshold greater than $100,000 would be appropriate to justify the cost of engaging an independent expert, which it stipulated will be in the region of $30,000.[80] We considered that the independent expert referral threshold should reflect the costs associated with assessing a claim through an independent expert, similar to the minimum threshold to make a compensation claim. We consider the proposed threshold of $50,000 broadly reflects the cost of

78 See clause 3.12.4(j)(1)(i) in Schedule 3 of the final rule.

79 Submissions to the consultation paper: AGL; EnergyAustralia.
submissions to draft determination: EUAA, p.3; Origin, p. 1; Shell, p. 6.

80 Akaysha, submission to the consultation paper, 30 April 2026, p. 2, submission to the draft determination, 3 September 2026, p. 4.

assessing compensation claims by the independent expert, and balances these costs with the benefits of accurately assessing larger compensation claims.

Our final rule will apply a unified threshold for referrals to the independent expert. This is in line with the broader objectives of aligning compensation frameworks for simplicity and clarity. The compensation review and AEMO's rule change request also emphasised the value of alignment between frameworks.

Our final rule includes a provision for AEMO not to refer a claim it considers is unreasonable.[81] This supplementary provision provides some mitigation of the risk of unreasonable claims incurring additional costs through being automatically referred to the independent expert.

C.5.2 Under our final rule, AEMO will refer all opportunity cost claims and may refer other complex or difficult claims

AEMO's rule change proposed that it may send "complex or difficult" claims to the independent expert. This could include complex, difficult or opportunity cost claims below the $50,000 threshold. The change is intended to improve the accuracy and consistency of claims assessment, and allow AEMO to seek expert advice when administering the new frameworks for the first time.

Our final rule provides for AEMO to refer all opportunity cost claims, as well as complex or difficult claims to an independent expert.[82] In the review, the Commission noted that AEMO is not an economic regulator and that its functions to date have not included determining opportunity costs. This is a key issue associated with making AEMO responsible for the assessment of claims for opportunity cost compensation. In its submission to the review's consultation paper, AEMO commented that it would not be appropriate for it to assess opportunity costs as part of administered pricing compensation because it does not have appropriate functions to complete this role.

Stakeholders broadly supported this policy in their submissions to the draft determination.[83] EnergyAustralia, however, commented that the final rule should require AEMO to publish the criteria it applies when deciding whether a claim is complex.[84] As these criteria are difficult to forecast, and may vary as market conditions evolve, we do not consider they are appropriate to enshrine this in the rules.

We consider the risk associated with this approach to be low, while benefits include increased likelihood of accurate claims and improved adaptability of the framework to evolving market conditions. Our final rule adopts this proposed amendment.

C.5.3 Our final rule will require AEMO to maintain a panel of independent experts

AEMO currently maintains a panel of independent experts.[85] Our final rule will enshrine this panel within the rules.

EnergyAustralia supported the use of the independent expert panel to remove bias, while Snowy Hydro supported improving the transparency of the independent expert selection process.[86] We have incorporated stakeholder feedback into our final rule.

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81 See clause 3.14.5B(f) in Schedule 2 of the final rule

82 See clause 3.12.4(j)(1)(ii) and 3.12.4(j)(2) in Schedule 3 of the final rule.

83 Submissions to the draft determination: EUAA, p.2; AGL, p.3; Shell, p. 6; Snowy Hydro, p.1

84 EnergyAustralia, submission to the draft determination, 3 September 2026, p. 2.

85 AEMO, submission to the consultation paper, 5 May 2026.

86 EnergyAustralia, submission to the consultation paper, 30 April 2026, p. 4; Snowy Hydro, submission to the consultation paper, 30 April 2026, p. 4.

Our final rule will require AEMO to maintain a panel of "qualified and available" experts and update the panel at least every three years.[87] This gives participants increased confidence that the independent expert process will be transparent and efficient. The change will be low-cost, as AEMO already maintains a panel, and increase stakeholder confidence in the independent expert process through greater transparency.

C.5.4 Our final rule will remove the provision for objection to the appointment of independent experts

As mentioned above, our final rule will remove the provision for objection of independent expert appointment to maximise the time available for claim submission and assessment.

Under the current rules, the AEMC will appoint a replacement independent expert following a successful objection. Our draft rule proposed that AEMO, instead of the AEMC, appoint an alternate independent expert if there was a valid objection to the original appointment.[88] A valid objection to the original appointment will arise, under the current rules, when 25% of claimants object in writing within 3 business days of publication of AEMO's nominated independent expert.[89] EnergyAustralia expressed concern about removing the AEMC, an independent party, from a check that currently exists in the rules, at the same time as AEMO's overall role in the framework is expanding.

