

11 March 2026

Ms Anna Collyer
Chair, Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Reference: ERC0356 & ERC0374

Dear Ms Collyer,

AEMO submission to draft determination– Calculating the cumulative price

AEMO appreciates the opportunity to submit to the draft determination on Delta Electricity's (Delta) and Snowy Hydro's (Snowy) proposed changes to the National Electricity Rules (NER) to the methodology for calculating the cumulative price when one or more regions have reached the cumulative price threshold (CPT), and to exclude from the calculation of the cumulative price those intervals where market suspension pricing has been applied.

AEMO recognises the policy rationale for the Delta proposal. With the benefit of further analysis, AEMO has moderated its view on the Snowy proposal such that, assuming our recommended amendments are made, it can be incorporated into a joint implementation project of medium size.

Notwithstanding this refined view, AEMO still considers the scenario the Snowy proposal addresses unlikely to recur and identifies policy rationale favouring the existing rules. Considering these matters collectively, AEMO remains of the view that, on balance, the Snowy rule does not further the national electricity objective.

AEMO strongly supports the AEMC's suggestion of an explicit time allowance in the NER for manually adjusting previously published prices following a market suspension and has proposed some wording.

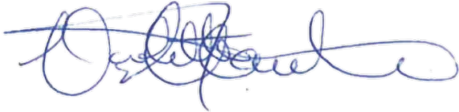
AEMO does not support making the Snowy rule conditional on the reason for market suspension (i.e. caused solely by systems failure versus other causes). This suggestion does not simplify implementation and imposes an additional decision on control room staff during a critical period.

Unfortunately, AEMO's systems enhancement pipeline is at capacity at least until the end of the 2026-27 year and is therefore unable to meet the proposed April 2027 date. The submission suggests a sequencing approach for these new rules against other important reforms.



The attached submission expands on these issues in further detail. Should you wish to discuss any aspect of our submission, please contact Hannah Heath, Group Manager, Strategic Market Reform (Hannah.Heath@aemo.com.au).

Yours sincerely,



Violette Mouchaileh
Executive General Manager, Policy & Corporate Affairs

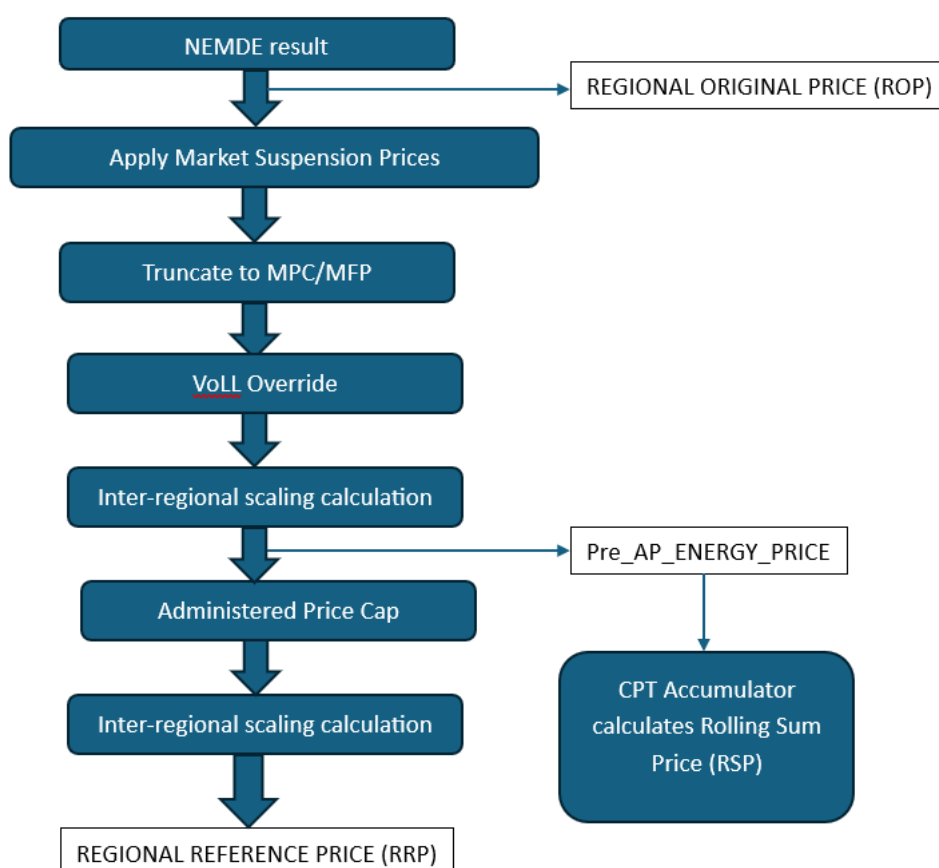
ATTACHMENT – Detailed submission

Delta’s Rule Change Request

AEMO accepts the policy rationale for the rule change requested by Delta (Delta rule) and considers the scenario that Delta has identified likely to recur.

