29 January 2026

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000
Reference: REL0094

Submitted electronically

2026 Reliability Standard and Settings Review Draft report

Snowy Hydro welcomes the opportunity to comment on the Reliability Panel (The Panel) Australian Energy Market Commission (Commission) 2026 Reliability Standard and Settings Review Draft report.

Snowy Hydro submits that a well-functioning NEM depends on stable and predictable reliability settings. The Panel's draft recommendation will play a critical role in various aspects of the market. Contract prices and the recently proposed Electricity Services Entry Mechanism (ESEM) as part of the Nelson NEM Wholesale Market Settings Review are informed by the price limits imposed by the settings. Maintaining the Market Price Cap (MPC) and the cumulative price threshold (CPT) will create a strong incentive for market customers to enter into hedging contracts, and thus support contract liquidity and the ESEM. Contract prices also in turn provide an investment signal to existing and potential new plants. Dispatch and operational efficiency is also impacted by the Administered Price Cap (APC).

It is for this reason we support and comment on the several draft recommendations put forward by the Panel:

- We support the proposal to retain the administered price cap and administered floor price at $600/MWh and -$600/MWh, respectively.

- While we understand the Panel's reasoning to suggest an increase in the reliability standard from 0.002 to 0.004 per cent unserved energy (USE), this not consistent with the approach of every single state jurisdiction and the Australian Energy Market Operator (AEMO), who are asking for the standard to be tightened.

    - A loosening of the reliability standard would have significant implications for the NEM, since it would permit a greater level of unserved energy (blackouts) when determining market settings.
    - Snowy Hydro supports retaining the current standard of 0.002% as it would prioritise regulatory stability in terms of customer reliability outcomes and investment incentives. We do not support a standard closer to 0.004 per cent USE. Moving to a looser standard (0.004%) would weaken the investment signal for firming capacity.

- Recent increases in market settings should be allowed to take effect before further significant changes are made. We support the July 2027 reliability settings for the Market Price Cap (MPC), Cumulative Price Threshold (CPT), Administered Price Cap (APC) and the Reliability Standard to remain stable and not be reduced. Increasing reliability settings to improve investment while weakening the reliability standard creates investment uncertainty.

- While further rises to the CPT in the future may be warranted, an excessive increase would risk creating too much risk for fuel-limited generators, in terms of their ability to manage their contract obligations.

- The Panel proposal to retain the market floor price at -$1,000/MWh is understood but we would have preferred that the need for changes to the floor price be more thoroughly addressed.
    - Reducing the MFP would enhance the ability of the owners of dispatchable assets, particularly peaking generators, to bid in a manner which reflects their very high economic cycling costs.
    - Snowy Hydro's proposed rule change in respect of the Market Floor Price (MFP) remains pending for review for 5 years. We expect the Commission to consider the multiple floor price rule change as soon as practicable and do not agree with the comment that there is no consumer benefit in introducing multiple floor prices at this stage with little analysis.

- Snowy Hydro supports mechanisms that allow dispatchable generators to manage risk. If linking minimum system load (MSL) to the MFP provides a clearer market signal than administrative intervention (directions) provided it aligns with their view on efficient price signals then we believe this is sensible.

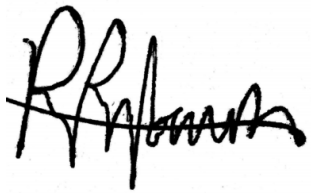
Snowy Hydro has responded to the detailed questions in the next sections.

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 Panel's 2026 Reliability Standard and Settings Review Draft report. Any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,



Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

Detailed Panel Questions

Question 1: The Panel's draft reliability standard is from 0.002% to 0.004% USE

- ***What point from 0.002% USE to 0.004% USE would best serve the long-term interests of consumers, and why?***
- ***How should the Panel determine the optimal point that promotes the long-term interests of consumers?***

Snowy Hydro supports retaining the current standard with a 0.002% as it would mean prioritising regulatory stability in terms of customer reliability outcomes, and would promote investment certainty. The importance of stability is key and we believe settings should only change if there is material benefit.

