

RULE

Rule determination

National Electricity Amendment (Calculating the cumulative price) Rule

Proponents

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



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Summary

- 1 The Commission has decided to make a more preferable final rule (the ‘final rule’) to amend the calculation of the cumulative price during periods of peak market stress in response to two rule change requests submitted by Delta Electricity (Delta) and Snowy Hydro (Snowy), respectively. The Commission formally consolidated both rule change requests as it is desirable to treat them as one request for the purposes of Part 7 of the National Electricity Law (NEL).¹
- 2 In response to Delta’s rule change request, the final rule amends the methodology in the National Electricity Rules (NER) for calculating the cumulative price when one or more regions have reached the cumulative price threshold (CPT).² The final rule, consistent with the rule change request from Delta,³ requires the Australian Energy Market Operator (AEMO) to use received prices, instead of dispatch prices, to calculate when the CPT is reached in a region.
- 3 The Commission considers this aspect of the final rule will improve efficiency in market signals, which will improve certainty and investment signals for peaking generation.
- 4 In response to Snowy’s rule change request, the final rule amends the NER to adjust the methodology for the calculation of the cumulative price when AEMO has suspended the market. The final rule is largely consistent with the calculation methodology proposed by Snowy.⁴ The final rule does not require AEMO to differentiate based on the reason for the market suspension before applying the methodology for the calculation of the cumulative price.
- 5 The Commission considers this aspect of the final rule will lessen the risks around selling hedging products, potential insolvency, and maintain the protection of the administered price cap, which are in the long term interest of consumers.
- 6 The final rule also includes minor consequential amendments to align the NER with AEMO’s processes for applying market suspension pricing and its post-event reporting on a market suspension. This promotes transparency and consistency, for good regulatory practice.
- 7 The final rule will commence on 1 November 2028, to allow AEMO sufficient time to update relevant processes given its existing resourcing commitments.

The final rule addresses issues with the cumulative price calculation methodology to improve outcomes for participants and consumers

- 8 The issue raised by Delta in its rule change request is that when a region is not under administered prices but is exporting electricity to a region that is under administered prices, the settled price that is received by the generator is lower than the dispatch price.⁵ This creates an outcome where a region’s CPT is reached based on higher dispatch prices, while lower prices are received in settlement.
- 9 Our final rule addresses this issue, as it aligns the CPT calculation with the price received by generators. This provides increased certainty for market participants during dual-region administered pricing period (APP) events.
- 10 The issue raised by Snowy in its rule change request is that when there is underlying market stress

1 For more information about the consolidation of the rule changes, please see [Appendix A](#) of the Draft determination.

2 Delta Electricity, [Rule change request](#), p. 1.

3 Delta Electricity, [Rule change request](#), p. 4

4 Snowy Hydro, [Rule change request](#), p. 3.

5 Delta Electricity, [Rule change request](#), p. 4.

prior to the market suspension (e.g. an APP preceded the market suspension or the cumulative price is approaching the CPT) and the market suspension is in place for long enough, the input prices from the market suspension pricing schedule (MSPS) into the calculation of the cumulative price can result in the cumulative price being below the CPT. This means that when market suspension pricing is removed, the cumulative price calculation (informed by market suspension prices) can give the impression the market stress has subsided.⁶ This may occur despite the underlying market stress persisting, because spot prices that reflect this underlying stress have not been a direct input into the calculation of the cumulative price during the market suspension.

- 11 Our final rule addresses this issue by adopting Snowy’s proposal to exclude trading intervals from the cumulative price calculation, if AEMO has set the price for those trading intervals in accordance with the market suspension pricing schedule.⁷ This improves the protection provided by the CPT following a market suspension where there was underlying market stress, without adding unnecessary regulatory complexity. By adjusting the CPT calculation methodology, there will be lessened risks around generators selling hedging products, potential insolvency, and it will enhance the protection provided by the administered price cap. This will lead to better outcomes for consumers.

The Commission has considered its analysis alongside stakeholder feedback in making its decision

- 12 Our final determination has been informed by ten stakeholder submissions to our draft determination.
- 13 In response to Delta’s rule change request and consistent with our draft determination, stakeholders were supportive of using received prices (instead of dispatch prices) to calculate when the CPT is reached in a region. This is because stakeholders accept that the costs of implementing the draft rule are outweighed by the benefits of:⁸
- improved certainty for generators as the CPT reflects prices actually received and the CPT would not be reached prematurely
 - strengthened scarcity pricing signals
 - supporting investment in peaking plant.
- 14 In response to Snowy’s rule change request, most stakeholders were supportive of the policy rationale and methodology to exclude prices set by the market suspension pricing schedule from the cumulative price calculation during a market suspension.
- 15 AEMO disagreed with the policy rationale, on the basis that market suspension pricing is an official price the market settles at and that market suspension pricing is therefore relevant to the amount of financial risk that exists over a settlement week.⁹
- 16 While noting the merits of AEMO’s argument, the Commission considers the benefits from the rule, including providing participants with greater flexibility to offer hedging contracts, reduce potential insolvency risk, and maintain the protection of the administered price cap, to be in the long term interests of consumers.¹⁰
- 17 Notwithstanding AEMO’s disagreement with the policy rationale, AEMO submitted that it could be

6 AEMO, in lifting a market suspension, has clear processes to follow and conditions to meet. More information available [here](#).

7 Snowy Hydro, [Rule change request](#), p. 1.

8 Submissions to the draft determination: [AEC](#), p. 1; [Alinta](#), p. 1; [ENGIE](#), p. 1; [Shell](#), p. 2; [Origin](#), p. 1; [EUAA](#), p. 1; [Delta](#), p. 1.

9 Submission to the draft determination: [AEMO](#), p. 4.

10 Submission to the draft determination: [AEMO](#), p. 4.

implemented in a joint project with the rule in response to Delta’s rule change request, without substantially increasing its scale, conditional on minor changes to remove the differentiation for technological failure, greater transparency and alignment with existing processes.¹¹

- 18 Most stakeholders accepted that the benefit of the final rule will outweigh the small increase in scale to implementation cost. This is because the final rule will:¹²
- lessen risks for sellers of hedging products
 - reduce retailers’ insolvency risks
 - improve clarity of the application of the cumulative price calculation during periods of significant volatility.
- 19 Two stakeholders raised concerns about the targeted approach outlined in the draft determination to differentiate between market suspensions caused solely by technological failures with AEMO’s IT systems and those caused by market stress. This was because it adds additional implementation complexity as the existing logic must be retained alongside building the new logic subject to an additional conditionality test.¹³
- 20 Three stakeholders also expressed a need for greater transparency in AEMO’s market suspension reporting.¹⁴ The Commission considered this feedback and has included minor changes to the NER to align with AEMO’s reporting about its use of pricing set by the market suspension pricing schedule.
- 21 Three stakeholders, including AEMO, submitted that the NER should reflect the timeframe for AEMO’s manual adjustment of prices in accordance with the market suspension pricing schedule after a market suspension has been declared.¹⁵ Based on this feedback, the final rule includes an amendment to the NER to express a timeframe for AEMO’s manual adjustment of prices in accordance with the market suspension pricing schedule after a market suspension has been declared to promote good regulatory practice.

We assessed our rule against four assessment criteria, taking stakeholder feedback into account

- 22 The Commission has considered the NEO,¹⁶ the issues raised in the rule change requests, and assessed the final rule against four assessment criteria outlined below. We gathered and analysed stakeholder feedback in relation to these criteria.
- 23 The more preferable final rule will contribute to achieving the NEO by:
- Achieving better outcomes for consumers in the long term
 - In relation to Delta’s request, the final rule will ensure that the CPT functions efficiently in times of market stress and does not truncate scarcity pricing prematurely. This will strengthen investment and availability signals for peaking generation in specific periods of market stress.
 - In relation to Snowy’s request, the final rule will reduce the risk of consumers facing prolonged, high spot prices following a market suspension and maintain the protection of an administered pricing period.

11 Submission to the draft determination: [AEMO](#), p. 4.

12 Submissions to the draft determination: [Alinta](#), p. 1; [ENGIE](#), p. 1; [EUAA](#), p. 1; [EnergyAustralia](#), p. 2.