Stakeholders also noted that the existing objection process for the appointment of an independent expert adds time to the claims process and, to date, has not been used.[90] The Commission has removed the objection process from the appointment of independent experts. We consider risks associated with removing the objection process can be appropriately managed (*see* appendix C.5.3). AEMO estimates that this allows for seven additional days to be incorporated into the time limit for participants to submit a claim.[91] Feedback from stakeholders expressed a need to maximise the time limit to submit claims. Removing this step allows for longer time limits, reducing the risk of inadequate compensation for participants without risking AEMO's capacity to process claims within the 30-week settlement timeframe.

C.6 We are harmonising the standards for supporting information

Our final rule will apply a consistent standard for supporting information across all compensation types.[92]

Consistent with the review recommendations, AEMO's rule change request proposed aligning the requirements for supporting information for compensation claims. Specifically, the Commission proposed extending the directions and market suspension requirements to also apply to administered pricing claims. This change will support timely and informed assessments of administered pricing claims and harmonise the standards for supporting information across compensation frameworks.

For directions and market suspension claims, the NER requires that claimants itemise each component of their claim with sufficient data and information to substantiate each component of the claim. This information must be signed by an authorised officer certifying that the submission

87 See clause 3.12.3(a0) in Schedule 3 of the final rule.
88 See clause 3.12.3(a2)(1) in Schedule 3 of the draft rule.
89 See clause 3.12.3(a1) in the NER.
90 Submissions to draft determination: EnergyAustralia, p.3; Shell, p.3
91 AEMO, submission to the draft determination, 07 September 2026, p. 3.
92 See clause 3.12.6(a), relating to clauses 3.12.4 (i)(3) in Schedule 3 of the final rule.

is true and correct. The administered pricing compensation guidelines contain similar provisions, however these are not in the NER.

Most stakeholders did not explicitly comment on this recommendation. Neoen supported the proposal, noting that this would reduce the administrative burden of compensation, particularly for smaller participants.[93] AGL supported the proposal, provided the requirements are clear and not excessively burdensome.[94]

Our final rule will align the standards for supporting information for administered pricing compensation claims with those of directions and market suspension compensation claims. In turn, this will enable more timely and informed assessments of administered pricing claims.

C.7 Our final rule clarifies what constitutes compensable services

In the rule change request, AEMO proposed to remove the requirement in the current rules to assess whether a claimant is eligible for other compensable services. Our draft rule removed a duplicative clause that requires AEMO to conduct an eligibility assessment.

In submissions to the draft determination stakeholders broadly supported the policy, but some stakeholders expressed concern about ambiguity relating what constitutes a compensable service, and made particular reference to directions to reduce output or hold state of charge.[95] AEMO submitted that compensation for directions may only be claimed for the provision of a service under the current NER and draft rule.[96] Aligned with AEMO's submission, the Commission considers that there are currently actions participants would take in following a direction that should be compensated but may not be under the current rules.

This issue has become more salient recently as minimum system load (MSL) risk has increased and AEMO has increasingly used directions to manage that risk. AEMO's recent updates to its MSL procedure, which took place after the draft rule, included advice that inflexible generators that reduce output would not be entitled to compensation as they would not have provided a service that can be compensated under the 'Other compensable services' provisions in the current rules. This is despite the fact that generators may incur significant costs in complying with the direction. This additionally raises the question of whether storage assets directed to hold state of charge would be treated the same way under the current rules.

The Commission considers that participants in these circumstances should be entitled to compensation, consistent with our policy in the compensation review. This is aligned with AEMO's submission to the draft rule as well as AEMO's submission to the draft report for the compensation review.[97] Our final rule therefore clarifies that all directions issued by AEMO are eligible for compensation.[98]

AEMO has advised that there may be circumstances whereby a market participant has behaved in such a way as to cause the system security issues that necessitate directions.[99] Despite the intention of the final rule being for all actions taken to follow a direction to be compensable, this highlights the necessity for some flexibility in the rules to carve out certain behaviours from

93 Neoen, submission the consultation paper, 30 April 2026, p. 2.

94 Submissions to the draft determination, AGL, 8 September 2026, p. 6; Delta, 28 August 2026, p. 1; EUAA, 3 September 2026, p. 3.

95 Submissions to draft determination: EnergyAustralia, pp. 2-3; AEMO, pp. 6-7; Origin, p.2.

96 AEMO submission to draft determination, 7 September 2026, p.6

97 AEMO submission to draft determination, 7 September 2026, p. 7.
AEMO, submission to the draft report, Review into compensation frameworks, 26 September 2024, pp. 2-3.

98 See clause 3.12.4(b) of the final rule.

99 AEMO submission to draft determination, 7 September 2026, p. 7.

eligibility for compensation. Our final rule, therefore, specifies that the compensation guidelines may exclude certain directions from entitling participants to compensation.[100]

Shell Energy raised the issue that participants are not compensated for non-network, limit-based constraints that alter merit-order dispatch.[101] We do not consider it appropriate to make any changes to this arrangement at this stage. Constraints are not currently compensated and do not make up part of the compensation framework. Whether constraints should be compensated should be considered separately from this rule change.