We are not convinced that a standard close to 0.003 per cent USE will provide regulatory stability. The Australian Energy Market Operator (AEMO) and state jurisdictions are seeking tighter standards in the current environment. For example, the inconsistency of AEMO's Integrated Reliability Measure (IRM) with the reliability standard creates an uncertain framework in which the expected level of investment in response to the price signaling under the MPC will always be lower than that necessary to achieve the reliability level required under the IRM. Consequently, this artificially creates a reliability shortfall (relative to the IRM) and then places the burden of resolving the shortfall on generators, who must either invest at a level that is not adequately compensated for under the market parameters or be subject to the costs of the exercise of the IRR.

For the same reasons, we do not support a standard closer to 0.004 per cent USE. Moving to a looser standard (0.004%)would weaken the investment signal for firming capacity by putting downward pressure on the market settings. The risk associated with reducing the market setting and not achieving the right investment is that the NEM could face more frequent blackouts in the long term. For the success of the Energy Panel 2030 NEM market review, the NEM reliability settings will remain the most important policy influence on investment in new generation capacity. Reliability settings are enduring features of the NEM and therefore critical for supporting long term investment certainty. For example, the Electricity Services Entry Mechanism (ESEM) contracts require stable market settings to be sold, if they are reduced that could jeopardise both the investment signals and the ESEM contracts. Neither the existence of the NEM Market Settings review nor the proposed creation of the ESEM does not imply that the reliability settings are or will become any less important. In short, there is no case to reduce reliance on reliability settings as a means to ensure system reliability on account of the NEM Market Settings Review.

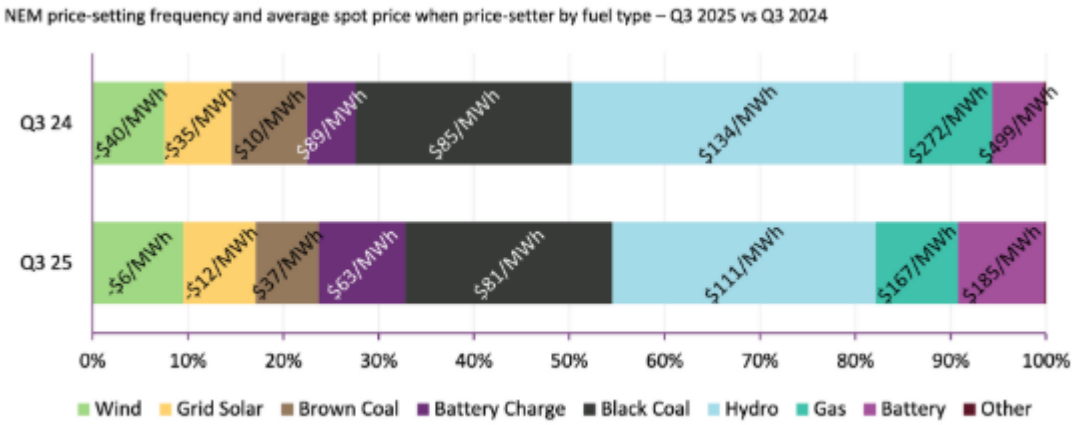
Question 2: Assumptions of battery behaviour for the next RSSR

- ***How should we assume batteries participate in the market when determining the level of revenue recovered during USE events?***

We agree with the Panel that batteries could be the marginal new entrant for the next review and how their market behaviour will evolve is critical. The recent Quarterly Energy Dynamics Q3 2025 found that batteries increased their share of price setting to 9% (both charge and discharge), up from 5% in Q3, 2024. Batteries also had the highest average spot price when price setter, shown below in Figure 1[1]. The dynamics of the market will continue to change and batteries will play a bigger part in the market.

[1] AEMO Quarterly Energy Dynamics Q3 2025 October 2025

Figure 1: Wind, grid solar, brown coal saw year on year increases in prices set when marginal while other technologies saw reductions



Question 3: A national reliability standard to reflect regional differences

- ***What level of the Reliability Standard in the range of 0.002% to 0.004% USE would best reflect the needs across the NEM? Otherwise, how should the Panel consider regional differences?***

As noted in question 1, we support retaining the current standard with a 0.002% as it would mean prioritising regulatory stability in terms of customer reliability outcomes.