13 Submissions to the draft determination: [AEMO](#), p. 4; [ENGIE](#), p. 2.

14 Submission to the draft determination: [AEC](#), p. 2; [EUAA](#), p. 1; [Shell](#), p. 3.

15 Submissions to the draft determination: [AEMO](#), p 4; [Delta](#), p. 2; [Shell](#), p. 5.

16 Section 7 of the NEL.

- Promoting safety, security and reliability
 - In response to Delta’s rule change request and consistent with our draft determination, the final rule will improve signals for peaking generation to offer competitively priced generation when supply and demand are tightening with multiple regions approaching their CPT and entering into administered pricing periods.
 - In response to Snowy’s rule change request, and consistent with the methodology proposed in our draft determination, our final rule will result in an extended APP following a market suspension where there was stress in the market prior to the suspension being declared. The final rule allows the CPT to capture any underlying price volatility that precedes a suspension without imposing an additional operational decision on AEMO to decide which methodology should apply.
- Promoting principles of market efficiency
 - We consider that under the final rule, principles of market efficiency will be achieved because the methodology that informs the calculation of the cumulative price will be a function of market price signals, to promote efficient investment and operational outcomes, during periods of stress in the NEM.
- Promoting principles of good regulatory practice
 - We consider that under the final rule, principles of good regulatory practice will be achieved because the cumulative price calculation methodology will provide greater predictability and stability to participants during unique situations of market stress, while also providing greater transparency and simplicity. The final rule also includes some minor consequential amendments to align the NER with AEMO’s processes for applying market suspension pricing and its post-event reporting on a market suspension. This will achieve good regulatory practice.

The rule will be implemented by 1 November 2028

- 24 The final rule has a commencement date of 1 November 2028.
- 25 While we understand the project itself can be completed in a broad 12-month timeframe, AEMO must accommodate the work within its systems development pipeline and prioritise it against other projects.¹⁷
- 26 The commencement date reflects AEMO’s existing resourcing, as its budget and development resources are fully committed/allocated to other projects until the start of the 2027-28 year.¹⁸

Key differences between draft rule and final rule

- 27 The final rule in response to Delta’s rule change request remains consistent with the draft determination.
- 28 The final rule in response to Snowy’s rule change request has some minor points of difference from the draft determination. These changes were informed by stakeholder feedback to the draft determination, for greater transparency and alignment in the application of the final rule:
- The application of the calculation methodology is not conditional on AEMO having to differentiate whether a technological failure with its systems was the sole reason for the market suspension (or not). The methodology proposed in the final rule is consistent with

¹⁷ Submission to the draft determination: [AEMO](#), p. 7.

¹⁸ Submission to the draft determination: [AEMO](#), p. 7.

Snowy's initial proposal, and the draft determination. It will apply to the calculation of the cumulative price during all market suspensions where AEMO is setting the price in accordance with the MSPS.

- The final rule clarifies that the cumulative price will be based on the previous 2,016 trading intervals. This means all intervals where the price is set in accordance with the market suspension pricing schedule will be excluded and AEMO will reach back to earlier intervals to form the 2,016 trading intervals.
- The final rule clarifies that AEMO, in completing its report following a market suspension, must explain the reason why it applied market suspension pricing.
- The final rule aligns with AEMO's timeframe for the manual adjustment of prices after a market suspension has been declared.

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1 The Commission has made a final determination

This final determination makes a more preferable final rule in response to rule change requests submitted by Delta Electricity (Delta) and Snowy Hydro (Snowy).¹⁹

In response to Delta's request, the final rule amends the methodology in the National Electricity Rules (NER) for calculating the cumulative price when one or more regions have reached the cumulative price threshold (CPT).²⁰ The final rule will enhance the CPT so that the CPT functions efficiently in times of market stress and does not truncate scarcity pricing prematurely. This will strengthen investment and availability signals for peaking generation in specific periods of market stress.

In response to Snowy's request,²¹ the final rule amends the NER to adjust the methodology for the calculation of the cumulative price when the Australian Energy Market Operator (AEMO) has suspended the market. Our final rule ensures that the CPT calculation is based on the last 2,016 trading intervals for which AEMO has not set prices in accordance with the market suspension pricing schedule.²² This improves the protection provided by the CPT following a market suspension where there was underlying market stress, without adding unnecessary regulatory complexity. By adjusting the CPT calculation methodology, there will be lessened risks around generators selling hedging products, potential insolvency, and it will enhance the protection provided by the administered price cap. This will lead to better outcomes for consumers.

This chapter provides an overview of the final rule, how it will deliver net benefits, and stakeholder views that shaped our final determination.

1.1 Our final rule will change cumulative price calculation during an administered pricing period and following a market suspension

1.1.1 Delta's rule change request

The Commission's final rule will improve efficiency in market signals, which will improve investment signals without incurring significant implementation costs. The key aspects of the final rule, consistent with the proposal by Delta,²³ is to use received prices (instead of dispatch prices), to calculate when the CPT is reached in a region.

As the frequency rate of administered pricing events may alter in the future due to increased variable renewable energy (VRE) penetration, there is a need to ensure the market settings operate efficiently, allocate risk appropriately, and provide the correct incentives. The final rule will improve incentives for new and existing peaking generation, as it allows these participants to receive prices up to the CPT. This aligns revenue with the risk taken on by peaking generation. It improves the management of scarce fuel resources when supply and demand are tight.

Delta also raised a point in its submission to the draft determination that because regional prices are closely linked through interconnectors, high-price stress in one region can quickly propagate to others.²⁴

19 Snowy Hydro, [Rule change request](#), p. 3.

20 Delta Electricity, [Rule change request](#), p. 1.

21 Snowy Hydro, [Rule change request](#), p. 3.

22 Snowy Hydro, [Rule change request](#), p. 1.

23 Delta Electricity, [Rule change request](#), p. 4.

24 Submission to the draft determination: [Delta](#), p. 2.

Dual-region administered pricing periods (APPs), historically, have been rare. This may change in the future due to increasing electricity demand, higher VRE penetration, and an increase in the frequency and severity of extreme weather events as a result of climate change. The Commission recognises the NEM is in an unprecedented state of transition, and has made the final rule in the long term interest of consumers.

AEMO estimates the implementation of this aspect of the final rule requires conditional logic and expert testing, so it is a 'significant project of a medium scale'.²⁵ On balance, the Commission considers the costs are justified by the benefit of the final rule. It was important for the Commission to strike a balance between the costs of implementation and the likely benefits.

1.1.2 Snowy's rule change request

The final rule amends the NER to exclude spot prices and ancillary service prices set in accordance with the market suspension pricing schedule (MSPS) from the calculation of cumulative price. This means that AEMO, in calculating the cumulative price during a market suspension, will exclude MSPS prices and reach back to the last 2,016 trading intervals that were not subject to suspension pricing.²⁶

The final rule retains the cumulative price calculation methodology proposed by Snowy in its rule change request.²⁷ In response to stakeholder feedback on the draft determination, the Commission has made some consequential drafting changes from the draft rule in the final rule:

- AEMO will not be required to identify the underlying cause of the market suspension as a condition of applying Snowy's cumulative price calculation methodology. This means that irrespective of whether the market suspension was caused by market stress or IT failure with AEMO's systems, all prices set by the market suspension pricing schedule will be excluded from the 2,016 trading intervals that form the cumulative price calculation during a market suspension. This change should not have any practical impact on the market, however it alleviates the decision burden on AEMO during times of market stress.
- AEMO's processes during a market suspension will align with the NER, because the final rule specifies:
 - when AEMO manually reviews and adjusts prices after declaring a suspension, it must ensure the market suspension pricing schedule and adjustments to the cumulative price are applied as soon as practicable
 - when AEMO publishes a report following a market suspension, it must include an explanation of why any market suspension pricing was applied.

The Commission considers the final rule will generate net benefits as it will:

- lessen the risks around selling hedging products and potential insolvency
- maintain the protection of the administered price cap.

These benefits outweigh the costs of implementation, given AEMO considers it could be delivered in a joint project without substantially increasing its scale.²⁸

25 Submission to the draft determination: [AEMO](#), p.4.

26 The cumulative price threshold (CPT) is a threshold on the cumulative price for energy and FCAS over a period of seven days. It is calculated based on the rolling seven-day average of wholesale spot prices. An administered pricing period (APP) is triggered for a given interval and market in a region when the sum of the regional reference prices (spot prices) in the energy market for the previous 2,016 trading intervals (equivalent to seven days) exceeds the CPT.

27 Snowy Hydro, [Rule change request](#), p. 3.

28 Submission to the draft determination: [AEMO](#), p. 4.

Market suspensions that coincide with underlying price volatility, historically, have been rare. This may change in the future due to increasing electricity demand, higher VRE penetration and an increase in the frequency and severity of extreme weather events as a result of climate change. The Commission recognises the NEM is in an unprecedented state of transition and has made the final rule in the long term interest of consumers.