Stakeholders will have further opportunity to engage on this during the consultation on the compensation guidelines. We consider this approach to be consistent with the objective of directions compensation, which is to enable Directed Participants to recover the costs incurred in complying with a direction. In doing so, the framework provides appropriate incentives for participants to support reliability and security during periods of system and market stress.

C.8 We are removing the process for assessing compensation eligibility for other compensable services

Our final rule will remove a duplicative clause that requires AEMO to conduct an eligibility assessment.

AEMO proposed to remove the requirement in the current rules to assess whether a claimant is eligible for other compensable services. AEMO did not propose any changes to the eligibility criteria for preliminary compensation.

Under our final rule, AEMO would no longer be required to perform an eligibility assessment for other compensable services. The existing rule is duplicative, as eligibility is linked to an assessment of the cost of the claim. AEMO would perform this assessment anyway in complying with the rules. CS Energy and Tesla were the only stakeholders who commented on this issue in submissions to the consultation paper, and they both supported AEMO's proposed change.[102] No stakeholders commented on this issue further in submissions to the draft determination. Our final rule will simplify and streamline the rules, reducing the regulatory burden on market participants and reducing duplication.

C.9 AEMO will notify ineligible participants

Our final rule, consistent with our draft rule adds a notification method to alert claimants when they are not eligible for preliminary compensation.[103]

AEMO proposed notifying participants if they were not eligible for preliminary compensation. No stakeholders commented on this issue in submissions to the consultation paper or draft determination.

Our final rule would require AEMO to notify participants if they were not eligible for preliminary compensation. This would allow participants to challenge that early determination for energy and other compensable services. This aligns with existing provisions for other compensable services, increasing internal consistency in the frameworks and increasing transparency.

100 See clause 3.12.4(b) of the final rule.
101 Shell, submission to the draft determination, 3 September 2026, p. 4.
102 Submissions to the consultation paper: CS Energy, p. 3; Tesla, p. 2.
103 See clause 3.12.3(m) in Schedule 3 of the final rule.

C.10 AEMO will use new cost recovery reporting categories

Our final rule, consistent with our draft rule, aligns cost recovery reporting with the IESS changes. AEMO will be required to report directions compensation cost recovery on a CRMP basis, rather than by participant categories.[104] This will improve consistency within the NER and represents good regulatory practice.

The IESS rule amended AEMO cost recovery allocation reporting requirements. Previously, cost recovery reporting was an estimation of costs incurred by participant categories. This was inaccurate because a single participant could span multiple categories. Under our final rule, costs will instead be allocated to CRMPs and reported as such. The change will align the rules for directions cost recovery reporting with other processes in the NER, removing inconsistencies.

AEMO's rule change request noted that Reliability and Emergency Reserve Trader (RERT) cost recovery reporting follows a similar method. This also does not align with the IESS change. Our final rule will similarly change cost recovery reporting for RERT. This change will improve consistency and clarity in the NER and better reflect AEMO's processes.

Stakeholders were mostly silent on this issue. EUAA was the only stakeholder to comment in submissions to both the consultation paper and draft determination. It considered that this change would reduce the visibility for consumers of directions costs and allocations.[105] We considered that the primary benefit will be aligning cost recovery reporting with the IESS change. There is not inherently more or less accurate information in this reporting process. Improved consistency in the rules and alignment with AEMO's internal processes would reduce the risk of inaccurate or misleading information.

The final rule also includes requirements for AEMO to report on all cost recovery, rather than just for directions compensation as under the draft rule.[106] This requirement improves transparency of the cost recovery process and improves alignment between the compensation frameworks, in keeping with the broader objectives of these reforms.

104 See clause 3.13.6A(b)(3) in Schedule 3 of the final rule.

105 EUAA, submission to the consultation paper, 30 April 2026, p. 3 and submission to draft determination, 3 September 2026, p3.

106 See clause 3.13.6A(b) of the final rule.

D Our final rule will address three other matters

The Commission has made a final rule to address three additional matters raised in the rule change requests from AEMO and Tilt Renewables. It will:

- add an objective for directions compensation
- not change the price floor for scheduling errors
- consolidate the three frameworks that were the focus of the review and AEMO's rule change request into a single section of the NER.

The final changes will clarify and simplify the compensation frameworks.

D.1 We are adding an objective for directions compensation

Our final rule, consistent with our draft rule, adds a unique objective for directions compensation. This change clarifies the purpose of the directions compensation framework for participants, AEMO and the independent expert.

