

Proposed rule changes to the calculation of the cumulative price

Consultation starts on two rule change requests to amend the calculation of cumulative price in specific situations of market stress.

The Australian Energy Market Commission (AEMC or Commission) has published a consultation paper that covers two rule change requests about specific periods of market stress where the cumulative price is calculated. Both rule change requests were prompted by the administered pricing period and market suspension event that occurred in winter 2022. The first rule change request was submitted by Delta Electricity and proposes an amendment to the National Electricity Rules (NER) relating to the methodology for calculating the cumulative price when one or more regions have reached the cumulative price threshold (CPT). The second rule change request was submitted by Snowy Hydro and proposes an amendment to the NER to suspend the calculation of the cumulative price when market suspension pricing schedule (MSPS) is used.

Stakeholder submissions on the consultation paper are due by 20 November 2025. The rule changes are being progressed in parallel as the AEMC has not consolidated the two requests at this stage.

Delta Electricity proposes to use settled prices to calculate when the CPT is reached in a region

When a region is not under administered prices but is exporting electricity to a region that is under administered prices, the settled price that is received by the generator is lower than the dispatch price. This is because the dispatch price is capped at the administered price cap and then scaled down.

Delta Electricity considers that this is an issue because it creates the outcome where a region's CPT is reached based on higher dispatch prices, whilst lower prices are received in settlement.

Delta Electricity proposes that received prices, instead of dispatch prices should be used to calculate when the CPT is reached in a region. Once the CPT is reached in a region, Delta Electricity proposes the dispatch price should be used to monitor the cumulative price.

Delta Electricity considers that this proposal will improve market outcomes through more efficient and certain market signals to new and existing generators as it ensures they will be able to receive adequate price signals to encourage the right level of investment.

Snowy Hydro proposes to suspend the calculation of the cumulative price when the market is in scheduled pricing

Based on observations in the 2022 market suspension event, Snowy Hydro suggests that if the market suspension is in place long enough and administered scheduled pricing is set by AEMO in accordance with the MSPS, it results in the cumulative spot prices being below, or well below, the CPT when the market suspension ends.

Snowy Hydro argues that this can occur despite the market conditions that initially caused the breach of the CPT persisting, which can lead to the immediate resumption of extreme spot prices, undermining the protection that the CPT was designed to provide.

Snowy Hydro proposes to exclude MSPS prices from the calculation of the cumulative price threshold in the spot market and frequency control ancillary service (FCAS) market for electricity.

It considers that this change will remove the distortion to the CPT caused by the use of scheduled pricing and thereby improve the integrity of the CPT. Snowy Hydro argues this could allow the CPT to better achieve its objective of providing a safety valve during

periods of extended volatility and reducing tail risk for sellers of hedges. Snowy Hydro considers that market participants, both generators and market customers, could have increased financial protection against periods of extended volatility, as the administered pricing period will not be artificially shortened by the use of scheduled pricing.

The Commission is seeking feedback from stakeholders

The Commission is progressing these rule changes under a standard process. Both rule change requests affect the calculation of cumulative price, so we are considering them in a single process. However, the AEMC has not consolidated the requests at this stage. We are interested in views from stakeholders about the materiality of the issues raised in both rule change requests and the effectiveness of the proposed solutions.

Submissions to the consultation paper are due by **20 November 2025**.

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16 October 2025