



Review of guidelines for compensation following administered pricing

Final decision on amended Compensation Guidelines

The AEMC has today made a final decision on 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. Potential claimants include scheduled and non-scheduled generators, scheduled network service providers, scheduled loads and ancillary service providers; and
- the Commission when determining whether compensation should be paid and the amount of compensation payable.

Why the Compensation Guidelines have been amended

On 4 February 2016, the Commission made a final rule to amend the compensation arrangements in the NER following the application of an administered price cap or administered floor price. Consequential changes to the Guidelines were then required.

The changes made to the NER include transitional arrangements. These required 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 was required to follow a set process, which included stakeholder consultation.

Final decision on amendments to the Compensation Guidelines

The Commission has amended the Compensation Guidelines to reflect the final rule. In addition to the consequential amendments required as a result of the final rule, other amendments have been made to the Compensation Guidelines, including:

- amending the definition of opportunity cost;
- amending the criteria for assessing whether opportunity costs can be claimed;
- amending the methods of valuing opportunity costs; and
- amending the frequency with which the Compensation Guidelines are reviewed.

In amending the Compensation Guidelines, the Commission has had regard to the National Electricity Objective (NEO). These amendments could impact the amount of compensation that would be able to be claimed by eligible participants. Compensation is recovered from market customers.

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8 September 2016