Unlike the other frameworks, the NER does not currently specify an objective for directions compensation. The review recommended adding an objective for the directions compensation framework to clarify the intent of the rules and guide participants through the compensation process.[107]

Stakeholder submissions to the Review were split between adding a unique directions objective or aligning three objectives.[108] The Review recommended a unique objective to reflect the material difference between a participant being directed to supply under normal market conditions and being incentivised to supply during times of market stress.[109]

AEMO's rule change request adopted the Review recommendation and proposed a unique objective for directions compensation distinct from the other compensation objectives.[110] AEMO's request noted the directions objective would provide clarity to market participants.

Stakeholders consistently supported a directions objective, noting it will improve transparency, predictability and administrative efficiency.[111]

Our final rule will implement AEMO's proposed objective for directions compensation.[112] The final rule makes no significant changes to the compensation objectives for market suspension, administered pricing and AEMO intervention events.[113]

> Amending rule Schedule 1: Clause 3.15.7(a0)
>
> The objective of payment of compensation under this clause 3.15.7, clause 3.15.7A and 3.15.7B is to enable *Directed Participants* to be compensated for the costs associated with complying with a *direction*.

107 AEMC,Review into electricity compensation frameworks final report, 2024, p. 1.

108 The AEC, AGL, Engie and Shell Energy supported a distinct directions objective. AEMO, the JEC and Snowy Hydro supported either a single objective for all three frameworks or nearly identical objectives for each.

109 AEMC, Review into electricity compensation frameworks final report, 2024, p. 9.

110 AEMO, rule change request, *Aligning Compensation Frameworks,* 27 November 2025, p. 17.

111 Submissions to the compensation review draft report: the AEC; AEMO; AGL; Engie; Shell Energy; Snowy Hydro; Tesla.
Submissions to the draft determination: Engie, p.3; Stanwell, p.1

112 This change is included in clause 3.15.7 in Schedule 1 of the amending rule, which will take effect on 2 September 2027. In Schedule 3 of the amending rule, taking effect on 3 June 2029, this provision is consolidated with other compensation provisions in clause 3.12.3(a).

113 However, there are drafting changes to consolidate and simplify the wording of the objectives, introduced in Schedule 3. In addition, the final rule is more comprehensive in relation to the objective on consumption of energy during price limit events, as it adds scheduled bidirectional units alongside the existing reference to scheduled load. Final rule, clause 3.12.3(a)(2) in Schedule 3.

Amending rule Schedule 3: Clause 3.12.3(a)

The objective of the payment of compensation under this clause 3.12.3 and clause 3.12.4 is to: ...(3) enable *Directed Participants* to be compensated for the costs associated with complying with a *direction*.

D.2 Our final rule will not change the price floor for scheduling errors

Consistent with our draft rule, our final rule does not change how participants are compensated for scheduling errors. This is because the Integrating Energy Storage Systems (IESS) rule change appropriately improved scheduling error compensation. A $0/MWh price floor would not accurately compensate claimants and could disadvantage bidirectional units.

Tilt Renewables proposed applying a $0/MWh price floor on the spot prices considered in determining compensation for a scheduling error. This would prevent participants from receiving negative prices as compensation. Tilt stated that the change would prevent compensation declining as negative prices become more common in the NEM.[114] Tilt's proposed amendment would result in under-compensation for bidirectional units. Bidirectional units often operate during negative price periods, particularly to bid scheduled load. Raising the price floor to $0/MWh for compensation of scheduling errors would erase compensation for scheduled load. As such, our final rule will not change the price floor when calculating compensation for scheduling errors.

The IESS rule change improved how compensation for scheduling errors is calculated.[115] This rule amended NER clause 3.16.2(d) to specify that plant is compensated for the difference between the loading level it operated at and the different loading level that would have applied. Participants are compensated for the difference between the scheduling error and non-error scenarios.

The Commission considers that the IESS rule adequately addresses the issues raised by Tilt Renewables. We recognise that changing the price floor for scheduling errors to $0/MWh would not always compensate participants using the non-error scenario, as the non-error price may still have been negative.

Most stakeholders did not comment on this issue in submissions to the draft, except for one stakeholder that supported the decision to not change the price floor for scheduling errors to $0/MWh.[116] In submissions to the consultation paper, CS Energy, Origin Energy, Snowy Hydro, Tesla, Akaysha, AEMO and AGL all opposed this proposed change. Snowy Hydro noted that a $0/MWh price floor may penalise storage, and CS Energy submitted that negative spot prices are essential for efficient short- and long-term economic outcomes.[117] We did not receive a submission from Tilt Renewables.

In its submission to the draft determination, EnergyAustralia recommended that scheduling error compensation should be aligned with other market intervention compensation arrangements, noting that the IESS rule does not compensate for lost non-market revenue or opportunity costs.[118] The Commission considers scheduling error compensation should remain outside the compensation framework being amended through this rule change, as it is covered by the Participant Compensation Fund and is assessed under the dispute resolution framework.[119]

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114 Tilt Renewables, rule change request, 2023, p. 4.

