3 September 2026

Project Lead
The Australian Energy Market Commission
Level 15, 60 Castlereagh Street
SYDNEY NSW 2000

Submitted online at www.aemc.gov.au

Reference ERC0425

To Whom It May Concern

Re: Improving Compensation Frameworks

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) review of the Improving Compensation Framework review, more preferable draft rule.

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM) and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell maintains a reliable supply of power from two of the most efficient coal-fired power stations in Australia – the Tarong power station near Kingaroy, and Stanwell Power Station near Rockhampton.

Stanwell's experience working with communities to build, operate and maintain reliable coal-fired power stations is also being applied through partnerships with the private sector to build the new energy, storage and firming solutions Queensland needs for the future.

This response contains the views on Stanwell only and should not be construed as indicative or representative of the views of the Queensland Government.

Introduction

Stanwell acknowledges the work undertaken by the AEMC to review and improve the compensation frameworks and we support the broad alignment of the proposed arrangements across directions, market suspension and administered pricing.

The introduction of a clear directions and compensation objective, and more consistent treatment of claims for compensation costs should improve transparency, predictability and administrative efficiency. It will also support appropriate incentives for participants to provide essential services during periods of market and system stress.

However, Stanwell remains concerned that several elements of the draft rule do not fully address the risks identified in our previous submission.[1]

[1] Stanwell Corporation Limited response to ERC0095 Review into electricity compensation frameworks, Draft Report, 26 September 2024.

Clear claims assessment and finalisation timeframes are needed

While we do support a consistent timeframe and governance framework for submitting compensation claims, delays in assessment and finalisation will not entirely be mitigated simply by extending the claimant's application timeframe, noting that the 60-business day submission requirement does not introduce an equivalent statutory obligation on AEMO and the Independent Expert to finalise claims.

Continued reliance on reasonable endeavours [2] and indicative settlement targets as benchmarks for reliable and timely claim finalisation, does not provide improved certainty and consistency for claimants, nor does it provide a much needed regulatory obligation for AEMO and the Independent Expert to finally determine the claim.[3]

Similarly, continued reliance on the 30-business week reporting requirement may provide benefits for reporting on the directions themselves, i.e. it retains a reporting and transparency obligation for the Market Operator, but it should not be considered an equivalent or alternative for claim finalisation – noting that this is not a strict requirement and it does not require a final assessment and determination at the end of the 30-week period.[4]

Clear assessment and finalisation timeframes are needed so that compensation costs can be recovered as close to the time-of-event as practicable. The longer the delay, the greater the risk the affected customer has changed retailer, ceased to be a customer, or changed ownership. This is neither fair nor equitable for customers and is an unnecessary burden on retailers.[1]

A 12-month VWAP does not accurately reflect recent market conditions.

When calculating compensation amounts recent market conditions matter. A backward-looking 12-month average may lag and dilute changing conditions immediately preceding an intervention, and may not reflect the unit-specific costs incurred by less flexible plant.

Any benefits derived from the application of a rolling 12-month VWAP by technology will depend on the VWAP being sufficiently cost reflective – noting that a 12-month VWAP may not reasonably reflect plant costs, and will depend on other additional claims process being timely and workable (see example below). If it is not, the reform may improve procedural consistency, but not fully resolve under-compensation or the associated incentive risks. We again recommend shortening the averaging period to a rolling 90-day VWAP (rather than a 12-month averaging period), as it would produce fairer compensation based on more recent and relevant prices, and reduce the risk of participants receiving an unfair advantage or disadvantage from a 12-month historical average.[1]

Contrary to the draft Rule's intent,[5] this does not provide the correct incentive, support reliability and system security, nor does it give participants sufficient confidence that they will be adequately compensated when they provide essential services during periods of stress.

Unclear interval definitions run the risk of producing different outcomes

Unclear interval definitions could produce technology dependent outcomes as different technologies incur different operating consequences when complying with a direction.

Further clarity is needed around the trading intervals where directions compensation would be calculated and allocated, including how the proposed approach would apply where a direction spans consecutive or intermittent trading intervals.[6] Based on our reading, the assumption is that a period of direction would cover a series of

[2] *National Electricity (South Australia) Act 1996* Schedule 1 *National Electricity Rules (SA)* v 252, Rule 3, cl 3.12.1.
[3] The Australin Energy Market Operator, Intervention and Settlement Timetables accessed at < https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/settlement-calendars/intervention-settlement-timetables>.
[4] *National Electricity (South Australia) Act 1996* Schedule 1 *National Electricity Rules* (SA) v 252, r 3.13.6A(a) and 3.13.6A(b), see also Rule 3, cl 3.12.1 regarding 'reasonable endeavours'.
[5] AEMC, ERC0425 Improving Compensation frameworks, Draft rule determination, 9 July 2026, Executive summary and ss 1 to 1.3.
[6] AEMC, ERC0425 Improving Compensation frameworks, Draft rule determination, 9 July 2026

consecutive intervals, not for example 2x10 minute intervals in a one hour block where the intervals either side are excluded. Again, for example, a thermal unit could incur an hour of ramping, commitment, or plant-adjustment costs but receive compensation for only a shorter interval, but would give AEMO power to direct batteries on and off for short periods, and exclude thermal assets (noting that batteries and thermal units are not equally responsive).

New minimum threshold for compensation claims

Although we have previously supported a common threshold to avoid processing immaterial claims,[1] Stanwell does not believe it is reasonable to limit the number of small claims from one participant.

Where intermittent directions occur over consecutive or closely connected trading intervals, or across several days as part of the same regional event, the threshold should apply to the participant's cumulative net loss across the defined event, rather than separately to each interval or each individual direction. For example, a series of $8,000 claims across a few days from a single event could be aggregated into a "master" claim.

The final rule and supporting guidelines should establish objective aggregation criteria, including the relevant time period, causal connection, and treatment of overlapping directions, so that the threshold removes genuinely immaterial claims without preventing recovery of a material cumulative loss.

Further clarification is needed to understand how a claim for a relevant event will be defined when applying the minimum threshold.

Conclusion

Stanwell supports aligning the compensation frameworks, but further refinement is needed. In addition to the submission timeframe proposed for claimants, the final rule must provide clear assessment and finalisation timeframes for AEMO and the Independent Expert instead of relying on reasonable endeavours or indicative targets.

Other areas of refinement must include an averaging calculation period based on a rolling 90-day assessment methodology, the clarification of the intervals to be included in the compensation calculations, and adapting the minimum compensation threshold to enable participants to claim aggregated losses from related directions from the same event.

These changes would be more reflective of actual losses, and better encompass the intention of the compensation framework.

Stanwell welcomes the opportunity to discuss further any of the issues raised in this submission. Please direct any queries to Lya McTaggart via email at Lya.McTaggart@stanwell.com.

Yours sincerely

Ian Chapman
Manager, Market Policy and Regulatory Strategy