



Review of guidelines for compensation following administered pricing

Submissions invited on draft amended Compensation Guidelines

The AEMC has made draft amendments to the Compensation Guidelines which describe how compensation is to be determined following the application of an administered price cap or administered floor price.

Background

Administered price caps and administered floor prices help to reduce volatility and manage risks for market participants, but in some cases they can cause market participants to incur a loss. The National Electricity Rules provide for compensation in some circumstances where these losses occur. Historically, administered pricing events have occurred rarely.

Purpose of the Compensation Guidelines

The Compensation Guidelines provide guidance to:

- potential claimants and AEMO on the information required to be provided in support of a claim for compensation; and
- the AEMC when determining whether compensation should be paid and the amount of compensation payable.

Why the Compensation Guidelines are being amended

On 4 February 2016, the Commission made a final rule to amend the compensation arrangements following the application of an administered price cap or administered floor price.

The changes made to the NER include transitional arrangements. These require the Compensation Guidelines to be amended to reflect the rule change, prior to the commencement of that rule on 29 September 2016. In amending the Compensation Guidelines, the AEMC must follow a set process, which includes stakeholder consultation.

Draft amendments to the Compensation Guidelines

The Commission has made the following draft changes to the Compensation Guidelines:

- consequential amendments to reflect the final rule, including changes to the eligibility criteria and removing the requirement for the AEMC to appoint an expert panel;
- amendments relating to opportunity costs, including changes to the definition of opportunity cost, the criteria for assessing whether opportunity costs can be claimed and the methods of valuing opportunity costs; and
- other amendments, including changing the frequency with which the Compensation Guidelines are reviewed.

Stakeholder submissions

The draft amended Compensation Guidelines and Explanatory Statement are available on the AEMC website. Stakeholders are invited to make written submissions on the draft amended Compensation Guidelines by 22 July 2016.

For more information:

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