1.2 Our final determination was informed by stakeholder feedback

The final determination has been informed by stakeholder feedback. In response to our draft determination, we received ten submissions from a range of stakeholders. Most stakeholders provided views on the parts of the draft rule that related to both Delta and Snowy's requests.

Of the stakeholders who responded to the part of the draft rule relating to Delta's rule change request, general views in the submissions were as follows:

- Stakeholders agreed the draft rule resolves issues in the cumulative price calculation methodology that occur when a generator is exporting to another region that has reached its CPT and subsequently gone into APP.²⁹
- Stakeholders agreed with the policy rationale, to ensure the market settings operate efficiently, allocate risk appropriately and provide the correct incentives as the CPT reflects the prices received by generators.³⁰
- Stakeholders considered the costs of implementing the draft rule are outweighed by the benefits of:³¹
 - improved certainty for generators as the CPT reflects prices actually received as the CPT would not be reached prematurely
 - strengthened scarcity pricing signals
 - supporting investment in peaking plant.
- The proponent Delta noted that 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. This means that aligning the CPT with received prices materially strengthens investment signals, supports efficient maintenance decisions, and promotes long-term reliability outcomes consistent with the Reliability Panel's market price settings framework.³²
- Stakeholders also agreed it is reasonably likely that a situation where the issue could arise (i.e. dual region APP), will occur again in the NEM.³³
- One stakeholder suggested that 'regional original price' should be defined to prevent ongoing ambiguity in the rules.³⁴

Of the stakeholders who responded to the part of the draft rule relating to Snowy's rule change request, general views provided in submissions were as follows:

- Most stakeholders agreed with the policy rationale, and considered the costs of implementing the draft rule are outweighed by the benefits of:³⁵

29 Submissions to the draft determination: [AEC](#), p. 1; [Delta](#), p. 1.

30 Submissions to the draft determination: [AEMO](#), p. 3; [AEC](#), p. 1; [ENGIE](#), p. 1; [Origin](#), p. 1; [Delta](#), p. 1.

31 Submissions to the draft determination: [AEC](#), p. 1; [Alinta](#), p. 1; [ENGIE](#), p. 1; [Shell](#), p. 2; [Origin](#), p. 1; [EUAA](#), p. 1; [Delta](#), p. 1.

32 Submission to the draft determination: [Delta](#), p. 2.

33 Submissions to the draft determination: [AEMO](#), p. 3; [AEC](#), p. 1; [Alinta](#), p. 1; [Delta](#), p. 2.

34 Submission to the draft determination: [Shell](#), p. 3.

35 Submissions to the draft determination: [Alinta](#), p. 1; [ENGIE](#), p. 1; [EUAA](#), p. 1; [EnergyAustralia](#), p. 2.

- lessening risks for sellers of hedging products
- reduced retailers' insolvency risks
- improved clarity of the application of the cumulative price calculation during periods of significant volatility.
- One stakeholder disagreed with the policy rationale for the draft rule, because it considers market suspension prices are official prices upon which the market is settled and all settled prices should be included in the CPT calculation, as market design assumes participants can tolerate seven days of rolling prices below CPT.³⁶
- The proponent, Snowy, considered 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 sees the benefits as:³⁷
 - ensuring the protection afforded by the APC should not be diminished because of a decision to suspend the market
 - reducing the contracting risk for fuel-constrained 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).
- Two stakeholders were supportive of the targeted approach to differentiate between market suspensions caused solely by technological failures with AEMO's IT systems and not.³⁸
- Two stakeholders raised concerns about the targeted approach to differentiate between market suspensions caused by technological failures with AEMO's IT systems and not, because it:
 - adds additional implementation complexity as the existing logic must be retained alongside building the new logic subject to an additional conditionality test
 - requires a real-time judgement decision to be made by AEMO's control room staff as to the root cause of the market suspension (with the potential for multiple causes), when their focus must be on recovering the failed systems and maintaining power system security
 - introduces a practically challenging judgement call in identifying whether referring to 'a technological failure in its (AEMO's) systems'.³⁹
- AEMO considered the rule can be implemented in a joint project with the Delta rule without substantially increasing its scale, subject to certain drafting changes.⁴⁰
- Some stakeholders noted concerns that the drafting is unclear on which 2,016 trading intervals should apply when a price is excluded.⁴¹
- Stakeholders supported a timeframe for manually adjusting the cumulative price calculation as a result of a market suspension being included in the NER. After a market suspension has been declared, there are at least a few trading intervals with erroneous prices that must be manually backfilled with suspension prices due to the gap in time between AEMO declaring a suspension, and its system automatically flagging and replacing prices with suspension prices. Consistent with current practice, the time allowance should be applied to the explicit

36 Submission to the draft determination: [AEMO](#), p. 6.

37 Submission to the draft determination: [Snowy](#), pp. 1 - 2.

38 Submissions to the draft determination: [Origin](#), p. 1; [EnergyAustralia](#), p. 2;

39 Submissions to the draft determination: [AEMO](#), p. 4; [ENGIE](#), p. 2.

40 Submission to the draft determination: [AEMO](#), p. 4.

41 Submissions to the draft determination: [Delta](#), p. 2; [ENGIE](#), p. 2; [AEC](#), p. 2; [Origin](#), p. 2; [EnergyAustralia](#), p. 2; [Snowy](#), p. 2; [Shell](#), p. 4.

substitution of market suspension prices ‘as soon as practicable’, typically by the end of the next business day following the day on which the market ceased to be suspended.⁴²

- Three stakeholders expressed concern about a low decision hurdle to implement market pricing in accordance with 3.14.5(b), considering it not subject to defined and transparent criteria or clear reporting requirements. This also was considered to extend to the decision hurdle to implement a market suspension.⁴³
- Two stakeholders considered that their additional changes would provide greater clarity to the draft rule and would reduce compensation costs associated with AEMO’s use of the market suspension pricing schedule provisions and limit the application of potentially unnecessary and inconsistent declarations of administered pricing periods.⁴⁴
- One stakeholder noted that its interpretation of the Snowy Hydro and Delta Electricity rule change requests is to clarify the rules around how AEMO calculates the cumulative price threshold and intervenes in the market. We interpret the intent is to minimise AEMO interventions and allow the market to operate efficiently.⁴⁵

Please see section 2 for more information.

On the implementation timeframe for both rule changes:

- Many stakeholders supported the 12-month timeframe put forth in the draft determination.
- One stakeholder encouraged the Commission to be guided by AEMO’s advice, given AEMO’s broader reform program, system change priorities and resource constraints, so that the implementation timeframe of this rule change reflects a realistic assessment of the market operator’s capacity to deliver the required system changes while maintaining other critical market initiative.⁴⁶
- AEMO submitted that while the project itself can be completed in a broad 12-month timeframe, AEMO must accommodate the work within its systems development pipeline and prioritise it against other projects. AEMO’s system development resources and budget is fully committed for the whole of the 2026-27, and it 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.⁴⁷

Please see section 3 for more information.

42 Submissions to the draft determination: [AEMO](#), p. 5; [Delta](#), p. 2.

43 Submissions to the draft determination: [AEC](#), p. 2; [EUAA](#), p. 1; [Shell](#), p. 3.

44 Submissions to the draft determination: [Shell](#), p. 4; [EUAA](#), p. 2.

45 Submission to the draft determination: [EUAA](#), p. 1.

46 Submission to the draft determination: [Origin](#), p. 2.

47 Submission to the draft determination: [AEMO](#), p. 7.

2 The rule will contribute to the energy objectives

The final rule will contribute to the National Electricity Objective (NEO) by promoting efficiency in the cumulative price calculation methodology during specific periods of market stress.

The final rule adjusts the cumulative price calculation methodology to align the CPT calculation with the price received by generators. This provides increased predictability and certainty that participants will receive adequate price signals during dual-region APP events.

We consider this would contribute to the NEO by promoting the efficient operation and investment in electricity during specific periods of market stress, as the calculation of the cumulative price will more accurately reflect the underlying price volatility in a region.

Also, the final rule adjusts the methodology for the calculation of the cumulative price to better protect consumers. This is because during specific periods of market stress, the final rule will likely extend the APP after a market suspension. Consumers will be better protected, as the rule improves the functioning of the CPT and APP as a safety valve during periods of extended volatility. We consider this will contribute to the NEO, as it will promote the efficient operation of electricity because consumers will have better protection from price volatility if there is underlying market stress before the market is suspended.

