

20 November 2025

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

Reference: ERC0356, ERC0374

Calculating the cumulative price Consultation Paper

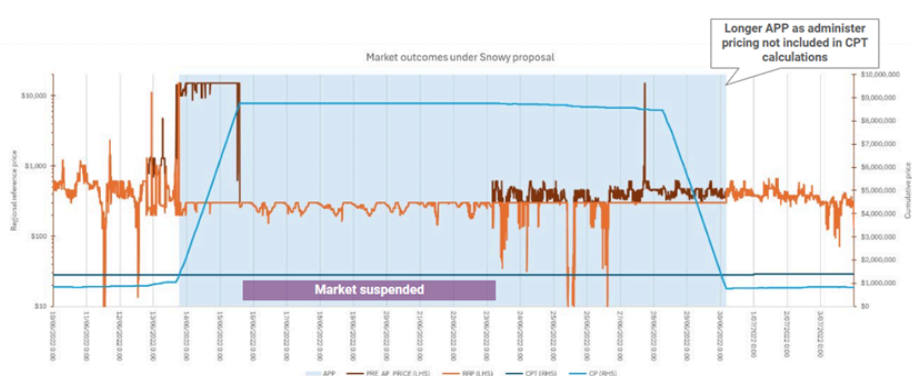
Snowy Hydro welcomes the opportunity to comment on the Australian Energy Market Commission (Commission) Calculating the cumulative price Consultation Paper.

Snowy Hydro supports both rule change requests. We consider that our proposed change to the calculation of the cumulative price threshold (CPT) will better align it with the original policy intent of the market setting. The current approach of using scheduled pricing during market suspension deprives market participants of the benefit of the CPT. Our proposal will address this issue, lessening risks for sellers of hedging products and insolvency risks for retailers, which ultimately provides the best outcome for consumers.

Addressing this anomaly will promote the National Energy Objective. It will improve the integrity of a critical reliability setting (the CPT), increasing the predictability of the market during extreme volatility, which will in turn promote the efficient operation of the energy system. It will also address the arbitrary nature of the current approach, whereby the decision to suspend the market can, in effect, radically alter the calculation of the CPT in a manner which makes it risky for participants to rely on the protection that the CPT was intended to provide. This ultimately undermines the utility of the CPT as a reliability setting.

The Commission's hypothetical example¹ illustrates that removing scheduled pricing from CPT calculations, as proposed by Snowy Hydro, could extend the administered pricing period. Such an extension reflects the correction of the distorting effect of applying scheduled pricing from the CPT calculation methodology. This is because scheduled pricing is based on a 28 day historical average or prices, and is unlikely to reflect the volatility that gives rise to the market suspension. Snowy Hydro's rule change key benefit, therefore, is to maintain the protection that the APC provides "short" market participants against prolonged and extremely high spot prices. While in theory "short" market participants will be retailers or large market customers, it is also very likely to include scheduled generators that have sold electricity contracts (probably caps) to retailers. The key point is that the protection afforded by the APC should not be diminished because of a decision to suspend the market. The need to address this anomaly will increase given the growth of storage (ie. energy constrained assets) in the NEM.

Figure 1: Illustrative example of price outcomes under the change proposed by Snowy Hydro



Source: AEMC internal analysis
 Note: Illustrative only

¹ i.e. not reflective of changed bidding behaviours if an APP was extended

To assist the Commission to make a decision on this proposal we have provided feedback on the questions regarding any costs, benefits, problems and unintended consequences on proposed solutions.

Questions on the CPT calculation during administered scheduled pricing (ERC0374)

What are your views of the costs and benefits of the proposed solution?

The Commission notes that *"the situation where the issue raised by Snowy Hydro could occur is uncommon"*. Market suspensions are undoubtedly uncommon, but this says little about the merits of Snowy Hydro's proposal. Market suspensions are by their nature almost impossible to predict, and it is entirely plausible that events such as the 2022 energy crisis will occur again. Indeed, the likelihood of a future crisis may be said to increase due to rising electricity demand, higher VRE penetration, loss of thermal generation and increased frequency and severity of extreme weather events as a result of climate change (as noted by the Commission). Such a crisis does not need to occur, or even be likely to occur, in order to impact market participants; the mere risk of occurrence, and the use of the scheduled pricing in the CPT calculation methodology, will weigh on the decision-making of market participants as they consider their exposure under future market states.

