10 March 2026

Australian Energy Market Commission
Project Lead – Chloe Skewes-Weir

Submission lodged via the Project Page.

Dear Ms Skewes-Weir,

SUBMISSION TO DRAFT DETERMINATION CALCULATING THE CUMULATIVE PRICE

Delta Electricity ('**Delta**') welcomes the opportunity to comment on the Australian Energy Market Commission's ('**AEMC**') draft determination on the cumulative price calculation.

Delta supports the draft determination, which will provide greater certainty for market participants during multi-region administered price periods and strengthen investment signals.

Regarding Question 1, Delta considers the draft rule appropriately resolves the issues identified in the cumulative price methodology, consistent with Delta's rule change request and earlier submission. Delta agrees with the AEMC's assessment that the draft rule will give generators clearer certainty during administered price period (APP) events by ensuring the cumulative price threshold (CPT) reflects actual prices received. This will improve alignment in the cumulative price calculation and support efficient scarcity pricing, strengthening investment and availability signals for peaking plant during periods of system stress.

Delta understands that since publication of the draft determination, concerns have been raised regarding AEMO's implementation costs relative to the perceived benefits of the change. Delta considers that the benefits of amending the CPT methodology clearly justify the implementation effort and support the integrity of market signals during APPs. In this context, Delta encourages the AEMC to consider its previous work on market settings reviews and determinations. Further, Delta notes the following observations from the IES Reliability Standard and Settings Review 2022 Final Modelling Report:[1]

- In an energy-only market, most net revenue for peaking and firming plant is earned during a small number of high-price intervals. The Reliability Panel's IES modelling demonstrated that expected returns for open-cycle gas turbines and other flexible capacity are highly sensitive to the frequency and duration of scarcity pricing events.[2]
- Over the long term, ensuring the CPT is at the right level will "reduce costs to consumers" [3] as it will provide adequate settings to signal new investment and provide a competitive market for electricity supply.[4,]

[1] IES – Reliability Standard and Settings Review 2022: Modelling Report (Final Report, 31 August 2022)
[2] See Section 10.6 – "Revenues and hedging outcomes" (pp. 92–96), showing revenue concentration in high-price intervals; Section 10.7 – "Impact of sensitivities" (pp. 96–98), demonstrating material revenue and IRR reduction from shorter scarcity periods; and Section 10.10 – "Considerations" (p. 105), emphasising the reliance of peaking plant on scarcity pricing.
[3] AEMC, Final Determination – Amending the MPC, CPT, APC rule change, p iii.
[4] See Executive Summary – Key Findings (pp. 9–10), which notes that appropriate MPC/CPT levels are required to support efficient entry and least-cost reliability; Section 10.5 – "Optimal reliability settings" (pp. 90–92), explaining how too-low CPT levels drive under-investment and higher total system costs; Section 7.4 – "Key findings" (pp. 52-53), discussing consumer cost impacts of inadequate reliability settings.

- If the CPT is not achieved because it is calculated on dispatch prices that diverge from prices received, scarcity pricing is effectively truncated. The IES modelling shows that even small reductions in high-price duration can materially reduce project internal rates of return and delay or deter entry.[5]

The same revenue concentration effect underpins life-extension and major maintenance decisions for existing generators. Where revenues from scarcity events are diluted, incentives to undertake capital overhauls weaken. Aligning the CPT with received prices therefore materially strengthens investment signals, supports efficient maintenance decisions, and promotes long-term reliability outcomes consistent with the Reliability Panel's market price settings framework.

Delta considers that the combination of factors that led to multiple regions breaching the CPT in 2022 is not a remote possibility. Indeed, conditions in the NEM today make simultaneous CPT breaches across regions more likely than in the past. The June 2022 event was described as "unprecedented", driven by extreme fuel prices, generator outages and high winter demand. However, these underlying structural drivers still exist in the NEM, and the market may become increasingly susceptible to similar extremes in the future. Because regional prices are closely linked through interconnectors, high-price stress in one region can quickly propagate to others. While increasing renewable penetration may lower average prices, it also introduces weather-driven volatility, increasing the likelihood of extended high-price periods during times of low renewable output and high demand.

Regarding Question 2, Delta agrees that the draft rule addresses Snowy Hydro's concerns regarding cumulative price calculation during market suspension. However, discussions with other stakeholders indicates the drafting is unclear on which 2,016 trading intervals should apply when a price is excluded. To remove ambiguity, Delta supports Shell's proposed addition after NER clause 3.14.2(c1)(2):

> **(C2)** where AEMO has excluded a price from the calculation of the sum in clause 3.14.2(c)(1) or (1A), the calculation must be based on the previous 2,016 trading intervals in which no prices were excluded under clause 3.14.2(c1).

Regarding Question 3, Delta considers the NER should specify a timeframe for AEMO to manually adjust the cumulative price following a market suspension. This would improve transparency for participants and ensure AEMO has a clear and practical obligation. The timeframe should be narrow and achievable, informed by advice from AEMO.

Delta also supports applying the proposed NEM changes to ancillary services markets where relevant.

For further discussion, please contact Delta's Market Compliance and Regulation Manager, Joel Aulbury at joel.aulbury@deltapae.com.au.

Yours sincerely,

ANDY YOUNG
ENERGY MARKETS RISK MANAGER

[5] See Section 10.3 – "Dispatch profiles and CPT" (pp. 86–88), outlining how CPT-price misalignment affects revenue recovery during extreme price events; Section 10.7 – "Impact of sensitivities" (pp. 96–98), including the explicit "high-price reduction" sensitivity demonstrating reduced IRRs; Section 11.2 – "Impact on contract settlement prices" (pp. 108–110), noting revenue impacts from divergence between dispatch and settlement prices in scarcity conditions.