



## Review of guidelines for compensation following administered pricing

Stakeholder submissions invited on Consultation paper

**The AEMC has commenced consultation on potential amendments to the Compensation Guidelines which describe how compensation is to be determined following the application of an administered price cap and administered floor price.**

### Background to compensation following administered pricing

Administered price caps and administered floor prices help reduce volatility and limit 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.

### The Compensation Guidelines

The Compensation Guidelines provide guidance to:

- the Commission when determining whether compensation should be paid and the amount of compensation payable under the National Electricity Rules (NER);
- any experts that the Commission may engage to assist the Commission in assessing a claim for compensation; and
- potential claimants and AEMO on the information required to be provided in support of a claim for compensation.

### Why the Compensation Guidelines are being reviewed

On 4 February 2016, a final rule determination was published on the rule change for compensation arrangements following application of an administered price cap and administered floor price.

The changes made to the NER include transitional arrangements. These require the Compensation Guidelines to be amended to reflect changes to the rule, prior to the commencement of that rule on 29 September 2016. As well as considering these consequential changes, the AEMC also intends to consider whether other aspects of the Compensation Guidelines should be amended.

In reviewing the Compensation Guidelines, the AEMC must follow a set process, which includes stakeholder consultation.

### Issues for consultation

A consultation paper was released today to facilitate stakeholder comment on consequential amendments and other potential changes to the Compensation Guidelines. These include the types of direct and opportunity costs that can be claimed, the definition and methods of valuing opportunity costs and information requirements for parties involved in assessment of a claim.

### Submissions

The consultation paper is available on the AEMC website. Stakeholders are invited to make written submissions in response to the issues raised by 31 March 2016.

For more information:

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