Question 4: The importance of regulatory stability

- ***How should the Panel balance the value of regulatory stability versus the need to remain flexible to changing circumstances?***
- ***What are the implications for the Panel determining the optimal reliability standard?***

Snowy Hydro's view is that stability is paramount. Stable and predictable reliability settings are essential for a well-functioning NEM and that volatility in the settings does not help regulatory stability. Recent increases in market settings should be allowed to take effect before further significant changes are made. We support the July 2027 reliability settings, shown in Table 1 for the MPC, CPT, APC and the Reliability Standard to remain stable and not be reduced. Enhancing investment incentives through market settings while weakening investment signals by loosening the reliability standard creates mixed messages for investors in new capacity.

Table 1: The current reliability standard and settings 1 July 2025 to 30 June 2026

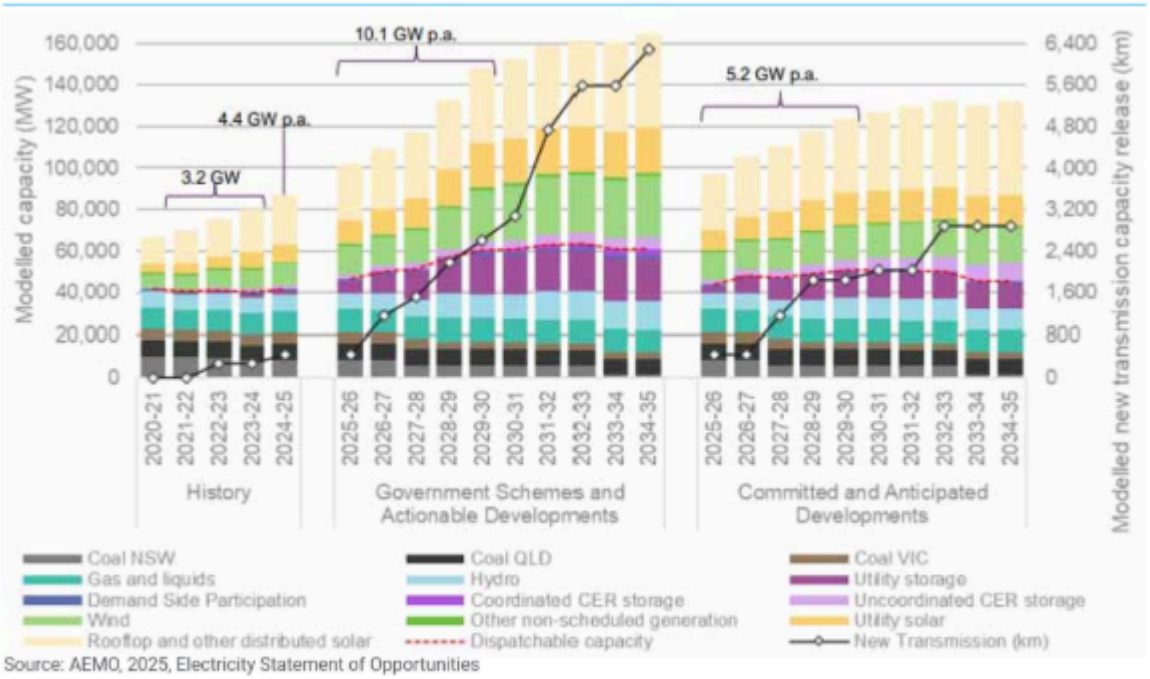
	30 June 2026	1 July 2026	1 July 2027
Reliability Standard	0.002% USE	0.002% USE	0.002% USE
Market Price Cap	$20,300/MWh	$20,700/MWh	$22,800/MWh
Cumulative Price Threshold	$1,823,600/MWh	$1,987,200/MWh	$2,325,600/MWh
Administered Price Cap	$600/MWh	$600/MWh	$600/MWh
Administered Floor Price	-$600/MWh	-$600/MWh	-$600/MWh
Market Floor Price	-$1,000/MWh	-$1,000/MWh	-$1,000/MWh