115 AEMC, Integrating Energy Storage Systems into the NEM final determination, 2 December 2021. The relevant rule change took effect on 3 June 2024.

116 Submission to draft determination: AGL, p.1.

117 Submission to the consultation paper: CS Energy, p. 3-4; Snowy Hydro, p. 3.

118 EnergyAustralia, submission to the draft determination, 3 September 2026, pp. 3-4.

119 NER rule 3.16.

Scheduling errors are not a market intervention and it is not appropriate to bring the compensation of these into the market intervention compensation framework.

D.3 We are consolidating the frameworks into a single section of the NER

Our final rule, consistent with our draft rule, consolidates the compensation frameworks into one section of the NER. Our change will simplify the NER and help participants navigate the compensation frameworks.

The compensation review recognised that during and after the June 2022 market suspension, administrative differences between the frameworks created confusion for participants, leading to greater administrative burden and risk of incorrect claims. The frameworks currently span several different sections of the NER. The rules for market participants affected by directions, and the provision on the independent expert, are in rule 3.12, while the administered pricing and market suspension compensation frameworks fall under rule 3.14, and the remainder of the directions compensation framework and the compensation cost recovery provisions are in rule 3.15. The existing rules structure confused participants, particularly when the frameworks overlapped.

The review made a broad recommendation to provide predictable and administratively simple compensation regimes, including through alignment where practicable.[120] The Commission considers simple frameworks are an important part of ensuring system security and reliability, particularly during periods of market stress. This is because clarity and simplicity improve the predictability of compensation outcomes, allowing participants to have sufficient confidence in the frameworks to continue to provide services during periods of market intervention. While the Review recognised stakeholder preferences for clear and functional rules, it did not recommend how the rules should be redrafted.

AEMO's rule change request proposed consolidating the compensation frameworks into a single section of the NER. AEMO proposed adding new clauses in rule 3.12, to sit with the existing clauses on compensation for AEMO intervention events and the independent expert, to cover the three compensation frameworks currently in rules 3.14 and 3.15.[121] As a result, it proposed removing the directions, market suspension and administered pricing period compensation clauses from rules 3.14 and 3.15 to prevent duplication (while leaving the provisions on compensation cost recovery in rule 3.15). The intent was to align and streamline the frameworks.

Stakeholders broadly supported consolidating the three frameworks into a single section of the NER. Neoen believes the streamlined frameworks would give prospective developers confidence, which would outweigh the costs of the change.[122] Delta agreed that if the rules were consolidated carefully, a single framework could reduce the regulatory burden on participants.[123] In its submission to the consultation paper Shell Energy cautioned that changes to the frameworks could affect participants who were familiar with the current drafting, and that the benefits of the change must outweigh the costs.[124] In submissions to the draft determination, Shell and EUAA support the consolidation of compensation frameworks, noting that the current fragmentation has caused confusion and delays.[125]

120 AEMC, Review into electricity compensation frameworks final report, 2024, p. i-ii.
121 AEMO, rule change request, *Aligning Compensation Frameworks,* 27 November 2025, p. 15-17.
122 Neoen Australia, submission to the consultation paper, 2026, p. 2.
123 Delta Power & Energy, submission to consultation paper, 2026, p .3.
124 Shell Energy, submission to the consultation paper, 2026. p. 3.
125 Submission to the draft determination: EUAA, p.3, Shell, p.1.

Broadly aligned with AEMO's rule change request, our final rule consolidates the frameworks into a single section of the NER.[126] The final rule includes two clauses that reflect the two stages of the compensation process for directions and market suspension. It includes a new clause 3.12.3, covering preliminary compensation, and clause 3.12.4, which encompasses claims for additional compensation for those events (as well as claims for compensation for administered pricing, which is not subject to preliminary compensation). The division makes it easier for participants to understand what rules and requirements apply at each point in the compensation process.

The drafting includes a number of other clarifications to reflect stakeholder preferences for clear, pragmatic rules and to assist stakeholders to navigate and understand the compensation provisions. The streamlined compensation framework aligns with principles of good regulatory practice, improving predictability, stability, simplicity and transparency in the rules.[127]

126 NER rule 3.12. See Schedule 3 of the final rule. Cost recovery for compensation payments remains in rule 3.15.

127 Additional clarifying changes have been made since the draft rule. For instance, details of the VWAP calculations for different services have been moved to a new schedule 3.2 to NER chapter 3, leaving a clearer high-level formula in clause 3.12.3(f), and the terms and conditions for the independent expert are now in schedule 3.3 to NER chapter 3. Terms used in formulae have been changed to assist with comprehension and consistency. Final rule, Schedule 3.