On balance, the Commission considers the benefits from the final rule will outweigh the costs and making the final rule is in the long term interests of consumers.

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.⁴⁸

For this rule change, the relevant energy objective is the NEO:

The NEO is:⁴⁹

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO.⁵⁰

48 Section 88(1) of the NEL.

49 Section 7 of the NEL.

50 Section 32A(5) of the NEL.

2.2 We must also take these factors into account

2.2.1 We have considered whether to make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NEO.⁵¹

The rule change request from Snowy proposed that administered prices set in accordance with AEMO's MSPS be excluded from the calculation of cumulative price in the spot market and frequency control ancillary service (FCAS) market for electricity.⁵²

The final rule retains the cumulative price calculation methodology initially proposed by Snowy. The Commission has made minor drafting changes to the final rule, based on stakeholder feedback to the draft determination. These changes are:

- AEMO will not be required to identify the underlying cause of the market suspension as a condition of applying Snowy's cumulative price calculation methodology. This means that irrespective of whether the market suspension was caused by market stress or IT failure with AEMO's systems, all prices set by the market suspension pricing schedule will be excluded from the 2,016 trading intervals that form the cumulative price calculation during a market suspension.
- The NER will be more aligned with AEMO's practice during a market suspension, by providing that:
 - When AEMO manually reviews and adjusts prices after declaring a suspension, it must ensure the market suspension pricing schedule and adjustments to the cumulative price are applied as soon as practicable.
 - When AEMO publishes a report following a market suspension, it must include an explanation of why market suspension pricing was applied.

The Commission considers the requirements in our more preferable final rule for AEMO to review and adjust prices as soon as practicable, and explain why market suspension pricing was applied, are likely to better contribute to the achievement of the NEO by further increasing predictability because it aligns with AEMO's current practices.

The reasons are set out in section 2.3 below.

2.2.2 We have considered whether to make a final rule for the Northern Territory

The NER, as amended from time to time, apply in the Northern Territory, subject to modifications set out in regulations made under the Northern Territory legislation adopting the NEL.⁵³ Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.

The final rule does not relate to parts of the NER that apply in the Northern Territory. As such, the Commission has not considered Northern Territory application issues.

See Appendix C for more details on the legal requirements for our decision.

51 Section 91A of the NEL.

52 Snowy Hydro, [Rule change request](#), p.3.

53 These regulations under the NT Act are the National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations 2016.

2.3 How we have applied the legal framework to our decision

The Commission must consider how to address issues with the methodology used to calculate the cumulative price in specific situations of market stress, against the legal framework.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NEO:

- Outcomes for consumers - incentives in section 2.3.1
- Safety, security and reliability - outcomes and services in section 2.3.2
- Principles of market efficiency - concepts of efficiency, incentives and risk allocation in section 2.3.3
- Principles of good regulatory practice - predictability, stability, simplicity and transparency in section 2.3.4

These assessment criteria reflect the key potential impacts – costs and benefits – of both Delta and Snowy’s rule change requests, for impacts within the scope of the NEO. Our reasons for choosing these criteria are set out in section 6.2 of the [consultation paper](#).

The rest of this section explains why the final rule best promotes the long-term interest of consumers when compared to other options and assessed against the criteria.

2.3.1 The final rule will result in price outcomes that better encapsulate market conditions

We consider the final rule will result in price outcomes that better encapsulate market conditions than the current arrangement. This is because the final rule ensures the administered pricing arrangements function as intended during times of market volatility, achieving better price outcomes for consumers in the long term.

- In response to Delta’s rule change request, and consistent with our draft determination, the final rule uses received prices, (instead of dispatch prices) to calculate when the CPT is reached in a region. Our final rule will ensure the CPT functions as intended in times of market stress and does not truncate scarcity pricing prematurely. This will strengthen investment and availability signals for peaking generation in specific periods of market stress. It will also ensure revenues from scarcity events are not inadvertently diluted, so existing generators can make informed life-extension and major maintenance decisions.⁵⁴
- In response to Snowy’s rule change request, the final rule excludes the market suspension pricing schedule from the calculation of the cumulative price, to ensure consumers are better protected from prolonged high spot prices. The final rule will result in an extended APP compared to the current arrangements, leading to the opportunity for more competitive electricity prices for consumers following a market suspension if there is underlying volatility that preceded the suspension.

2.3.2 The final rule will promote safety, security and reliability

We consider that under the final rule, the cumulative price calculation methodology will operate as intended to maintain a reliable and secure power system during specific periods of market stress. The final rule ensures the cumulative price methodology arrangements align with the intent of the market price settings to promote efficient investment in the market that would achieve the reliability standard.

54 Submission to the draft determination: [Delta](#), p. 2.

- In response to Delta’s rule change request, and consistent with our draft determination, the final rule will improve signals for peaking generation to offer competitively priced generation when supply and demand are tightening with multiple regions approaching their CPT and entering into APPs. It will provide clearer investment (and maintenance) signals than under the status quo arrangement. This is important because peaking generation’s ability to provide system security and reliability is becoming increasingly important as the NEM transitions to a higher VRE system. Our final rule will allow the CPT to function as intended and complement other market settings to achieve a safe, secure and reliable electricity system. This benefit was echoed in stakeholder submissions to the draft determination.⁵⁵
- In response to Snowy’s rule change request, and consistent with the methodology proposed in our draft determination, our final rule will result in an extended APP following a market suspension where there was stress in the market prior to the suspension being declared. The final rule will mean the cumulative price will be calculated from the previous 2,016 trading intervals, excluding intervals that were subject to suspension pricing, so that the CPT will capture any underlying price volatility that precedes a suspension without imposing an additional operational decision on AEMO to decide which methodology should apply.
 - Feedback from stakeholders indicated that the rule will ensure that the protection afforded by the APC is not diminished because of a decision to suspend the market and that contracting risk will be reduced for fuel-constrained generators. This will enhance their ability to offer hedges at competitive prices, as there will be improved certainty about the way that the CPT operates a market suspension. Overall, this facilitates the safety, security and reliability of the NEM during periods of market stress.⁵⁶
 - Feedback from stakeholders indicated there would be difficulty in determining whether a technological failure with AEMO’s IT system would be the sole cause of a market suspension, so the final rule does not adopt this point of differentiation.⁵⁷ Having the final rule apply to all market suspension scenarios will ensure it is applied consistently, irrespective of whether there is a situation of simultaneous market stress and technological failures that underpin a market suspension (i.e. System black scenario).
- Most stakeholders agreed with the policy rationale, and consider the costs of implementing the draft rule are outweighed by the benefits of:⁵⁸
 - lessening risks for sellers of hedging products
 - reduced retailers’ insolvency risks
 - improved clarity of the application of the cumulative price calculation during periods of significant volatility.
- One stakeholder disagreed with the policy rationale for the draft rule, because it considers that market suspension prices are the official prices upon which the market is settled and all settled prices should be included in the CPT calculation as market design assumes participants can tolerate seven days of rolling prices below CPT.⁵⁹
- The proponent, Snowy, considers that the mere risk of occurrence, and the use of the scheduled pricing in the CPT calculation methodology, will weigh on the decision-making of

55 Submissions to the draft determination: [AEC](#), p. 1; [Alinta](#), p. 1; [ENGIE](#), p. 1; [Shell](#), p. 2; [Origin](#), p. 1; [EUAA](#), p. 1; [Delta](#), p. 1.

56 Submissions to the draft determination: [Alinta](#), p. 1; [ENGIE](#), p.1; [EUAA](#), p. 1; [EnergyAustralia](#), p. 2; [Snowy](#), pp. 1 - 2.

57 Submissions to the draft determination: [AEMO](#), p. 4; [ENGIE](#), p. 2.

58 Submissions to the draft determination: [Alinta](#), p. 1; [ENGIE](#), p.1; [EUAA](#), p. 1; [EnergyAustralia](#), p. 2.

59 Submission to the draft determination: [AEMO](#), p. 6

market participants as they consider their exposure under future market states. It sees the benefits as:⁶⁰

- Ensuring that the protection afforded by the APC should not be diminished because of a decision to suspend the market.
- Reducing the contracting risk for fuel-constrained 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).

2.3.3 The final rule will promote principles of market efficiency

We consider that under the final rule, principles of market efficiency will be achieved because the methodology that informs the calculation of the cumulative price will be a function of market price signals, to promote efficient investment and operational outcomes during periods of stress in the NEM.