Source: AEMC, Schedule of Reliability Settings 2025-26, found here

As noted by the Draft Report, there is significant change in generation between now and 2032. It notes that, shown below:

- *around 10 GW of coal capacity is expected to withdraw, including Eraring (2027), Yallourn (2028) and Gladstone (2029)*
- *over 30 GW of new utility-scale wind and solar capacity is expected to be commissioned committed and anticipated grid-scale battery capacity is forecast to exceed 12 GW*
- *demand is forecast to increase from 178 TWh to 207 TWh*
- *rooftop solar capacity is expected to reach more than 35 GW, reducing daytime operational demand*[2].

Figure 2: ESOO historical and forecast capacity mix



Source: AEMO, 2025, Electricity Statement of Opportunities
Note: 10 year infrastructure development outlooks under typical summer availability assumptions with annual new utility-scale generation and storage commissioning quantities identified

The NEM is at a critical point where coal is reaching end of life and replacement capacity is coming online at a slower pace than needed. It is therefore not the time to make significant changes to market settings needed to enable the market to deliver the efficient level of investment critical to meeting power system needs.

Question 5: Optimal level of the market price settings

- ***Which of the combination of market price setting frontiers and corresponding reliability standard do stakeholders think best balance the long term interests of consumers?***
- ***How should the MPC be traded off with the CPT along these frontiers to best meet system needs?***
- ***How should the Panel meet the varying needs of different regions through the MPC and CPT?***

[2] AEMC, 2026 Reliability Standard and Settings Review, Draft report, 27 November 2025

Snowy Hydro is supportive of the current level of settings, taking into account scheduled adjustments. The recent and scheduled increases to the MPC will, for the reasons stated above, improve revenue adequacy and ultimately investment in firming and storage capacity.

The Panel sensibly highlights concerns regarding any reductions in the settings and unpredictable changes could lead too, these include:

- *"Lowering the market price settings could increase reliance on — and embed the need for — jurisdictional schemes As part of the 2022 rule change to increase the market price cap, HoustonKemp provided advice to the AEMC that lowering the market settings to match potential underwriting support from jurisdictional schemes would not adequately incentivise investment in the marginal unit. In such circumstances, to meet the reliability standard, jurisdictional schemes would need to extend procurement to the entirety of firming required to meet the reliability standard, thereby inherently cementing an ongoing role in the market reliability framework."*[3]
- *"Frequent or unpredictable changes to the standard or price settings could increase risk premiums, inhibit investment, or even prompt the disorderly exit of existing capacity in response to inadequate market revenues."*[4]

The efficacy of the market settings will be enhanced by maintaining the existing reliability standard, rather than a loosening of it.

Question 6: The Panel's draft recommendation to retain the current form of the cumulative price threshold

- ***Do stakeholders agree with the draft recommendation to retain the current form of the cumulative price threshold?***

Snowy Hydro are comfortable retaining the current form. As noted in our previous submission, however, as coal assets are replaced by more energy-constrained storage and firming technologies CPT should be set at a level which encourages an optimal level of demand for and investment in long duration energy and firming assets, without creating unmanageable risk for generators.

While further rises to the CPT in the future may be warranted, an excessive increase would risk creating too much risk for fuel-limited generators, in terms of their ability to manage their contract obligations. Faced with such a risk, generators would reduce their volume of offered contracts, which would be an adverse outcome for the market.

Question 7: The Panel's draft recommendation to retain the current market floor price •

- ***Do stakeholders agree with the draft recommendation to retain the current market floor price of -$1,000/MWh?***

Although the Panel has considered the market floor price against these criteria and NEO in making a draft recommendation to retain the current form and level of the MFP, namely -$1,000/MWh, we are concerned the floor price is not being adequately reviewed. We are concerned that if this is not assessed in an orderly manner it could lead to a similar rushed change than that of the APC which was changed in less than 6 months and put many contracts at risk. The floor price needs to be adequately addressed and not remain stagnant for +20 years without a proper review.