Snowy Hydro does not believe the costs associated with implementing the changes through AEMO's systems would outweigh the failure to account for the risk of financial insolvency for market participants and a more stable market following the rule change. The benefits for AEMO would also be important as it would enhance their ability to operate the NEM. Not implementing a rule change on the likely frequency of occurrence is not a valid reason for not proceeding with a rule change.

The extent of costs we expect AEMO would incur would be purely administrative as it would require re-modelling of the CPT methodology which may require extra staff being required. We don't expect the costs to be significant and we continue to believe that it would far outweigh the benefit of implementing the rule change.

Is there anything the Commission could do in designing the rule that would help to minimise the costs and maximise the benefits?

Snowy Hydro has proposed the least cost option to address concerns about the interaction between market suspensions and administered pricing, based on observations in the 2022 market suspension event.

AEMO is undertaking major programs which are complex and lengthy to address. AEMO's NEM and East Coast Gas Reforms typically implement key changes to the energy markets, or address major challenges facing the energy industry. AEMO has budgeted over \$85.3 million for 2026 on major core operating system upgrades, displayed below. Snowy Hydro's rule change which would require certain methodology changes to the calculation of the CPT would only cost a small fraction of the cost to prevent Snowy Hydro's addressed problem occurring should another energy crisis occur.

Table 2: AEMO's FY26 Net Investment Plan²

	Budget FY25 \$m	Budget FY26 \$m	Variance \$m	Variance %
Reform delivery (NEM and East Coast Gas)	73.9	85.3	11.4	15.4%
WA program	32.1	32.0	(0.1)	(0.3%)
Designing and modernising market operations systems	48.8	38.6	(10.2)	(20.9%)
Modernising business systems	25.2	24.1	(1.1)	(4.4%)
AEMO capital expenditure	180.0	180.0	0.0	0.0%
Project-related operating costs *	38.6	36.9	(1.7)	(4.4%)
Total investment expenditure #	218.6	216.9	(1.7)	(0.8%)

* Project-related operating costs includes items that are SaaS, feasibility studies and costs that are attributed to be operating in nature during the delivery of the investment program. These costs are captured as operating expenditure in the FY26 budget and fees but are shown in this table to provide a more complete picture of project costs.

Investment to enable a reliable and secure energy transition will be funded by government is commercial in confidence and is not included within the above table.

Are there any alternative solutions that would be preferable?

The solution Snowy Hydro has provided is the least-cost solution to implement. The proposed change specifically addresses the CPT calculation during administered scheduled pricing to lower the chance that retailers will become bankrupt and lower contracting prices which provides the best outcome for consumers. It is for this reason we believe this is the preferred solution for adjusting the calculation.

Is the calculation of the cumulative price during an administered pricing period a problem? Do you think that it is also a problem for the FCAS market?

The CPT applies to Frequency Control Ancillary Services (FCAS) as well and the application of the rule should be consistent across the markets. If this does not occur the FCAS markets could lead to volatility (where the energy price remains under the APC) at the end of a suspension event leading to perverse outcomes, such as the generators reserving their capacity for the FCAS market.

What are your views on the interaction between both rule changes?

The Delta Electricity and Snowy Hydro rule changes address separate issues and different timeframes. For the Delta Electricity rule change it is once the cumulative price threshold (CPT) is reached in a region that is proposed that the dispatch price be used to monitor the cumulative price. On the other hand, Snowy Hydro's rule change is only for when the suspension is lifted as per normal processes and should we still have administered pricing or not, i.e. should we go back to the administered pricing being in place or should we go back to normal pricing (because the use of scheduled prices in the CPT calculation has dropped the cumulative prices to below the threshold). The only specific interactions between the two rule changes is that they both address changes to the CPT.

Amending the Cumulative Price Threshold Methodology (ERC0356)

Snowy Hydro believes Delta Electricity's proposal that received prices, instead of dispatch prices, should be used to calculate when the cumulative price threshold is reached in a region

²AEMO, Budget and Fees FY26

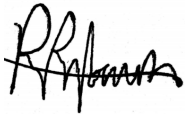
is sensible. Despite increasing the APC from \$300 MWh to \$600 MWh we believe Delta Electricity's proposal is an important change to amend the methodology for calculating when one or more regions have reached the CPT.

About Snowy Hydro

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

Snowy Hydro appreciates the opportunity to respond to the Commission's Calculating the cumulative price Consultation Paper. Any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a horizontal line.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro