

24 November 2025

Ms Anna Collyer
Chair, Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Reference: ERC0356 & ERC0374

Dear Ms Collyer,

AEMO submission to consultation paper – Calculating the cumulative price

AEMO appreciates the opportunity to submit to the consultation paper on Delta Electricity's (Delta) and Snowy Hydro's (Snowy) proposed changes to the National Electricity Rules (NER) to the methodology for calculating the cumulative price when one or more regions have reached the cumulative price threshold (CPT), and to suspend the calculation of the cumulative price when the administered scheduled pricing is used.

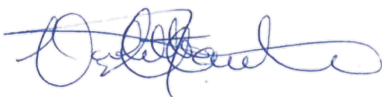
AEMO understands the conceptual merit behind both proposals and has approached this submission from the perspective of implementation effort, possible links to other clauses, and likelihood of recurrence of the relevant events. The views expressed here are AEMO's initial opinion only. They will be refined as the Rule Change process continues.

With respect to the Delta proposal, AEMO considers this can be implemented through a small-medium sized change project upon the dispatch process. Much of the project's effort will be on scenario testing.

With respect to the Snowy proposal, AEMO considers this could be challenging to design and operate due to the uncertain condition of the dispatch process during a market suspension. AEMO considers a repetition of the June 2022 circumstances, where CPT and market suspension overlapped, unlikely. Notwithstanding its conceptual merit, AEMO's initial conclusion is that the benefit does not justify the change.

The attached submission expands on these issues in further detail. Should you wish to discuss any aspect of our submission, please contact Hannah Heath, Group Manager, Strategic Market Reform (Hannah.Heath@aemo.com.au).

Yours sincerely,



Violette Mouchaileh
Executive General Manager, Policy & Corporate Affairs



ATTACHMENT – Detailed submission

Delta's Rule Change Request

AEMO understands the rationale for Delta's proposal in that the market design assumes a period of high prices and consequential return on investment prior to the application of the Administered Price Cap (APC). The CPT value is determined to provide this pre-defined return. As demonstrated in 2022, the effect of price scaling can result in the APC being applied in a region ahead of reaching this CPT value in settled prices. This outcome was possibly not anticipated when the CPT was designed.

AEMO has not yet had an opportunity to consider all aspects of the Rule Change's implementation, however it can identify a broad approach.

It will require conditional logic. The source price used for a region's CPT accumulation would change depending upon whether an Administered Price Period (APP) was applicable for that region in the relevant Trading Interval (TI). If APP is not applicable, then the accumulation would use the settled spot price. If APP is applicable, then, as now, it would need to use the spot price ahead of scaling under NER 3.14.2(e).

The implementation project would be of small-medium size for AEMO. Much of this effort would be expended on pre-production testing of various scenarios. It will be necessary to allocate sufficient development and testing time for this should the Commission determine to make a Rule.

The consultation paper asked about whether the Rule Change should be extended to Frequency Control Ancillary Services (FCAS) prices. The price scaling in NER 3.14.2(e) only adjusts *spot prices* not FCAS prices. Hence Delta's issue does not seem relevant to FCAS prices.

AEMO is presently preparing a new Guide to Administered Pricing¹ to engage with the question of managing price scaling around the coming Victoria-South Australia-New South Wales pricing loop. This work is yet to be completed, but early developments appear compatible with the Delta Rule Change's logic.

AEMO notes that the application of market suspension pricing in NER 3.14.5(f), the Market Price Cap (MPC) in NER 3.9.5 and the Market Floor Price (MFP) in NER 3.9.6A are subject to inter-regional scaling in the same manner as the application of the APC. The Rule Change needs to consider whether to apply the same CPT accumulation logic to these scalings.

Snowy's Rule Change Request

AEMO understands the theoretical basis for freezing the CPT's rolling price accumulation during a period of market suspension. The intention of the CPT/APC mechanism is that, having entered an APP, the rolling sum of the underlying dispatch prices must fall below CPT before AEMO may undeclare APP. Snowy argues that, should a market suspension occur simultaneously with an APP, then the publication of market suspension prices do not indicate resolution of the underlying issue that triggered the APP, and may cause the 'premature' ending of the APP. Therefore, market suspension prices should not be included in the rolling sum.

The concern requires simultaneous occurrence of an APP and market suspension. This has only happened once, in June 2022. That crisis was precipitated by the withdrawal of market capacity during APP, which in turn, caused dispatch processes to dysfunction leading to AEMO declaring market suspension. When the APP ended at 0400 hours on 23 June 2022 and market-based pricing resumed, all criteria was met to ensure that

¹ Current guide is at [guide-to-administered-pricing.pdf](#)

the conditions which led to the market suspension was unlikely to lead to a further suspension within the next 24 hours. Accordingly, AEMO formally lifted the market suspension from 1400 hours on 24 June 2022².

Subsequently, the APC level has since been doubled, and it is hoped that should such an unfortunate set of circumstances recur, capacity will not withdraw and APP market processes will remain functional.

Apart from the extraordinary June 2022 event, the triggers of each of market suspension and APP appear independent. Market suspension is designed to manage circumstances where the market dispatch process is unworkable and is typically assumed to be either a consequence of a major systems technical outage, or a major transmission disruption, such as a system black. Further, AEMO has clear processes to follow and conditions to meet before a market suspension is lifted³. This includes ensuring that the conditions that led to the market suspension has been eliminated and would be unlikely to recur within 24 hours⁴. But this does not make Snowy's proposal invalid.

There is no apparent correlation between high prices, which would trigger APP, and such a suspension. If the events are independent and remain as rare as discussed in the consultation paper, then most likely a co-incidence will never recur.

Freezing the accumulation of the rolling price during market suspension is conceptually simple, however AEMO considers its implementation potentially challenging. This is because the nature of a market suspension, especially a market systems failure, cannot be predicted. During a major IT failure, systems may publish meaningless prices, or no prices at all. Upon recovery of systems, these prices will be backfilled with market suspension prices. The CPT detection will automatically respond to the backfilled prices.

It would be possible to develop systems in APP accumulation to detect whether a historical price had been replaced with a market suspension price, however given the unlikelihood of recurrence of such a dual event, AEMO is doubtful of its utility.

Snowy's proposed new wording for NER 3.14.2(c) has some risk of ambiguity. The inserted exclusion of "any trading interval in respect of which the spot price is set by AEMO in accordance with the market suspension pricing schedule" could be clarified that it is intended to apply to both the sum of prices and the period of historical trading intervals counted.

To achieve the desired intent requires both excluding the suspension intervals and expanding the historical rolling sum beyond 2016 trading intervals by the number of suspended intervals. This would require additional systems development by AEMO.

² See p46 from [NEM Market Suspension incident report](#)

³ Please see: [lifting-market-suspension-information-sheet-june-2022.pdf](#)

⁴ As per [so_op_3706-failure-of-market-or-market-systems.pdf](#)