E We are taking a staged approach to implementation

The Commission has taken a three-stage approach to implementation in this final determination. This Appendix provides an overview of the interrelationships between the numerous individual changes that make up this final rule and the timelines for implementing each stage. This has been informed by stakeholder feedback and AEMO's high level implementation assessment (HLIA) for the draft rule.[128]

We have made several changes to the implementation staging and timelines for the final rule. Two changes have moved from Schedule 2 to Schedule 1:

- Allowing opportunity costs to be claimed across all frameworks
- Increasing the minimum threshold for additional claims to $10,000

We have moved one change from Schedule 1 to Schedule 2:

- Aligning claimable direct costs across all frameworks

We have also amended the implementation timelines. These are discussed further in appendix E.2 and summarised below.

Table E.1: Changes to implementation timings for the final rule

	Draft implementation date	Final implementation date
Schedule 1	15 July 2027	2 September 2027
Schedule 2	15 October 2027	2 July 2028
Schedule 3	15 October 2028	3 June 2029

E.1 Our implementation timeline reflects the interrelationship between individual amendments

The Commission has considered each individual amendment and whether there are any process or system updates that are contingent on other changes this final rule makes. Table E.2 below summarises our assessment of each of the policy issues the final rule implements. The policy issues the Commission considers can be implemented first are those that do not require process or system updates from AEMO and are only contingent on an update to the AEMC's compensation guidelines.

Table E.2: Implementation assessment

Policy position	Assessment	Schedule
Introduce an objective for directions compensation	This does not require any system or process updates and can be implemented as soon as possible	Schedule 1
Clarify and make more targeted compensation for administered pricing	This can be implemented in advance of other substantive changes	Schedule 1
Changes to cost-recovery for	This is a minor implementation issue for	Schedule 1

128 AEMO, Improving Compensation Frameworks: High level implementation assessment, 20 August 2026.

Policy position	Assessment	Schedule
directions compensation to include all intervention trading intervals	AEMO	
Changes to cost recovery reporting for directions compensation and RERT	This aligns with the existing IESS rule and can be implemented in advance of other substantive changes	Schedule 1
Allow opportunity costs to be claimed across frameworks	Updates required to AEMO's processes for assessing claims and referring claims to an IE, as well as compensation guidelines and information standards	Schedule 1
Increase the minimum threshold for claims to $10,000	This is a minor process change and can be implemented quickly	Schedule 1
Align claimable direct costs across frameworks	This requires process changes from AEMO	Schedule 2
AEMO to receive and assess all claims	This requires process changes from AEMO	Schedule 2
Changes to the role and selection of the independent expert	This requires process changes from AEMO, and is contingent on guideline updates	Schedule 2
Align supporting information standards	This requires process updates from AEMO and is necessary for opportunity cost claims	Schedule 2
Remove the duplicative rule requiring AEMO to conduct an eligibility assessment	This requires process changes from AEMO	Schedule 2
Use a VWAP for preliminary compensation	This requires AEMO to update its systems	Schedule 3
Clarify and make more targeted cost recovery for administered pricing compensation	This requires system updates from AEMO	Schedule 3
Recovery of costs of assessing claims	This requires system updates from AEMO	Schedule 3
Align the time limit for claims at 40 days	This requires system updates from AEMO, this is contingent on changes to supporting information standards	Schedule 3

E.2 Our timelines reflect the implementation process required

Where implementation can be in advance of other substantive changes, or only requires an update to the compensation guidelines (Schedule 1), we have allowed for approximately 11 months to implement the changes. Our draft rule set out a timeline that, for changes that require process updates from AEMO (Schedule 2), allowed 12 months for implementation. For AEMO's system updates, our draft rule allowed 24 months (Schedule 3).

During the consultation period for the draft determination, AEMO conducted and published a HLIA for the draft rule. This report broadly supported the staged implementation approach, however identified issues with the proposed timelines. AEMO's assessment provided that:[129]

- "Some items may be moved between stages based upon our assessment of whether they require process/governance or [sic] system changes
- Some elements of the reform, particularly system changes, will need a longer implementation timeframe."

In the HLIA, AEMO outlined that the highest risk to implementation comes from the alignment of this rule change with the broader NEM Reform delivery portfolio. AEMO's assessment was that "[t]he implementation timeframe overlaps with other reform and technology initiatives that may compete for business, technology and industry resources."[130] The AEMC notes the extensive reforms currently underway, many of which AEMO is responsible for implementing.

If implementation cannot be completed in the timeframes set out in the rule, an additional rule change will be required or AEMO will be in breach of the rules. Overly tight timelines, therefore, increase uncertainty for market participants and costs for AEMO, which are also recovered from participants. Therefore, the Commission has closely considered the timelines that AEMO has advised are achievable and in this case has implemented its recommendations for implementation timeframes. The final implementation timeline is provided at the back of this Appendix.