In response to Delta's rule change request:

- Concepts of efficiency: Consistent with our draft determination, by using settled prices as an input into the cumulative price calculation methodology, the final rule will result in the cumulative price functioning as intended. This is because the revenue potential available to peaking generation when multiple regions are reaching their CPT and entering into APPs will align with the risk that peaking generation would take on. As submitted by stakeholders, this will encourage participants to offer generation during periods of market stress and invest in generation capable of providing supply during periods of peaking demand.⁶¹
- Incentives: The cumulative price calculation methodology in the final rule will send better incentives to the market, because new and existing peaking generation participants would be able to receive more prices up to the CPT when they are exporting to a region that has entered into an APP. This will incentivise peaking generation to invest and undertake maintenance that aligns with the role they play in providing reliability to the NEM in its state of transition to higher VRE penetration.
- Risk allocation: The revenue available to new and existing peaking generation under the final rule will better align the risk that these participants take on with how best to manage scarce fuel resources when supply and demand are tight. The final rule will encourage these participants to offer generation, because their revenue potential will not be unnecessarily capped as a result of the region they are exporting to being in administered pricing. This means that dispatch decision-making will be better aligned with financial outcomes, so that the market settings operate efficiently, allocate risk appropriately and provide the correct incentives as the CPT reflects the prices received by generators.⁶²

In response to Snowy's rule change request:

- Incentives: The final rule will apply during a very specific situation of market stress, to ensure the market settings function to send the correct signals to participants. Stakeholders consider the rule will incentivise fuel-constrained generators to offer hedges at competitive prices, without an additional risk premium to reflect the uncertainty relating to the operation of the

60 Submission to the draft determination: [Snowy](#), pp. 1 - 2.

61 Submissions to the draft determination: [AEMO](#), p. 3; [AEC](#), p. 1; [ENGIE](#), p. 1; [Origin](#), p. 1; [Delta](#), p. 1.

62 Submissions to the draft determination: [AEMO](#), p. 3; [AEC](#), p. 1; [ENGIE](#), p. 1; [Origin](#), p. 1; [Delta](#), p. 1.

CPT during market suspension.⁶³ This will support existing liquidity in the contract market, to the benefit of consumers.

- Risk allocation: The final rule will allow the market settings to function as intended in times of stress, as suspension pricing will not be included in the cumulative price calculation. One stakeholder disagreed with the policy rationale for the rule, as market suspension prices are official prices upon which the market is settled and market design assumes participants can tolerate seven days of rolling prices below CPT.⁶⁴ Although theoretically this is a sound argument, the Commission considers that the nuances of the NEM lead to a different outcome in practice. On this basis, the Commission has made the final rule as it considers the outcome will redistribute hedging and insolvency risks amongst the market, in the long term interest of consumers better than the status quo arrangements.

2.3.4 The final rule will promote principles of good regulatory practice

We consider that under the final rule, principles of good regulatory practice would be achieved because the cumulative price calculation methodology would provide greater predictability and stability to participants during unique situations of market stress, while also providing greater transparency and simplicity. The final rule has also incorporated stakeholder feedback to remove unnecessary complexity and increase transparency in the application of our final rule.

- In response to Delta’s rule change request, the final rule, consistent with our draft determination, will ensure peaking generation has greater predictability that the cumulative price threshold will be calculated from the prices generators receive. This means there will be clearer scarcity signals for new and existing peaking generators during specific periods of market stress, supporting more efficient investment decisions. This improves the current arrangement, where the calculation of cumulative price during administered pricing is inconsistent with the intention of the market setting. Stakeholders agreed that the draft rule will achieve greater predictability, and also provide more transparency to the market about the way the cumulative price calculation will operate in periods of dual region market stress.⁶⁵
- In response to Snowy’s rule change request, the final rule will achieve greater predictability to the market about the way the cumulative price calculation will operate during a market suspension. This is because the final rule will preserve the objective of the CPT, being a safety valve during periods of extended volatility (ie. where an APP precedes a market suspension) and providing more protection for consumers from price volatility.
- The final rule will give effect to the policy intent without unnecessary complexity. Stakeholder feedback suggested that including a point of differentiation in the rule (ie. for AEMO to consider the underlying reason for the market suspension in applying the CPT calculation methodology), would:
 - Add additional implementation complexity as the existing logic must be retained alongside building the new logic subject to an additional conditionality test.
 - Requires a real-time judgement decision to be made by AEMO’s control room staff as to the root cause of the market suspension (with the potential for multiple causes), when their focus must be on recovering the failed systems and maintaining power system security.

63 Submission to the draft determination: [Snowy](#), pp. 1 - 2.

64 Submission to the draft determination: [AEMO](#), p. 6.

65 Submissions to the draft determination: [AEMO](#), p. 3; [AEC](#), p. 1; [ENGIE](#), p. 1; [Origin](#), p. 1; [Delta](#), p. 1.

- Introduces a practically challenging judgement call in identifying whether referring to ‘a technological failure in its (AEMO’s) systems’.⁶⁶
- The Commission recognises that it’s likely to be difficult to determine the underlying cause of a market suspension, and considers that AEMO having to make this decision would result in unnecessary complexity in the way the rule applies. It could also undermine certainty to the market, in the way the cumulative price is calculated during complex periods of market stress. For this reason, the final rule does not include the condition that the methodology needs to consider the underlying cause of the suspension. Participants will have certainty the rule will apply to all market suspensions, so the calculation methodology can capture any underlying volatility in prices if it precedes the suspension.
- AEMO’s systems require it to manually adjust prices during a market suspension, so the cumulative price calculation reflects the manually adjusted market suspension prices. Depending on the extent or timing of the market suspension, the time taken to undertake manual adjustments could vary. Because of this, the final rule clarifies that it may take time for AEMO to adjust the prices. It provides that AEMO must make adjustments for market suspension pricing as soon as practicable (but in any event by the end of the next business day) and must exclude market suspension trading intervals from the cumulative price calculation as soon as practicable. This was supported by stakeholders, because it will achieve greater predictability and transparency.⁶⁷
- Based on stakeholder feedback, the final rule will also enhance the transparency in the way AEMO reports about the decision to implement market suspension pricing. This is because some stakeholder submissions expressed a need for greater transparency in AEMO’s market suspension reporting.⁶⁸ The Commission notes that AEMO, following a market suspension, is required to report on the event and the rationale for its intervention. In saying this, as part of the final rule, the Commission has expressly clarified that AEMO must report on the reason it implemented market suspension pricing (i.e. the reason why AEMO considered it was not practicable to operate central dispatch and determine prices in accordance with rules 3.8 and 3.9 of the NER). The Commission considers this will provide additional transparency within the scope of the rule change, as it ensures AEMO will continue to provide this information in its market suspension reporting.
- Stakeholders also expressed concern about a low decision hurdle to implement market pricing in accordance with 3.14.5(b). The Commission considers that reopening the reasons for when AEMO can declare a suspension and implement market pricing beyond the scope of this rule change process. This is because the rule change hinges on the way the methodology that underpins the cumulative price calculation works to capture prices that are indicative of underlying market stress. For more information, see Appendix C.

66 Submissions to the draft determination: [AEMO](#), p. 4; [ENGIE](#), p. 2.

67 Submissions to the draft determination: [AEMO](#), p. 5; [Delta](#), p. 2.

68 Submission to the draft determination: [AEC](#), p. 2; [EUAA](#), p. 1; [Shell](#), p. 3.

3 How our rule will operate

The Commission has made a final determination for the final rule.

This chapter outlines how the final rule would operate:

- providing a new calculation of cumulative price during administered pricing periods - discussed in section 3.1
- providing a new calculation of the cumulative price during periods following market suspension - discussed in section 3.2.

Our final determination has also been informed by the timing of implementation - discussed in section 3.3.

3.1 Our final rule provides a new calculation of cumulative price during periods during administered pricing periods

Box 1: Our final rule amends the methodology in the NER for calculating the cumulative price when one or more regions have reached the CPT

It will see received prices, instead of dispatch prices, used to calculate when the CPT is reached in a region. The final rule is consistent with the proposal in Delta's rule change request and our draft determination that was supported by stakeholders. We consider that the final rule will promote the efficient operation and investment in electricity during specific periods of market stress.

