29 January 2025

Australian Energy Market Commission (AEMC)

Via AEMC website: *www.aemc.gov.au*

2026 Reliability Standard and Settings Review – Draft Report

Alinta Energy welcomes the opportunity to provide feedback on the 2026 Reliability Standard and Settings Review Draft Report.

Alinta Energy's recommendations:

- **We support a reliability standard of 0.003% USE. We consider this will promote the long-term interests of consumers and maintain stability in the price settings.**
- **Maintaining the MPC and CPT price settings is important to support the investment required to deliver the reliability standard.**
- **We consider the current MFP remains appropriate, and advise against setting the price to the MFP during MSL3 events.**
- **We recommend that the Panel consider reducing the Administered Price Cap to $500 to align with the derivatives market and reduce participants' risk exposure.**

We support a reliability standard of 0.003% USE.

We support the Panel's proposed standard 0.003% USE which reflects the midpoint in its modelling. We consider this appropriately balances customer expectations with the need to maintain price stability.

We note that this standard:

- avoids the need to raise the market price cap (MPC) and cumulative price threshold (CPT), which would otherwise be required to maintain the 0.002% USE reliability standard to encourage new investment, and could result in cost increases for customers[1].
- would maintain the existing MPC and CPT price settings, which will provide ongoing regulatory stability for participants which, alongside other participants[2], we endorse.

[1] 'Draft Report 2026 Reliability Standard and Settings Review', AEMC, 27 November 2025, p.25.
[2] 'Draft Report 2026 Reliability Standard and Settings Review', AEMC, 27 November 2025, p.25.

Maintaining the Market Price Cap and Cumulative Price Threshold price settings is important to support the investment required to deliver the reliability standard.

The Panel's modelling indicates the MPC and CPT would be retained at existing price settings to meet the proposed reliability standard of 0.003% USE. As noted in our response to the issues paper[3], we consider the existing price settings to be fit for purpose and important in:

- Ensuring there is revenue adequacy for existing and new investments.
- Maintaining existing market signals, given these have recently come into effect and conditions have not fundamentally changed.
- Providing regulatory stability[4] and long-term investment certainty to the market, as noted above.

We consider the current Market Floor Price remains appropriate, and advise against setting the price at the floor during MSL3 events.

As noted in our response to the issues paper[5], we support maintaining the market floor price (MFP) for the next four-year period. Market outcomes in recent years indicate that the MFP has not been reached frequently; and when reached, this has not reflected a bottleneck of generators unable to reflect cycling costs in bids.

We do not support the Panel's proposal to introduce a mechanism for setting the spot price at the MFP during MSL3 events for the following reasons:

- During an MSL3 event, there would already be strong price incentives for generators to reduce their output and for participants to increase withdrawals. We would expect that the generators that remain operating in these circumstances would either not be sensitive to price reductions or may be required to provide essential system services. It follows that reducing the price further would not push these generators to decommit and would not remove the need for AEMO to intervene.

- MSL is fundamentally a system security issue, and requires a more targeted solution than the proposed blanket energy market price intervention.

- As noted by the Panel, this proposal would increase the exposure of generators to negative prices[6]. We also question the assumption that "many of these units are likely to be contracted or otherwise internally hedged against extreme prices at minimum generation levels" or otherwise "contracted with the relevant inertia or system strength service provider"[7].We note that even exposing contracted generators to more negative prices increases costs for counterparties in the secondary markets.

- The proposal may increase the cost of system strength agreements where contracted generators must continue to operate and be paid higher compensation to

[3] Alinta Energy Response to the '2026 Reliability Standard and Settings Review – Issues Paper', Alinta Energy, 17 July 2025.
[4] Noted by other stakeholders in feedback, see: 'Draft Report 2026 Reliability Standard and Settings Review', AEMC, 27 November 2025, p.26.
[5] Alinta Energy Response to the '2026 Reliability Standard and Settings Review – Issues Paper', Alinta Energy, 17 July 2025.
[6] 'Draft Report 2026 Reliability Standard and Settings Review', AEMC, 27 November 2025, p.36.
[7] 'Draft Report 2026 Reliability Standard and Settings Review', AEMC, 27 November 2025, p.36.

cover their cost of running at more negative prices.

We recommend that the Panel consider reducing Administered Price Cap to $500.

We recommend that the Panel consider reducing the administered price cap (APC) from $600 to $500. The APC was raised to $600 in 2022 in response to extreme wholesale prices driven by a global gas shock. Since then, a range of government interventions and market reforms have been introduced to reduce the likelihood of comparable price spikes. The Gas Market Review recommendation to introduce a reservation mechanism (from 2027) would further temper exposure to international supply shocks. In this context, reducing the APC to $500 would better reflect current market conditions, align with the derivatives market where $500 caps are traded and reduce risk exposure for market participants while supporting liquidity in capacity products. We recommend that the Panel undertake analysis on the suitability of the existing APC in light of current storage and fuel costs, recent regulatory changes and the evolving risk profile of the gas market.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact at isidora.stefanovic@alintaenergy.com.au.

Yours sincerely,

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