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## TELSTRA LIMITED

### Submission in response to the AEMC Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap, Consultation Paper

June 2023

General



## Market Floor Price

This brief submission sets out Telstra's request that the AEMC include a change to the Market Floor Price (MFP) as part of this change to market price settings.

- The MFP should be set at the additive inverse of the MPC. That is – if the MPC is increasing to \$21,500/MWh, the MFP should decrease to -\$21,500/MWh.
- The MFP has remained unchanged at -\$1,000/MWh since at least the first version of the NER in 2005, as set by Rule 3.9.6.
- The original logic for the MFP's set point, entirely relating to riding through brief periods of over-supply, has been superseded – since 2005, energy storage and dispatchable and responsive loads, have moved from insubstantial novelties to critical components of our market's transition. There is no longer sufficient logic to support an asymmetry in upper and lower market price caps.
- -\$1,000/MWh is no longer the lowest practically conceivable price that a participant would bid. The fact that significant capacity is regularly bid in at the MFP is by itself sufficient indication that the actual lowest price that generators would bid is well below the MFP.
- If the MFP was set lower, all generators would be forced to genuinely consider the minimum price at which they would happily generate, rather than automatically selecting the MFP.
- A lower MFP is important to encourage the storage assets that are needed to replace retiring thermal generators. We regularly hear commentary about the extent of the investment needed in storage and dispatchable assets, and yet this market price setting remains unchanged, and detailed commentary giving rationale for that stagnancy is not published.
- Investors in storage assets would be more likely to invest if the MFP was lower. Investors in dispatchable assets (and indeed every generator) can avoid the MFP by rationally bidding above it.
- Continuing to cap negative prices at -\$1,000/MWh could, in our view, place the required investment in storage at some risk, and consequently impact overall reliability.
- The National Electricity Objective is *"to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity..."* – in addition to the abovementioned improvements to investment efficiency, reducing the MFP will also improve the efficiency of operation by encouraging greater bid fidelity, and discouraging inefficient and inappropriate participation at times of minimum demand. We therefore see the inclusion of a lower MFP in this rule change as an important and positive force for achievement of the National Electricity Objective.

General