E.3 We have made amendments to the implementation schedule

In submissions to the draft determination, stakeholders generally expressed a desire for the rule change to be implemented as quickly as possible. In particular, stakeholders submitted that delays to allowing opportunity costs to be claimed across frameworks could impose significant costs, particularly for storage operators.

For the reasons outlined above, the final rule has a longer implementation timeframe than the draft rule under advice provided in AEMO's HLIA. However, the Commission recognises stakeholder concerns regarding timely implementation. The final rule, therefore, makes several changes to improve the implementation schedule to improve outcomes for participants.

E.3.1 We have brought forward the implementation of opportunity cost claims

Our draft rule considered that allowing opportunity costs to be claimed across frameworks is contingent on two other changes. Namely, updates to the independent expert process, and updates to the AEMC's compensation guidelines. This assessment placed this amendment in Schedule 2 of the draft rule. In response to stakeholder feedback, we have considered if this amendment could be brought forward in advance of those two other changes.

We consider it is not feasible to implement changes to opportunity costs in advance of updates to the compensation guidelines. In the absence of guidelines, compensation outcomes could vary significantly for opportunity costs, as assessed by the independent expert, leading to increased risk of decisions being challenged.

We further consider the potential upside to be limited. Opportunity costs are most pertinent for storage operators during periods of MSL risk, which are greatest in spring and autumn. It is unlikely that any implementation date, even in the absence of guideline updates, could be in

129 AEMO, Improving Compensation Frameworks: High level implementation assessment, 20 August 2026, p. 24.
130 AEMO, Improving Compensation Frameworks: High level implementation assessment, 20 August 2026, p. 30.

advance of Spring 2026 or possibly even Autumn of 2027. Therefore, the marginal benefit of implementing this change in advance of updates to the compensation guideline is limited, while the potential risk of unpredictable and varied compensation outcomes is potentially significant.

The Commission does, however, consider that allowing opportunity costs to be claimed across frameworks ahead of changes to the independent expert process would have significant benefits. Informed by AEMO's advice, Schedule 2 of the final rule will commence on 2 July 2028. Waiting for this date to implement opportunity cost claims would result in another year of peak MSL risk periods coming before opportunity costs could be claimed. The Commission therefore considers that, as a transitional arrangement, it is preferable for opportunity costs to be assessed by an independent expert using the current independent expert processes. This ensures that these can be claimed as soon as possible, while the AEMC's guidelines still provide improved confidence in compensation outcomes.

Stakeholders supported this amendment in submissions to the draft determination.[131]

E.3.2 We have made two other changes to the implementation schedule

AEMO's HLIA provided that updates to processes for direct costs could not be implemented before December 2027.[132] Since the alignment of direct costs across frameworks was included in Schedule 1 of the draft rule, this would constitute an unacceptable delay to other important reforms that could otherwise be implemented more quickly. The Commission has therefore decided to implement aligning direct costs across frameworks in Schedule 2 of the final rule.

The draft rule considered that increasing the minimum threshold for a claim to $10,000 is a process change and therefore should be included in Schedule 2. AEMO's HLIA provided that this is a simple update and could be implemented more quickly.[133] Our final rule, therefore, implements this change in Schedule 1. Table E.2 below summarises the implementation timeline.

Table E.3: Implementation timeline

	Schedule 1	Schedule 2	Schedule 3
Implementation date	2 September 2027	2 July 2028	3 June 2029

131 Submissions to the draft determination, CS Energy, p. 2; Tesla, p. 1; Neoen, p. 2; CEC, pp. 1-2; Akaysha, p. 2.
132 AEMO, Improving Compensation Frameworks: High level implementation assessment, 20 August 2026, p. 27.
133 AEMO, Improving Compensation Frameworks: High level implementation assessment, 20 August 2026, p. 27.

F Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
  - stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process on our website.[134]

F.1 AEMO and Tilt Renewables proposed rules to amend compensation frameworks

AEMO sought to align and improve the process for compensating participants for directions, market suspension, and administered pricing. Tilt Renewables submitted two rule change requests. One sought to recover costs for 'capacity directions' from consumers. The other sought to apply a $0/MWh price floor for the consideration of compensation for scheduling errors. AEMO's proposed changes are discussed in more detail in Appendices A-E. The first rule change request from Tilt Renewables is discussed in more detail in appendix B. The second rule change request from Tilt Renewables is discussed in more detail in appendix D.

F.2 The proposals sought to address shortcomings in the existing compensation frameworks

The events of June 2022 highlighted several inefficiencies in the process for compensating participants and opportunities for improvements. The AEMC identified these, in consultation with stakeholders, through a review of the compensation frameworks, completed in December 2024.

