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Australian Energy Market Commission

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Calculating the Cumulative Price – Draft Determination

Origin Energy Limited (Origin) welcomes the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) *Draft Rule Determination: Calculating the Cumulative Price*. We generally support the AEMC's more preferable Draft Rule as discussed below.

Use of received prices

Consistent with Delta Electricity's request, we support the Commission's proposal to use received prices, rather than dispatch prices, when determining whether the cumulative price threshold (CPT) has been reached in a region exporting to another region that is under administered pricing. Aligning the CPT calculation with the prices actually received by market participants should improve the integrity of the mechanism by ensuring it more accurately reflects the economic outcomes experienced during periods of market stress.

Treatment of market suspension periods

We also broadly support the Commission's approach to address the issue identified by Snowy Hydro regarding the interaction between market suspension pricing and cumulative price calculations.

In particular, we agree with the Commission's more targeted approach that differentiates between:

- market suspensions caused by underlying market stress; and
- suspensions caused solely by technological failures within AEMO's systems.

Where market suspension occurs following a period of market stress and administered pricing, excluding trading intervals priced under the market suspension pricing schedule from the cumulative price calculation is a reasonable way to preserve the intended operation of the CPT and Administered Price Cap mechanisms.

Without such an adjustment, there is a risk that cumulative prices could fall below the threshold during suspension periods even though underlying supply-demand conditions remain tight. This could result in the administered pricing protections being lifted prematurely when the market resumes.

At the same time, we agree it would not be appropriate to apply this adjustment in circumstances where the suspension is purely the result of technological or system failures. In those cases, there may be no underlying scarcity signal that warrants a change to the cumulative price calculation.

To support the practical operation of the proposed framework, we encourage the Commission to ensure the Rule clearly reflects how the cumulative price window is to be applied when trading intervals are excluded. Providing clarity on this point would reduce uncertainty for market participants.

Overall, the Commission's approach appears to represent a pragmatic compromise that targets the specific issue raised while avoiding unintended consequences.

Implementation timeframe

In setting the implementation timeframe for the final rule, we encourage the Commission to be guided by AEMO's advice. Given AEMO's broader reform program, system change priorities and resource constraints, it will be important that the implementation period reflects a realistic assessment of the market operator's capacity to deliver the required system changes while maintaining other critical market initiatives.

If you wish to discuss any aspect of this submission further, please contact Steve Williams at 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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