

12 March 2026

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

Reference: ERC0356

Calculating the cumulative price Draft rule determination

Snowy Hydro welcomes the opportunity to comment on the Australian Energy Market Commission (Commission) calculating the cumulative price Draft rule determination

Snowy Hydro supports the draft determination for a more preferable draft rule in response to a rule change requests submitted by Delta Electricity and Snowy Hydro. The more preferable draft rule which retains the calculation methodology proposed by Snowy Hydro combined with the suggestion from Shell Energy, to differentiate between market suspensions caused by market stress and technological failures with Australian Energy Market Operator (AEMO)'s systems is sensible. We understand this is because market suspensions are more typically used for ad-hoc, technological failures with AEMO's IT system.

The benefits would far outweigh the cost with implementing the Snowy Hydro CPT rule change. Despite the rarity of the event occurring, we believe that the mere risk of occurrence and the use of the scheduled pricing in the cumulative price threshold (CPT) calculation methodology will provide significant benefits. In regards to the cost, the Commission has provided enough changes to the rule change to address any implementation costs and concerns by providing a long implementation timeframe and changing the situations the rule change will be used to address AEMO's concerns.

If AEMO needs time to update its complex systems, Snowy Hydro would urge the Commission to find a way to implement the change in a more simpler way to prepare for a major event occurring before 2027. We believe to address the costs with system changes that AEMO could change the methodology manually until the system is in place. If AEMO or the Commission believe this event could be a rare occurrence then manually changing it when it does happen should not take a significant cost.

We are concerned with the wording of the draft rule for the Snowy Hydro proposed component as it remains vague and could allow AEMO to simply continue to do what occurred in June 2022 and end a CPT period prematurely. It is critical that the intent of the rule change remains and is implemented in that manner which allows participants to understand what would happen.

Costs and Benefits of the Snowy Hydro CPT rule change

The Commission notes that *"there is a benefit in implementing this change despite the rarity of the events impacting the overall magnitude of the benefit over time"*¹. Although it is welcome that the Commission sees benefit in the rule change the benefits should not be diminished due to the amount of times the event can occur where this rule change is required.

As we noted in our earlier submission, a crisis does not need to occur, or even be likely to occur, in order to impact market participants; the mere risk of occurrence, and the use of the scheduled pricing in the CPT calculation methodology, will weigh on the decision-making of market participants as they consider their exposure under future market states. It's the insurance that participants obtain through this rule change that is able to maintain the protection that the APC provides "short" market participants against prolonged and extremely

¹ AEMC, Calculating the cumulative price, Draft rule determination, 29 January 2026

high spot prices that provides the most significant benefit. This is regardless if the event can occur often or not.

Snowy Hydro believes the two significant benefits Snowy Hydro CPT rule changes that contribute to achieving the National Electricity Objectives (NEO) are:

1) Protecting the CPT - Benefit

The recent 2026 Reliability Standard and Settings Review² highlighted that the CPT is critical to limit the financial exposure of market participants during extended volatility events. This is exactly what Snowy Hydro's rule change is seeking to protect through the methodology change.

The CPT and subsequent Administered Pricing Period (APP) which imposes an Administered Price Cap (APC), is to provide protection to "short" market participants, while balancing the need to provide revenue adequacy for generators. A "short" market participant is one that has insufficient bought energy (via bought electricity contracts and/or owned generation) to cover their sold energy position (retail load and/ or sold electricity contracts).

The protection that the APC provides "short" market participants is against prolonged and extremely high spot prices. While in theory "short" market participants will be retailers or large market customers, it is also very likely to include scheduled generators that have sold electricity contracts (probably caps) to retailers. The key point is that the protection afforded by the APC should not be diminished because of a decision to suspend the market. However, that is what currently occurs given that scheduled pricing is used as input into the CPT calculation.

2) Supporting contracting - Benefit

Beyond the real-time benefit of cooling the market, the CPT is an important risk management tool for generators in managing their contract exposure. Fuel constraints create risk for generators selling hedges, because they must have confidence that they can defend contract exposure by dispatching into the NEM. By reducing the spot prices during extended market volatility (to the level of the APC), the CPT mitigates the need for contract defence and therefore generator fuel risk. This rule change will therefore reduce fuel risk for generators, enhancing their ability to offer hedges at competitive prices (that is, without an additional risk premium that would otherwise be needed to reflect the uncertainty relating to the operation of the CPT during market suspension).

The benefit of having a liquid contracts market is widely accepted. For example, the Energy Panel's NEM Review proposed a market making obligation to support access to contracts and improve liquidity. A key feature of this rule change is to preserve the ability of fuel-constrained generators to offer contracts, by preserving the safety-net of the CPT. More broadly, a liquid contracts market enhances investment, price discovery and retail competition.

The Commission addressed the significant benefits the Snowy Hydro rule change in its draft determination, noting that it would contribute to achieving the National Electricity Objectives (NEO) by:

- Achieving better outcomes for consumers in the long term
- Promoting safety, security and reliability
- Promoting principles of market efficiency
- Promoting principles of good regulatory practice

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

Given the overwhelming benefits offered by an efficient and liquid contracts market, the Commission should not be persuaded by concerns relating to the administrative costs associated with implementing the changes through AEMO's systems. Not implementing a rule change because the event it presumed to be unlikely is not a valid reason for not proceeding with a rule change.

Snowy Hydro believes that the Commission has provided enough changes to the rule change to address any implementation costs and concerns. These include:

- A 12-month implementation period for the rule, which would provide AEMO with sufficient time to make updates to its system to reflect the changes to the cumulative price calculation methodology.
 - If a greater implementation period is required to address the AEMO costs we would also be supportive.
- Addressing AEMO's concern by limiting the changed calculation methodology to situations where there has been no technological system failure, so that the CPT calculation methodology will be a function of the situation that caused AEMO to suspend the market suspension.

Alternative to complex system changes

If AEMO notes that the system upgrades are significant then Snowy Hydro would urge the Commission to find a way to implement the change in a more simpler way to prepare for a major event occurring before 2027. If AEMO changed the methodology manually until the system is in place the costs would not be significant. Our proposal is that AEMO can keep changing the CPT methodology manually until it finds the time and spend to undertake the system changes. With an event such as this being rare, the cost we believe would be minimal.

Ambiguity in the rule change

The draft rule does not set out that where a price is excluded under proposed 3.14.2(c1), what 2,016 previous trading intervals continue to apply. Snowy Hydro's original proposal was that the value of the CPT would be held at the value as calculated at the end of the immediate trading interval prior to the commencement of the market suspension. The draft rule will not result in this outcome.

Although the draft rule implies that where AEMO continues to dispatch and price the market normally under 3.14.5(a) and (b), the draft rule does not tie these two rules provision together by referencing 3.14.5(b) in the proposed 3.14.2(c1). We recommend we provide some clarity to the draft rules as follows

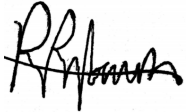
- AEMO sets a relevant price for the trading interval in accordance with the market suspension pricing schedule under clause 3.14.5(b); and
- AEMO considers that a technological failure with its systems was not the sole reason for the market suspension; and
- the relevant price for a trading interval is being set by AEMO in accordance with the provisions of clause 3.14.5(b)

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 Commission's Calculating the cumulative price Draft rule determination. Any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,



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