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Australian Energy Market Commission

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

## **Rule Change Consultation Paper: Calculating the Cumulative Price**

Origin Energy Limited (Origin) welcomes the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) *Consultation Paper: Calculating the Cumulative Price*.

The cumulative price threshold (CPT) is a critical safeguard within the NEM's reliability settings, designed to balance efficient price formation with the need to protect consumers and participants from prolonged periods of extreme wholesale prices. While high spot prices play a key role in signalling scarcity and driving efficient investment, sustained price shocks can impose significant financial stress across the market, disrupt risk-management practices, and erode confidence in the stability of the NEM.

Recent events have highlighted the critical role of the CPT and the need to ensure its calculation and application remain fit for purpose. As the energy sector evolves—driven by the transition to renewable energy, increased demand, and more frequent extreme weather events—it is essential that the CPT framework remains robust, transparent, and aligned with the long-term interests of consumers.

It is through this lens that the rule change proposals put forward by Delta Electricity and Snowy Hydro need to be considered.

### **Amending the cumulative price threshold methodology**

We acknowledge Delta Electricity's concern that, under current arrangements, cumulative price calculations may not always reflect the true financial exposure of participants, particularly when inter-regional scaling effects arise during administered pricing events. These issues highlight the inherent complexity of the NEM's pricing and settlement processes, especially when one region is under an administered price cap (APC) and neighbouring regions are not.

While the intent of Delta Electricity's proposal—to improve the accuracy of the CPT calculation—is reasonable, its implications may not be straightforward and predictable. Shifting from dispatch prices to received prices may alter risk allocation in ways that are sensitive to specific market conditions, including interconnector constraints, regional scarcity patterns, and varied forms of system stress. It is therefore important to understand how the proposed change would perform across a wide range of realistic and extreme market scenarios.

For this reason, we encourage the AEMC to undertake detailed modelling and scenario analysis, including historical, counterfactual, and future-system simulations, to test the proposal's effects under conditions involving the asymmetric operation of the APC (in single and multiple regions), unusual dispatch patterns, and evolving system dynamics. This additional analysis would provide greater clarity regarding the potential outcomes from this proposal and help determine whether reform is necessary.

### **CPT calculation during administered scheduled pricing**

The 2022 market suspension event demonstrated that when the Market Suspension Pricing Schedule (MSPS) is applied, cumulative prices can fall artificially, even though the conditions that triggered the APC have not genuinely stabilised. This disconnect can lead to the premature ending of administered pricing and expose the market to renewed volatility.

Snowy Hydro's proposal would theoretically improve the effectiveness of the CPT by ensuring that administered pricing protections remain aligned with underlying market conditions. Excluding MSPS-set prices from the CPT calculation would reduce the risk of early APC expiry, prevents sharp price rebounds when normal dispatch resumes, and support a smoother and more predictable transition back to standard market operation. This could in turn enhance market stability, mitigates systemic risk, and provides participants with greater confidence in the consistency and reliability of price protection mechanisms during periods of extreme stress.

In this context, we generally support Snowy Hydro's rule change as a targeted improvement that could strengthen the reliability and stability of the NEM's administered pricing arrangements. However, it would be prudent for the AEMC explore whether there are any potential trade-offs / unintended consequences associated with the change.

If you wish to discuss any aspect of this submission further, please contact Steve Williams at [steve.williams@originenergy.com.au](mailto:steve.williams@originenergy.com.au).

Yours sincerely,

A handwritten signature in black ink that reads "S Cole". The signature is written in a cursive, slightly slanted style.

Shaun Cole  
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