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20 November 2025

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted online at: www.aemc.gov.au

Dear Project Leader

Submission: Amending the Cumulative Price Threshold Methodology

CS Energy welcomes the opportunity to provide a submission in response to the Australian Energy Market Commission's (**AEMC's**) *Consultation Paper – Amending the cumulative price threshold methodology (Consultation Paper)*.

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the State's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland. CS Energy is developing a 400 MW gas-fired peaking generator at Brigalow near Kogan Creek in Queensland.

Overall views

The National Electricity Market's (**NEM's**) reliability settings, including the Market Price Cap (**MPC**), Administered Price Cap (**APC**) and Cumulative Price Threshold (**CPT**), are key features designed to incentivise sufficient investment in electricity generation to meet demand at least cost, while also protecting market participants and consumers from excessively high prices.

Snowy Hydro and Delta Electricity have submitted separate rule change proposals to amend the CPT methodology following a significant market event that occurred in winter 2022, where multiple regions exceeded their CPT, were subjected to the APC (**administered pricing**) with the Australian Energy Market Operator (**AEMO**) ultimately suspending the NEM.

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CS Energy supports both proposed rule changes on the basis that:

- Snowy Hydro's proposal is likely to improve the integrity of the CPT by removing the distortion caused by using AEMO's market suspension pricing schedule (**scheduled pricing**) and therefore, restoring the financial protection against periods of extended volatility as the APC period would not be artificially shortened due to the use of scheduled pricing; and
- Delta Electricity's proposal is likely to improve market outcomes by ensuring that existing and prospective generators receive more efficient and accurate market signals to encourage the right level of investment in generation assets.

Detailed comments

The CPT is the threshold applicable to the rolling cumulative spot prices for the wholesale energy and frequency control ancillary service (**FCAS**) markets over a 7-day period. It is currently set at a level equal to 7.5 hours of pricing at the MPC¹ and, when breached, triggers the application of the APC (i.e. capping of spot prices at \$600/MWh). The CPT, combined with the APC, is designed to limit financial risks to consumers and market participants arising from an extended period of supply shortfall/excessive demand and corresponding high spot prices.

This rationale implies that when the CPT is breached, the protection offered by the APC should remain in place until initial market conditions that led to high spot prices subside. However, when AEMO suspends the NEM, the market suspension pricing schedule serves as an input into the calculation of cumulative prices. This pricing schedule is based on the 28-day historical average spot prices for the relevant region and is capped at the APC.

In other words, if the market suspension is in place for a prolonged period, it can effectively lead to the premature end of the APC protection for consumers and market participants before factors contributing to extreme spot prices diminish. CS Energy agrees with Snowy Hydro that:

- Such a flaw in the methodology undermines the purpose of the CPT; and
- This deficiency can be addressed by excluding the prices set in accordance with AEMO's market suspension pricing schedule from the calculation of the CPT in both the spot market and FCAS markets.

This proposal is likely to improve the integrity of the CPT and increase financial protection against periods of extended volatility for market customers and generators (including sellers of financial derivatives) as the APC period will not be artificially reduced. For sellers of financial derivatives, an artificially shortened APC period means that these sellers will be exposed to higher risks of rare extreme market events (i.e. tail risk), which in turn would increase the risk premium and the cost of electricity in the longer-term.

Delta Electricity's proposal also identified a shortcoming in the CPT methodology for exporting regions not subjected to administered pricing, where the cumulative prices are calculated based on the dispatch prices instead of the prices received by generators. When a region not subjected to administered pricing exports to another region that is, the prices received by generators in the exporting region is lower than the dispatch prices as these prices are capped at the APC and then scaled down. Using dispatch prices to calculate cumulative prices of the export region means that this region is more likely to breach the CPT, despite the lower prices received by generators and incurred by consumers.

¹ The MPC for 2025–26 is \$20,300/MWh, which translates to a CPT of \$1,823,600.

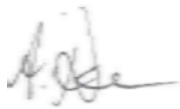
CS Energy concurs with Delta Electricity that such a methodological shortcoming:

- Distorts the market signals by unjustifiably increasing the likelihood of breaching the CPT, which would likely dampen investment signals for generation assets; and
- Can be addressed by using received prices (instead of dispatch prices) to calculate cumulative prices for regions not subjected to administered pricing once another region breaches the CPT. However, as per current practice, regions that are subjected to administered pricing should continue to use dispatch prices to monitor cumulative prices, which would provide a more accurate reflection as to whether factors contributing to high prices have diminished.

Further, CS Energy considers the materiality of the issues identified by the rule change proponents may increase over time. While administered pricing events are typically rare to date (occurring only 5 times in the past 20 years), these events may increase in frequency as the NEM transitions to more weather-dependent renewable generation, which makes the power system more vulnerable to supply disruptions due to renewable droughts.

If you would like to discuss this submission, please contact Wei Fang Lim, Market Regulatory Manager, on either 0455 363 114 or wlim@csenergy.com.au.

Yours sincerely



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