The existing system triggers an Administered Price Period (APP) in a region when the value of an internal variable “Rolling Sum Price” (RSP) exceeds the Cumulative Price Threshold (CPT). The RSP is presently fed by another internal variable “Pre_AP_Energy_Price”. Pre_AP_Energy_Price is determined after applying Market Suspension Pricing, Market Price Cap (MPC) and floor (MFP) and their associated inter-regional scalings but precedes the application of the Administered Price Cap (APC) in any region.

The following simplified diagram may assist understanding of how these values progressively develop in the existing system.



Under the Delta rule, the above approach will continue to apply to prices emerging from those trading intervals where a contemporary APP applies in the specific region. For those trading intervals where APP is **not** applicable in the specific region, the RSP will instead be fed by the Regional Reference Price (RRP), i.e. after APC application and its associated inter-regional scaling.

Implementation of the Delta rule thus requires inserting conditional logic into an intricate existing system. It then requires expert testing. This causes AEMO to consider it a significant project of a medium scale.

Snowy's Rule Change Request

Implementation Matters

AEMO's consultation paper submission expressed concern about the size of the implementation project required to specifically meet Snowy's requested rule (Snowy rule). It has since refined its view after deeper consideration of the design of the existing systems. AEMO now considers it could be delivered in a joint project with the Delta rule without substantially increasing its scale subject to:

- Having no conditionality on the form of market suspension.
- Providing for an explicit time window to backfill Market Suspension Prices.
- Recognising that in an exceptional combination of circumstances backfill delays could impact the application of APPs because the cumulative price calculation will include prices awaiting backfill.

These points are explained in the following sections.

The implementation project requires logic such that for every trading interval where the market suspension flag has been set in a region, the RSP for that region will ignore that value and begin the accumulation one TI earlier.

Conditionality on form of Market Suspension

The Draft Determination responds to comments raised by Shell by inserting a condition on the Snowy rule, such that it only applies when "AEMO considers that a technological failure with its systems was not the sole reason for the market suspension". AEMO opposes this conditionality on three grounds:

- It adds to the implementation project because the existing logic must be retained alongside building the new logic subject to an additional conditionality test.
- It requires a real-time judgement decision to be made by control room staff as to the root cause of the market suspension (with the potential for multiple causes), at a time when their focus must be on recovering the failed systems and maintaining power system security.
- It introduces a challenging judgement in referring to "a technological failure in its (AEMO's) systems" as the cause of the market suspension is likely to be related to input data from other organisations, particularly transmission networks, rather than AEMO's own system.

Shell's submission presents a complicated argument, and it is unclear that the draft determination aligns. In any case the issue emerges only during the extremely rare scenario of a combination of APP and market suspension, a scenario that may never recur. AEMO's view is that notwithstanding whether there is merit in Shell's position, adding operational complexity through a conditionality on the cause of the market suspension cannot be justified.

Explicit time window for backfilling Market Suspension Prices

At section 3.2.7 the draft determination invites comment on including in the NER a timeframe for manually adjusting the cumulative price calculation as a result of a market suspension. AEMO welcomes this suggestion.

A system failure emerges without warning and may produce erroneous, or null, prices for a period of time. After a decision to suspend the market in a region(s) is made, a secondary process can be invoked that automatically flags and fills subsequent prices for each suspended region with market suspension prices from that point forward, unless this secondary process is also affected by the failure. In either case there will be at least a few trading intervals, and potentially many, with erroneous prices that must be manually backfilled with suspension prices. AEMO's offline staff performs the backfilling during office hours.

AEMO notes that the NER include an existing provision (clause 3.14.5(h)) recognising a similar retrospective adjustment process in the context of applying inter-regional scaling of spot prices for regions exporting towards a suspension price region. As a manual backfilling approach also applies to correcting already published prices for the initial intervals of a declared suspension period, it would be appropriate to apply the same time allowance to both activities, i.e. as soon as practicable, but in any event by the end of the next business day following the day on which market ceased to be suspended.

Consistent with current practice, the time allowance should be applied to the explicit substitution of market suspension prices. This means the new clause should act on the existing 3.14.5(b) rather than the draft determination's suggestion of the cumulative price, i.e. the new 3.14.2(c1). We have suggested possible drafting in the 'Rules Drafting' section below.

Backfill delays can impact the declaration and cancellation of Administered Price Periods

It is important to recognise that the existing RSP is an automated process which will automatically trigger APP in a region where it has exceeded CPT, and automatically end APP at 0400 after RSP has fallen below CPT. This automatic accumulation continues regardless of whether any of the accumulated prices are yet to be manually adjusted. There is no practical alternative.