3.1.1 The final rule will result in net benefits

The Commission has considered stakeholder feedback on implementation costs and complexity in the draft determination, to inform its final rule. Most stakeholders in response to the draft determination, saw the benefits of the rule outweigh the costs of implementation.⁶⁹

- AEMO, in supporting the proposed change in response to Delta's rule change request, noted that implementation requires inserting conditional logic into an intricate existing system, followed by expert testing. For this reason, AEMO considers it to be a significant project of a medium scale.⁷⁰ Having assessed this information, the Commission considers the benefit of the final rule will outweigh the medium scale implementation cost. This is because the final rule will:
 - improve certainty for generators as the CPT reflects prices actually received as the CPT would not be reached prematurely
 - strengthen scarcity pricing signal
 - support investment in peaking plant
 - promote long-term reliability outcomes consistent with the Reliability Panel's market price settings framework.⁷¹

69 Submissions to the draft determination: [AEC](#), p. 1; [Alinta](#), p.1; [ENGIE](#), p. 1; [Shell](#), p.2; [Origin](#), p.1; [EUAA](#), p. 1; [Delta](#), p.1.

70 Submission to the draft determination: [AEMO](#), p. 4.

71 Submission to the draft determination: [Delta](#), p. 2.

3.1.2 Under the final rule, received prices will be used to calculate when the CPT is reached in a region exporting to another region in administered pricing

Our final rule requires AEMO to use received prices, instead of dispatch prices, to calculate when the CPT is reached in a region that is exporting to a region in administered pricing. This would mean that when a generator in a region is not under administered prices, but is exporting electricity to a region that is under administered prices, the cumulative price in its region will be calculated based on the prices it receives. The effect of this would be to remove the inconsistency in the current arrangements.

Currently, when a region is not under administered prices but is exporting electricity to a region that is under administered prices, the settled price that is received by the generator is lower than the dispatch price as a result of capping the dispatch price at the administered price cap and scaling it down as per clause 3.14.2(e)(2) of the NER.⁷² This results in a possible situation where a region's CPT is reached based on higher dispatch prices, while lower prices are received in settlement.⁷³

Our final rule, consistent with Delta's proposal, is to insert a new clause to clarify that the price used for the calculation of the cumulative price, where an APP has not been declared in a region exporting electricity to another in administered pricing, should be the received price.⁷⁴

In response to the draft determination, all stakeholders supported this change and considered that the costs of implementing the draft rule are outweighed by the benefits of:⁷⁵

- improved certainty for generators as the CPT reflects prices actually received, as the CPT would not be reached prematurely
- strengthened scarcity pricing signals
- supporting investment in peaking plant.

The proponent, Delta, noted that 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. This means that aligning the CPT with received prices materially strengthens investment signals, supports efficient maintenance decisions, and promotes long-term reliability outcomes consistent with the Reliability Panel's market price settings framework.⁷⁶

Given our analysis against the assessment criteria and feedback from stakeholders on our draft determination, the final rule replaces the deleted clause 3.14.2(e)(3) with a new clause:

3.14.2 Application of Administered Price Cap

“(e) If during an administered price period the spot price:

.....

(3) ~~Deleted~~ is subject to the application of subparagraph (2) in a region where AEMO has not declared an administered price period, AEMO must calculate the sum of the spot prices for that region under clause 3.14.2(c)(1) as if the reference to “calculated as if this clause did not apply” were substituted with “including any prices set as a result of the application of this clause”.

72 Delta Electricity, Rule change request, p. 4.

73 Delta Electricity, Rule change request, p. 4.

74 Delta Electricity, Rule change request, p. 5.

75 Submissions to the draft determination: [AEC](#), p. 1; [Alinta](#), p. 1; [ENGIE](#), p. 1; [Shell](#), p.2; [Origin](#), p.1; [EUAA](#), p. 1; [Delta](#), p. 1.

76 Submission to the draft determination: [Delta](#), p. 2.

3.2 Our final rule will result in a new calculation of cumulative price during periods following market suspension

Box 2: The final rule will amend the methodology for the calculation of the cumulative price when AEMO has suspended the market

The final rule retains the calculation methodology proposed by Snowy, to exclude prices set by the market suspension pricing schedule from the 2,016 trading intervals that form the cumulative price calculation during a market suspension.

The final rule will provide greater certainty about the calculation of the cumulative price during a market suspension, which generates more efficient market outcomes in the long term interest of consumers. Based on feedback from stakeholders, the Commission considers the benefits outweigh the implementation costs of the final rule.

3.2.1 Implementing the final rule will result in net benefits

The Commission has now considered stakeholder feedback to the question of implementation in the draft determination, to inform its final rule. AEMO's submission reflected a refined view in response to Snowy's rule change request. AEMO submitted that it could be delivered in a joint project with the Delta rule without substantially increasing its scale.⁷⁷ This was subject to the final rule having no conditionality and recognising an explicit time window for backfilling pricing and recognising that in exceptional circumstances backfill delays could impact APPs.⁷⁸

Based on this information, the Commission considers the benefit of the final rule will outweigh the small increase in scale to implementation cost.

This is because the final rule will:⁷⁹

- lessen risks for sellers of hedging products
- reduce retailers' insolvency risks
- improve clarity of the application of the cumulative price calculation during periods of significant volatility.

3.2.2 The final rule amends the cumulative price calculation methodology that applies to market suspensions

The logic of the CPT suggests that when breached, the protection offered by the APC should remain in place until the market conditions that caused the extreme spot prices subside.⁸⁰ Under the current arrangements, when a market suspension event occurs, prices set by the MSPS serve as an input into the calculation of the cumulative price. In accordance with clause 3.14.5(b) of the NER, prices are set in accordance with the market suspension pricing schedule (based on the 28-day historical average for the relevant region and capped at the APC).⁸¹ This means the cumulative price during an administered price period is calculated based on the spot price and ancillary service price, irrespective of whether the price is set by AEMO in accordance with the market suspension pricing schedule.

77 Submission to the draft determination: [AEMO](#), p. 4.

78 Submission to the draft determination: [AEMO](#), p. 4.

79 Submissions to the draft determination: [Alinta](#), p. 1; [ENGIE](#), p.1; [EUAA](#), p. 1; [EnergyAustralia](#), p. 2.

80 Snowy Hydro, [Rule change request](#), p. 1.

81 Snowy Hydro, [Rule change request](#), p. 3.

The final rule requires AEMO to exclude spot prices and ancillary service prices set by the market suspension pricing schedule from the calculation of the cumulative price. This aligns with the methodology proposed by Snowy, to exclude market suspension prices from the cumulative price calculation.⁸²

The final rule after clause 3.14.2(c)(3), adds the following:

(c1) If AEMO sets a price for a trading interval in accordance with the market suspension pricing schedule under clause 3.14.5(b), AEMO must as soon as practicable:

- (1) exclude that price from the calculation of the sum in clause 3.14.2(c)(1) or (1A); and
- (2) calculate the sum of the relevant prices using the previous 2,016 trading intervals for which the corresponding price is not excluded under subparagraph (1).

(c2) For the purpose of clause 3.14.2(c1), the prices included in the calculation of the sums in clause 3.14.2(c)(1) and (1A) are the prices as determined at the time AEMO runs the calculation, whether or not AEMO subsequently adjusts the prices in accordance with any provision of the Rules.

The final rule differs slightly from the draft rule, in that it does not differentiate a market suspension caused solely by a technological failure with AEMO's systems from situations with underlying market stress. This change to the final rule was based on feedback from stakeholders, who indicated the differentiation would:

- Add additional implementation complexity as the existing logic must be retained alongside building the new logic subject to an additional conditionality test.
- Require a real-time judgement decision to be made by AEMO's control room staff as to the root cause of the market suspension (with the potential for multiple causes), when their focus must be on recovering the failed systems and maintaining power system security.
- Introduce a practically challenging judgement call in identifying whether referring to "a technological failure in its (AEMO's) systems."⁸³ In the draft determination, the Commission indicated that a system black scenario could pose complications for AEMO in making this judgement call.⁸⁴

The final rule will provide certainty the cumulative price calculation will capture any underlying stress in the market that precedes a suspension, as the updated methodology will apply to all situations where the market is suspended. This will also ensure AEMO can implement the final rule in its systems without incurring unnecessary cost or complexity.

3.2.3 The final rule increases transparency

In addition to amending the methodology for the calculation of the cumulative price during a market suspension, the final rule also makes some targeted, consequential amendments to align the NER with AEMO's operational processes in relation to the market suspension pricing schedule.

Aligning the NER with the timeframe for AEMO's manual adjustment of prices in accordance with the market suspension pricing schedule after a market suspension has been declared

In the draft determination, the Commission sought feedback from stakeholders about whether the NER should expressly contain a timing horizon for when AEMO must make any adjustments to the

⁸² Snowy Hydro, [Rule change request](#), p. 1.