The Panel notes that Snowy Hydro and Hydro Tasmania considered implementing a lower floor price for dispatchable generators to allow them to more easily defend their contracts. At some stage this should be assessed with different scenarios and different floors to understand the impact it would have. Snowy Hydro proposed that as an alternative, the MFP be reduced from

[3] AEMC, 2026 Reliability Standard and Settings Review, Draft report, 27 November 2025
[4] AEMC, 2026 Reliability Standard and Settings Review, Draft report, 27 November 2025

its current level of -$1,000/MWh to -$2,000/MWh under our first submission. We continue to believe this would, to some extent, address the market access risks. Reducing the MFP would enhance the ability of the owners of dispatchable assets, particularly peaking generators, to bid in a manner which reflects their very high economic cycling costs.

In making their decision to not change the MFP, the Panel has noted that the *"incidence of MFP events has declined significantly due to the introductions of 5-minute settlement and negative price clauses in PPA's"*[5]. In assessing the potential impacts of raising or decreasing the MFP they note there is no meaningful improvement[6]. Snowy Hydro believes in assessing the MFP there hasn't been an adequate assessment of the impact on the contract market if the MPC was to remain unchanged. While there are negative price clauses in PPAs, financial contracting for risk management would become more difficult. Furthermore, the incidence of MFP events is not, on its own, an adequate metric. The mere risk of MFP events, and the potentially inability of sellers of hedges to defend them, will affect contracting outcomes and therefore the price of hedged energy.

To improve contracting, Snowy Hydro's proposed rule change would introduce a 'dual floor price', yet the proposal has remained pending for review for 5 years - among the longest periods of proposals yet to be initiated for consultation. As mentioned, we expect the Commission to consider this rule change as soon as practicable and do not agree with the comment that there is no consumer benefit in introducing multiple floor prices at this stage with little analysis.

Given the seriousness of the issues it seeks to address, Snowy Hydro considers that it should be opened for consultation as a matter of urgency.

Question 8: The Panel's draft recommendation to link the market floor price and minimum system load events

- ***Do stakeholders agree with the Panel's draft recommendation to require the market to clear at the MFP during MSL3 conditions?***

Snowy Hydro supports mechanisms that allow dispatchable generators to manage risk. If linking MSL to the MFP provides a clearer market signal than administrative intervention (directions) provided it aligns with their view on efficient price signals then we believe this is sensible.

Question 9: The Panel's draft recommendations on the administered price cap and floor

- ***Do stakeholders agree with the draft recommendation to retain the current level of the APC at $600/MWh?***
- ***Do stakeholders agree with the draft recommendation to retain the current level of the AFP at -$600/MWh?***

The current level of the Administered Price Cap (APC), $600/MWh, is now at a level sufficient to cover the marginal source of generation under most market conditions. This explicitly links the need for the $600/MWh APC to encourage participation by thermal generation and storage. It was unfortunate, however, that the doubling of the previous APC took place without adequate notice and exposing sellers of hedge contracts to significant risk.

Question 10: Treatment of jurisdictional schemes

- ***Do stakeholders agree with the Panel's decision to run a low-WACC sensitivity to determine the effect of jurisdictional schemes when determining the optimal reliability standard?***
- ***Do stakeholders agree or disagree that the effect of jurisdictional schemes should not be considered when determining the efficient market price settings? If disagree,***

[5] AEMC, 2026 Reliability Standard and Settings Review, Draft report, 27 November 2025
[6] AEMC, 2026 Reliability Standard and Settings Review, Draft report, 27 November 2025

- ***how should we quantify the monetary value of jurisdictional support schemes in our modelling?***

Market settings should not be lowered or diluted because of jurisdictional schemes. Adjusting settings to account for jurisdictional schemes could compromise the effectiveness of the schemes themselves and increase reliance on government support. It is critical to have settings that can stand on their own to deliver reliability.

Question 11: Battery revenue requirements

- ***Do stakeholders consider that the market settings benchmarked based on OCGTs are high enough to incentivise a new entrant 4hr BESS, given the results above?***

We believe that the market settings benchmarked based on OCGTs are high enough to incentivise a new entrant BESS.