F.3 They proposed to do so with a suite of changes

AEMO's rule change request and one of Tilt Renewables' requests either aligned with recommendations from the AEMC's review into compensation frameworks or sought to address the same issues as those recommendations. There are a number of proposed changes relating to the calculation, cost-recovery, governance and administration of compensation. A full summary of the proposed changes can be found in Table 1.

F.4 The process to date

On 19 March 2026, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.[135] A consultation paper identifying specific issues for consultation was also published. Submissions closed on 30 April 2026. The Commission received 12 submissions as part of the first round of consultation. The Commission

134 See our website for more information on the rule change process: https://www.aemc.gov.au/our-work/changing-energy-rules

135 This notice was published under section 95 of the NEL.

has considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this rule determination. On 9 July 2026, the Commission published a draft rule determination including a draft rule. The Commission received 17 submissions on the draft rule determination. Issues raised in submissions are discussed and responded to throughout this final rule determination.

G Legal requirements to make a final rule

This appendix sets out the relevant legal requirements under the NEL for the Commission to make a final rule determination and final rule.

G.1 Final rule determination and final rule

In accordance with sections 102 and 103 of the NEL, the Commission has made this final rule determination for a more preferable final rule in relation to the rule changes proposed by AEMO and Tilt Renewables.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this final determination. Its key features are described in chapter 1 and the appendices.

G.2 Power to make the rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules.

The more preferable final rule falls within section 34 of the NEL as it relates to regulating the operation of the national electricity market and the activities of persons participating in the national electricity market or involved in the operation of the national electricity system (NEL s 34(1)(a)(i) and (iii)).

G.3 Commission's considerations

In assessing the rule change requests the Commission considered:

- its powers under the NEL to make the final rule (see above)
- the rule change requests from AEMO and Tilt Renewables (discussed in chapter 1, and in more detail in the consultation paper)
- submissions received during first and second round consultation (discussed throughout this determination)
- the Commission's analysis as to the ways in which the final rule is likely to contribute to the achievement of the NEO (discussed in chapter 2)
- the application of the final rule to the Northern Territory (discussed in chapter 2 and below).

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.[136]

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the rule is compatible with the proper performance of AEMO's declared network functions.[137] The more preferable final rule is compatible with AEMO's declared network functions because it does not change those functions.

136 Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

137 Section 91(8) of the NEL.

G.4 Tests for making rules in the Northern Territory

Under the *National Electricity (Northern Territory) (National Uniform Legislation) Act 2015* (NT Act), the Commission may make a differential rule if it is satisfied that, having regard to any relevant MCE statement of policy principles, a differential rule will, or is likely to, better contribute to the achievement of the NEO than a uniform rule.[138] A differential rule is a rule that:

- varies in its terms as between:
  - the national electricity system, and
  - one or more, or all, of the local electricity systems (these are specified Northern Territory systems, listed in schedule 2 of the NT Act), or
- does not have effect with respect to one or more of those systems,

but is not a jurisdictional derogation, participant derogation or rule that has effect with respect to an adoptive jurisdiction for the purpose of s. 91(8) of the NEL.

A uniform rule is a rule that does not vary in its terms between the national electricity system and one or more, or all, of the local electricity systems, and has effect with respect to all of those systems.[139]

The Commission's final determination is to make a differential rule, which is to make no final rule for the Northern Territory, for the reasons set out in Chapter 2.

G.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers that new or existing provisions of the NER be classified as civil penalty provisions or conduct provisions.

The more preferable final rule does not make significant changes to any clauses that are currently classified as civil penalty provisions or conduct provisions under the National Electricity (South Australia) Regulations.[140]

The Commission does not propose to recommend to energy ministers that any of the amendments made by the more preferable final rule be classified as civil penalty provisions or conduct provisions. Nor does the Commission propose to recommend changes to the classification of any existing civil penalty provisions amended by the final rule.

138 Clause 14B of Schedule 1 to the NT Act, inserting section 88AA into the NEL as it applies in the Northern Territory.

139 Clause 14 of Schedule 1 to the NT Act, inserting the definitions of "differential Rule" and "uniform Rule" into section 87 of the NEL as it applies in the Northern Territory.

140 The final rule makes minor changes to clause 3.15.8(b), classified as a tier 3 civil penalty provision.

Abbreviations and defined terms

AEC	The Australian Energy Council
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APC	Administered Price Cap
Commission	See AEMC
CRA	Compensation Recovery Amount
CRMP	Cost recovery market participant
EUAA	Energy Users' Association of Australia
FCA	Fixed cost adjustment
GWh	Gigawatt hour
HLIA	High-level impact assessment
IE	Independent expert
IESS	Integrating energy storage systems
IPRR	Integrating price-responsive resources
MCE	Ministerial council on energy
MSL	Minimum System Load
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
RERT	Reliability Emergency Reserve Trader
the review	AEMC Review into compensation frameworks
VWAP	Volume-weighted average price