⁸³ Submission to the draft determination: [AEMO](#), p. 4; [ENGIE](#), p. 2.

⁸⁴ See AEMC, Calculating the cumulative price, [Draft determination](#), p. 20.

calculation of the sum in clause 3.14.2(c)(1) or (1A), as a result of the market suspension. This is because we understand that in practice, AEMO's systems require it to manually adjust prices during a market suspension, so the cumulative price calculation reflects the manually adjusted market suspension prices.

AEMO submitted that:⁸⁵

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 the market ceased to be suspended.⁸⁶

AEMO also noted that it is unlikely, although possible, that the pre-adjusted prices could render the rolling sum price (as the cumulative price accumulator) above or below the CPT, and subsequently trigger or end an administered pricing period.⁸⁷ This unlikely scenario exists in the status quo and is possible under the final rule, as an inherent limitation of the time delay between a market suspension being declared and the manual adjustment process for implementing prices in accordance with the market suspension pricing schedule.⁸⁸ Based on this, AEMO submitted that the NER should qualify that the final rule will include spot prices as determined in each trading interval when the accumulation calculation is performed, even though they may be subsequently replaced by prices set by the market suspension pricing schedule.⁸⁹

Two other stakeholders were supportive of adding the timeframe in the NER, as it would improve transparency for participants and ensure AEMO has a clear and practical obligation.⁹⁰ Some suggested the timeframe should be narrow and achievable, informed by advice from AEMO.⁹¹

Based on this information, the final rule replaces clause 3.14.5(h) with the following:

~~(h) AEMO must use reasonable endeavours to ensure that any adjustments required to spot prices so that they do not exceed the limits set by paragraph (f) are finalised 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.~~ Where paragraph (b) applies in respect of a trading interval, AEMO must use reasonable endeavours to finalise any adjustments to relevant spot prices or ancillary service prices under this clause 3.14.5 as soon as practicable but in any event by the end of the next business

85 Submission to the draft determination: [AEMO](#), p. 5.

86 Submission to the draft determination: [AEMO](#), p. 5.

87 Submission to the draft determination: [AEMO](#), p. 6.

88 Submission to the draft determination: [AEMO](#), p. 6.

89 Submission to the draft determination: [AEMO](#), p. 6.

90 Submissions to the draft determination: [Delta](#), p. 2; [Shell](#), p. 5.

91 Submissions to the draft determination: [Delta](#), p. 2.

day following the day on which the spot market in the region ceases to be suspended.

The final rule also adds the following clause 3.14.2(c2):

(c2) For the purpose of clause 3.14.2(c1), the prices included in the calculation of the sums in clause 3.14.2(c)(1) and (1A) are the prices as determined at the time AEMO runs the calculation, whether or not AEMO subsequently adjusts the prices in accordance with any provision of the Rules.

The Commission considers amending the NER to express a timeframe for AEMO's manual adjustment of prices in accordance with the market suspension pricing schedule, after a market suspension has been declared, achieves good regulatory practice. This is because the NER will be aligned with AEMO's operational processes in adjusting prices once the market has been suspended and the decision has been made to implement prices set by the market suspension pricing schedule. This will also ensure the NER is more transparent for participants, leading to improved market outcomes.

Aligning the NER with AEMO's reporting of the decision to implement market suspension pricing during a market suspension

Based on stakeholder feedback, the final rule amends the NER to align it with AEMO's current practice of explaining its decision to implement market suspension pricing, in its post-event report.

In accordance with clause 3.14.4(g), AEMO, following an investigation into a market suspension event, must examine and publicly release a report as soon as practicable, that explains the reason for the suspension and the effect that the suspension had on the operation of the spot market.

The Commission has reviewed AEMO's market suspension reports, including from the June 2022 event. In these reports, AEMO explains the reason for the suspension and extends this reasoning to explain the decision to implement market suspension pricing. This suggests that AEMO takes a broad interpretation of 3.14.4(g), to transparently explain its reasoning to stakeholders.

The Commission also recognises the feedback from three stakeholders in response to the draft determination, who expressed a need for greater transparency in AEMO's market suspension reporting.⁹²

Taking into account these factors, the final rule amends clause 3.14.4(g) to expressly require AEMO to report on its decision to implement market suspension pricing.

The final rule amends clause 3.14.4(g) as follows:

(g) The investigation must examine and report on:

(1) the reason for the suspension;

(2) if AEMO set any prices in accordance with the market suspension pricing schedule under clause 3.14.5(b), the reason why AEMO considered it was not practicable to operate central dispatch and determine prices in accordance with rules 3.8 and 3.9; and

(3) the effect that the suspension had on the operation of the spot market.

(h) AEMO must make a copy of the report available to Registered Participants and the

92 Submissions to the draft determination: [AEC](#), p. 2; [EUAA](#), p. 1; [Shell](#), p. 3.

public as soon as it is practicable to do so.

The Commission considers this to align the NER with AEMO's current reporting processes, given that AEMO typically includes its decision to implement market suspension pricing in its post market suspension reports.⁹³

3.3 Our final determination has been informed by the timing of implementation

In the draft determination, the Commission outlined that it was interested in feedback from stakeholders about the implementation of the more preferable draft rule.

AEMO submitted that it is unable to meet the 12-month implementation timeframe because:⁹⁴

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.

Given that AEMO's resourcing and budget is fully committed until 2027-28, 1 November 2028 is the commencement date for the final rule.

3.4 We have considered other issues raised in submissions

Some submissions to the draft determination also included issues we considered to be beyond the remit of both the Delta and Snowy rule change request, being:

- One stakeholder suggested the AEMC should define the term "regional original price" in the Rules, as not doing so will result in ongoing ambiguity in the Rules and uncertainty in the use of the term "regional original price" by AEMO.⁹⁵ We consider this to be outside the scope of this rule change process. Introducing this term would require redrafting of a number of related clauses beyond those affected by the final rule.
- Two stakeholders suggested that additional clarity is required in the Rules regarding the choice of market pricing based on 3.14.5(a) or 3.14.5(b) following declaration of a market suspension by AEMO. Rules clause 3.14.5(a) indicates the clear intent that normal market pricing should continue where the NEMDE continues to remain functional for dispatch and pricing. This should be the priority outcome for pricing the market during a market suspension period.⁹⁶ The current drafting of 3.14.5 (a)-(b) requires AEMO to adopt normal pricing, unless in AEMO's reasonable opinion it is not practicable to operate central dispatch and determine spot prices and ancillary service prices in accordance with rules 3.8 and 3.9 in a suspended region. The Commission is comfortable that this drafting remains appropriate and places sufficient requirements on AEMO to adopt normal pricing where possible. Additionally, the final rule introduces an explicit requirement for AEMO to report on the rationale behind the decision to use market suspension pricing, over normal market pricing. This will increase transparency and provide clarity to participants around the decision to adopt market suspension pricing.

93 For example, see AEMO, Preliminary Report NSW Market Suspension on 23 March 2026, [report](#), p. 11.

94 Submission to the draft determination: [AEMO](#), p. 7.

95 Submission to the draft determination: Shell, p. 3.

96 Submission to the draft determination: Shell, p. 3; AEC, p. 2.

- One stakeholder suggested that there is a need for clear and objective certainty regarding the circumstances under which AEMO should not suspend the market, and hence, an explicit inclusion is proposed to 3.14.3 that stipulates market suspension cannot occur solely because an administered pricing period has been declared in accordance with 3.14.2.⁹⁷ We consider this to be outside the scope of the current request, as it relates to the conditions under which a spot market is suspended and does not concern the calculation of the cumulative price following market suspension.

97 Submission to the draft determination: Shell, p. 5.

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

The Commission formally consolidated both rule change requests - Delta's Amending the Cumulative Price Threshold Methodology (ERC0356) and Snowy's CPT calculation during administered scheduled pricing (ERC0374), as it was desirable to do so.⁹⁸ The project name is 'Calculating the cumulative price' with project code ERC0356.

