



Australian Energy Market Commission (AEMC)  
Via <https://www.aemc.gov.au/contact-us/lodge-submission>

13 October 2022

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Dear Chair

***Australian Aluminium Council Response: Amending the administered price cap***

The Australian Aluminium Council (the Council) welcomes the opportunity to provide feedback to the AEMC on its Directions Paper Amending the Administered Price Cap (APC), September 2022 (the Directions Paper). The Paper responds to Alinta's rule change request to increase the APC from \$300/MWh to \$600/MWh in every NEM region for 12 months to address the significant increase in the short-run marginal cost (SRMC) of most generators as a result of high global commodity prices. The Council provided a submission to the August Initiation Paper for this rule change and industry background has not been repeated in this submission.

As outlined in the Council's August submission, the Council does not agree the proposed rule change is an effective solution to the problem. In short, the Council does not support the rule change to increase the APC from \$300 to \$600/MWh. The Directions Paper demonstrates that there is still diversity in views over what the problem statement is and therefore, whether the rule change solves this problem.

However, the Council recognises that most stakeholders expressed broad support for a temporary change in the level of the APC until 1 July 2025, and no change to the cumulative price threshold (CPT). The Council agrees with AEMO that the CPT is sufficient to allow for economic dispatch and that changing the CPT significantly broadens the assessment, detracts from the problem at hand, and should not be in scope.

If the APC is to be increased then the impact on consumers must be considered. The Council believes that if this change to the APC is to be adopted, it should only be temporary (no longer than 1 July 2025). During this temporary period, detailed evaluation should take place as to whether consumers are genuinely facing lower costs as a consequence of changes to the APC.

At a time when manufacturers are facing serious challenges, energy is one of the few advantages Australia has to offer. The Council urges the AEMC to continue to consider appropriate responses which help solve the challenges in the energy transition. Rapid responses to solve an incorrect problem statement risk imposing increase costs on Australian consumers for years to come. The Council seeks a national climate and energy policy framework which is transparent, stable and predictable, while maintaining the economic health of the nation including vital import and export competing industries. The ongoing electricity industry reforms, focused on the total system cost is of critical importance to the Council and its members.

Kind regards,

A handwritten signature in black ink, appearing to read 'Marghanita Johnson'.

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