



# INFORMATION

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## Amendment to frequency performance payment cost recovery

### Final determination clarifies the process for allocation of FPP and regulations costs under the new FPP arrangements

The Commission has made a final determination and a final rule to amend two definitions related to the new frequency performance payments (FPP) process that commences on 8 June 2025. The new FPP process is a key element of the *Primary frequency response incentive arrangements Rule 2022 (PFR Incentives Rule)*.<sup>1</sup>

The final rule is made in response to a rule change request submitted by the Australian Energy Market Operator (AEMO). It amends the allocation of non-energy costs to market participants that do not have appropriate metering to measure their individual impact on power system frequency — referred to as the ‘residual’. The rule commences on **8 June 2025**, which is when the broader FPP arrangements commence.

The Commission assessed the rule change request under an expedited rule change process on the basis that it was a request for a non-controversial rule. This is because the final rule is not likely to result in large changes in settlement amounts for individual participants, and is therefore unlikely to have a significant effect on outcomes in the national electricity market.

### The final rule clarifies the process for allocation of FPP and regulations costs under the new FPP arrangements

The final rule requires ‘residual costs’ to be allocated to the ‘residual participants’ on the basis of all energy consumed or sent out, with no netting to occur within a dispatch interval. Residual participants are those participants *without* appropriate metering to measure their individual impact on power system frequency. Residual costs are those costs remaining once non-energy costs have been allocated to participants outside the residual. Non-energy costs refer to the cost from services other than energy — namely contingency and regulation frequency control ancillary services (FCAS).

The new approach:

- supports a broader allocation of cost amongst residual participants — spreading the costs to the residual participants as broadly as possible, based on the proportion of energy sent out and consumed, and
- avoids costly changes to AEMO’s systems as part of implementing the PFR Incentives Rule.

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<sup>1</sup> The PFR incentives project page is [here](#) and AEMO FPP project page is [here](#) .