You can find more information on the rule change process on our website.⁹⁹

A.1 Delta proposed a rule to amend the cumulative price calculation during multi-region APP events

Delta Electricity submitted a rule change request to the AEMC on 2 February 2023, proposing an amendment to the National Electricity Rules (NER) relating to the methodology for calculating when one or more regions have reached the cumulative price threshold (CPT).¹⁰⁰

When a region is not under administered prices but is exporting electricity to a region that is under administered prices, the settled price that is received by the generator is lower than the dispatch price. This is because the dispatch price is capped at the administered price cap and then scaled down.¹⁰¹

Delta considers that this is an issue because it creates the outcome where a region's CPT is reached based on higher dispatch prices, while lower prices are received by generators in settlement. Delta considers that this approach to how the cumulative price is calculated is unintended, and it does not provide the correct market signal when multiple regions are under an administered price cap (APC).¹⁰²

Delta Electricity proposes that received prices, instead of dispatch prices, should be used to calculate when the CPT is reached in a region. Once the CPT is reached in a region, Delta Electricity suggests that the dispatch price should be used to monitor the cumulative price.¹⁰³

Delta considers that there is no direct trade-off from this proposed rule change as it represents the intention of the Reliability Standard and Settings Review.¹⁰⁴

98 NEL s 93.

99 See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>

100 Delta Electricity, [Rule change request](#), p. 1.

101 Delta Electricity, [Rule change request](#), p. 4.

102 Delta Electricity, [Rule change request](#), p. 4.

103 Delta Electricity, [Rule change request](#), p. 5.

104 Delta Electricity, [Rule change request](#), p. 5.

Delta also notes that the proposed change likely reflects how many stakeholders assumed the NER is currently implemented - any region that is subjected to administered pricing and an APC is assumed to have received the full value of the CPT.¹⁰⁵

The proposed change would only take effect when there is one region already under administered pricing and would ensure other regions, that may be subject to capped and scaled settled prices as per NER clause 3.14.2(e)(2), can still receive the full value of the CPT. This would mean the full value of the prices that reach the CPT would be borne by retailers and passed onto customers.¹⁰⁶

A.2 Snowy proposed a rule to amend the cumulative price calculation during a market suspension when the market suspension pricing schedule is used

Snowy submitted a rule change request to the AEMC on 28 August 2023, proposing an amendment to the NER to suspend the calculation of the cumulative price when the administered scheduled pricing is used.¹⁰⁷

Snowy raised concerns about the interaction between market suspension and administered pricing, based on observations in the 2022 market suspension event. Snowy suggested that if the market suspension is in place long enough and the market suspension pricing schedule is used, it results in the cumulative spot prices being below, or well below, the CPT when the market suspension pricing is removed. This can occur despite the market conditions that initially caused the breach of the CPT persisting. This can lead to the immediate resumption of extreme spot prices, undermining the protection that the CPT was designed to provide.¹⁰⁸

Snowy proposed that administered prices set in accordance with AEMO's market suspension pricing schedule be excluded from the calculation of cumulative price in the spot market and frequency control ancillary service (FCAS) market for electricity.¹⁰⁹

Snowy considers that its proposal to suspend the calculation of the cumulative price when the market suspension pricing schedule is used will solve the problem with the calculation of the cumulative price. This is because, in Snowy's view, the intent of the CPT and APP, is to provide protection to participants with 'short' positions (i.e. hedging positions with spot market exposure), while balancing the need to provide revenue adequacy for generators. It notes that while, in theory, market participants with short positions 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.¹¹⁰

Snowy set out the expected benefits of its proposed solution, noting that:

- it will remove the distortion to the CPT and APC caused by the use of scheduled pricing and thereby improve the integrity of the CPT and APC. This is because Snowy considers that scheduled pricing does not reflect real-world scarcity of supply during periods of volatility, meaning that scheduled pricing artificially hastens the protection that the CPT and APC is designed to provide to market participants;¹¹¹

¹⁰⁵ Delta Electricity, [Rule change request](#), p. 5.

¹⁰⁶ Delta Electricity, [Rule change request](#), p. 5.

¹⁰⁷ Snowy Hydro, [Rule change request](#), p. 3.

¹⁰⁸ Snowy Hydro, [Rule change request](#), p. 3.

¹⁰⁹ Snowy Hydro, [Rule change request](#), p. 4.

¹¹⁰ Snowy Hydro, [Rule change request](#), p. 3.

¹¹¹ Snowy Hydro, [Rule change request](#), p. 3.

- as a consequence of addressing the issue, Snowy considers that the CPT and APC will be better able to achieve its objective of providing a safety valve during periods of extended volatility and, in particular, reducing tail risk for sellers of hedges. It considers that if this is not addressed, sellers of hedges will be exposed to a higher tail risk, increasing the risk premium and the cost of energy;¹¹² and
- market participants, both generators and market customers, should have increased financial protection against periods of extended volatility, as the CPT and APC will not be artificially shortened by the use of scheduled pricing. Snowy considers that this will improve certainty of the protection offered by the CPT and APC, allowing participants to plan their operations and contacting activity with greater confidence.¹¹³

The only potential cost Snowy identified with its proposal, would be experienced by those who would otherwise benefit from a shorter APC period occasioned by the use of scheduled pricing (the rule change request notes generators that are not fuel-constrained, who are able to take advantage of pricing volatility when the APC ends as an example).¹¹⁴ However, Snowy notes that given the near impossibility of accurately forecasting the likelihood of scheduled pricing, this is likely only an opportunistic benefit, because it is unlikely that such generators are able to plan their operations around this benefit or to assume a benefit from it ex ante.¹¹⁵

A.3 The process to date

On 16 October 2025, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change requests.¹¹⁶ A [consultation paper](#) identifying specific issues for consultation was also published. Submissions closed on 20 November 2025. The Commission received 7 submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions.

On 29 January 2026, the Commission formally consolidated both rule change requests - Delta's Amending the Cumulative Price Threshold Methodology (ERC0356) and Snowy's CPT calculation during administered scheduled pricing (ERC0374) to become 'Calculating the cumulative price' with project code ERC0356.¹¹⁷

On 29 January 2026, the Commission also published a [draft determination](#) that discussed and responded to issues raised in submissions to the consultation paper. The draft determination proposed a more preferable draft rule in response to the rule change requests from Delta and Snowy. Submissions closed on 12 March 2026. The Commission received ten submissions as part of the second round of consultation. The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this final rule determination. A summary of other issues raised in submissions and the Commission's response to each issue is contained in Appendix C.

112 Snowy Hydro, [Rule change request](#), p. 3.

113 Snowy Hydro, [Rule change request](#), p. 3.

114 Snowy Hydro, [Rule change request](#), p. 3.

115 Snowy Hydro, [Rule change request](#), p. 4.

116 This notice was published under section 95 of the NEL.

117 See the [statutory notice](#) published on the project page.

B Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NEL for the Commission to make a final rule determination.

B.1 Final rule determination and final rule

In accordance with sections 91A and 102 of the NEL, the Commission has made this final rule determination for a more preferable final rule in relation to the rule change requests from Delta and Snowy. As we have noted, both rule change requests were formally consolidated to become 'Calculating the cumulative price' with project code ERC0356.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this final determination. Its key features are described in chapter 3.

B.2 Power to make the rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules.

The final rule falls within section 34 of the NEL as it relates to:¹¹⁸

- the operation of the national electricity market
- the operation of the national electricity system for the purposes of the safety, security and reliability of that system
- the activities of persons (including Registered participants) participating in the national electricity market or involved in the operation of the national electricity system.

B.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the final rule, including a more preferable final rule
- the rule change requests
- submissions received during the first and second rounds of consultation
- the Commission's analysis as to the ways in which the final rule will or is likely to contribute to the achievement of the NEO
- submissions received during second round consultations
- the application of the final rule to the Northern Territory
- the assessment criteria and the benefits and costs of the final rule, as outlined in chapter 2.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.¹¹⁹

¹¹⁸ NEL section 34(1)(a)(i)-(iii).

¹¹⁹ Under s. 33 of the NEL and s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

B.4 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers' that new or existing provisions of the NER be classified as civil penalty provisions or conduct provisions.

The more preferable final rule does not amend any clauses that are currently classified as civil penalty provisions or conduct provisions under the National Electricity (South Australia) Regulations.

The Commission does not propose to recommend to energy ministers' that any of the amendments made by the more preferable final rule be classified as civil penalty provisions or conduct provisions.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APC	Administered price cap
APP	Administered pricing period
Commission	See AEMC
CPT	Cumulative price threshold
FCAS	Frequency Control Ancillary Services
NEL	National Electricity Law
NEM	National Electricity Market
NEMDE	National Electricity Market Dispatch Engine
NEO	National Electricity Objective
NER	National Electricity Rules
NT Act	<i>National Electricity (Northern Territory) (National Uniform Legislation) Act 2015</i>
MSPS	Market Suspension Pricing Schedule
Proponent	The individual / organisation who submitted the rule change request to the Commission
VRE	Variable renewable energy