It is unlikely, but still possible, that prices awaiting adjustment could shift the RSP above or below the CPT, leading to a triggering or ending of APP that may not have occurred, or occurred at a different time, if those prices had already been adjusted. This possibility exists in the existing system and post the Snowy rule.

We suggest that the NER qualify the existing and new provisions that rely on the RSP process, recognising that it will include spot prices as determined in each trading interval when the accumulation calculation is performed, even though they may be replaced subsequently. We have suggested possible drafting in the 'Rules Drafting' section below.

Policy Basis

The rationale for making the Snowy rule argued by the proponent, the draft determination and most submissions is that market suspension prices have no relevance to the actual contemporary power system conditions and therefore they should have no role in the RSP. The RSP should be effectively paused while market suspension is in place given the absence of contemporary prices reflecting true conditions. This rationale is intuitive.

AEMO posits an alternative view drawn from the underlying purpose of the CPT/APC arrangements. These arrangements allow a period of high prices to achieve the capital returns required to underpin reliable capacity but then cap subsequent prices. This cap limits extreme financial risks, which if they were left perpetually uncapped, could result in the systemic financial failure of multiple participants.

The Snowy rule engages with the extraordinary co-incidence of a market suspension during an APP. In this coincidence the RSP would presently include moderate market suspension prices that may result in the RSP falling below the CPT, and therefore APP being ended, in the view of the proponent, "prematurely".

However, these market suspension prices, despite being unrelated to conditions, are nonetheless official prices upon which the market is settled. They are therefore relevant to the amount of financial risk that exists over a settlement week. If the market design assumes participants can tolerate 7 days of rolling prices below CPT, then all settled prices should be included in the test. Thus, such an ending of APP would not be "premature".

AEMO recognises that this less intuitive argument may not persuade all stakeholders. Nevertheless, AEMO considers the proposed rule, on balance, does not appear to further the national electricity objective given:

- uncertainty of the policy rationale,
- unlikelihood of the scenario's recurrence, and
- complexity of the rule and its implementation.

Implementation timing

The draft determination proposed a 12-month implementation, i.e. having effect in April 2027. While the project itself can be completed in that broad timeframe, AEMO must accommodate the work within its systems development pipeline and prioritise it against other projects. AEMO anticipates major investments in the efficiency and resilience of existing operations technology over the next few years.

Notwithstanding our acceptance of the policy rationale of at least the Delta change, AEMO considers the two rule changes of a relatively lower priority than other projects.

AEMO's system development resources and budget is fully committed for the whole of the 2026-27 and is unable to start work on this project until at least the start of the 2027-28 year. There is a high potential that its upgrading of existing technology will continue into 2027-28, so AEMO is cautious of committing to begin the rule change works early in 2027-28. AEMO proposes instead a November 2028 effective date, aligning with its usual half-yearly release dates.

Rules Drafting

Process-based drafting

In its submission Shell advocated the redrafting of the price setting provisions to a process-based structure, including an explicit definition of the variable "Regional Original Price" that AEMO publishes for transparency. Shell stated that the existing clauses are difficult to follow and that due to the current drafting, participants had incorrectly anticipated their operation during the 2022 winter crisis.

AEMO considers that its implementation of price adjustment software is consistent with the existing rules but agrees with Shell that these provisions are difficult to follow. For example, the term "spot price" has multiple interpretations depending on which clause is being considered. By adhering to the current drafting style, the new rules will add incrementally to the interpretation challenges. A process-based drafting approach, on the other hand, would sequentially identify each price adjustment and define a new term for the price at each step.

While AEMO considers the current drafting approach to be workable, it is sympathetic to Shell's concerns. Minimising the potential for participant confusion would be a desirable outcome, and on that basis we would welcome the AEMC's further consideration of the drafting structure and whether an alternative approach could improve clarity. Such an approach would require careful redrafting of a number of related clauses beyond those directly affected by these rule changes.

Suggested drafting for manual adjustment time window

Clause 3.14.5(h) could be replaced with an amended paragraph as follows:

Where paragraph (b) or paragraph (f) applies in respect of a *trading interval*, AEMO must use reasonable endeavours to finalise any adjustments to relevant *spot prices* or *ancillary service prices* to comply with the applicable requirements as soon as practicable but in any event by the end of the next *business day* following the day on which the *spot market* in the *region* ceased to be suspended.

Suggested drafting to recognise automated accumulation calculation

One possible option is to add a new clause 3.14.2(c2) as follows:

For the purpose of paragraph (c)(1) and (c)(1A), the *spot prices* or *ancillary service prices* included in the sum calculation are the relevant prices as determined at the time AEMO runs that calculation, whether or not any relevant price is subsequently adjusted or substituted in accordance with any provision of the *Rules*.