

20 August 2026

Australian Energy Market Commission (AEMC)

Via AEMC website: www.aemc.gov.au

Minimum System Load framework and floor price proposal – Consultation Paper

Alinta Energy welcomes the opportunity to provide feedback on the Minimum System Load (MSL) framework and floor price proposal consultation paper.

We support a clearer governance and reporting framework for MSL, provided it is developed through detailed industry consultation and remains flexible as market conditions evolve. However, our primary concern is the Reliability Panel's proposal to set the regional spot price at the Market Floor Price during MSL3 events. In our view, this proposal would not materially improve efficient investment outcomes, is unlikely to avoid the need for AEMO intervention, and risks adding distortion, uncertainty and cost to the market.

Our key points are set out below, followed by our detailed response.

Alinta Energy's key points:

MSL Governance and reporting arrangements

- In principle, we support the introduction of an MSL governance framework, provided its design is informed by industry consultation and remains flexible to evolving market and operational conditions.

Effective price signals for efficient market outcomes during MSL conditions

- The Reliability Panel's proposal to set the regional spot price at the Market Floor Price (MFP) during MSL3 events will not materially improve efficient investment outcomes nor avoid the need for AEMO intervention and should not be implemented.

Provision and availability of load reserves

- We do not consider there is sufficient evidence to support the introduction of a new MSL market ancillary service.

MSL Governance and reporting arrangements

In principle, we support the introduction of an MSL governance framework, provided its design is informed by industry consultation and remains flexible to evolving market and operational conditions.

In principle, Alinta Energy is supportive of establishing an explicit MSL governance and

reporting framework in the NER. A well-designed MSL framework in the NER has the potential to provide market participants with increased transparency, governance and accountability¹ in AEMO's management of MSL.

Given the notable uncertainty surrounding the projected drivers of MSL², the proposed MSL framework must be developed by AEMO through detailed and extensive consultation with participants to ensure definitions, guidelines and information are aligned with both market and operational requirements.

Effective price signals for efficient market outcomes during MSL conditions

The Reliability Panel's proposal to set the regional spot price at the Market Floor Price (MFP) during MSL3 events will not materially improve efficient investment outcomes nor avoid the need for AEMO intervention and should not be implemented.

Whilst effective price signals are key in promoting market responses in low demand conditions, we do not consider an imposed MFP during MSL3 events would materially improve efficient investment outcomes nor avoid the need for AEMO intervention³:

- In conditions where an MSL3 event occurs, spot prices already reflect strong incentives for generators to reduce their output and for participants to increase consumption. Generators who still remain online in these conditions are likely to be required to provide essential system services, or resistant to negative pricing due to operational requirements to stay online. As observed in the consultation paper, MSL1 and 2 events across South Australia and Victoria have coincided with negative spot prices across these dispatch intervals.⁴ As a result, forcing prices to the MFP during these events is unlikely to materially change generation conditions or nullify the need for AEMO to intervene. The same constraints will apply to any consideration of "stronger"⁵ price settings such as reducing the MFP below -\$1000.
- Setting the spot price at the MFP during MSL3 events will disrupt efficient pricing outcomes in the market. Interventionist pricing during MSL3 events will undermine the market price outcomes that would occur during these events and result in inefficient outcomes. Changing market rules to cater to infrequent market events in this way will also contribute to increased uncertainty around price signals and investment in future revenue streams. Preserving confidence in market price settings derived from normal supply and demand dynamics is key to investor confidence and supporting efficient long-term investments.
- As acknowledged by the Commission⁶, the proposal may create unintended incentives around forecast MSL3 events. Where participants anticipate that prices may be administratively set at the MFP, this may influence operational and commercial decision-making in ways that are not fully aligned with underlying market conditions. This could distort price outcomes, increase the likelihood of intervention and undermine the efficiency objectives the proposal is intended to support.

¹ Consultation paper, p.17.

² Consultation paper, p.14.

³ To note - Alinta Energy has expressed similar views on this proposal in our response to the AEMC's '2026 Reliability Standard and Settings Review – Draft Report'.

⁴ Data obtained from AEMO market notices across 3 November 2024 – 1 January 2026 for Victoria, and 9 November 2025 and 18 April 2026 for South Australia.

⁵ Consultation paper, p.28.

⁶ Consultation paper, p.31 – 32.

- Finally, the proposal would increase exposure to negative prices for generators that are required to remain online to provide essential system services. This may increase compensation costs associated with system strength and other security arrangements, with flow-on impacts for existing commercial agreements and future contracting frameworks. We note that many recently executed system strength and security services agreements may not have contemplated an administratively triggered MFP outcome linked to MSL events. Given true MSL3 events are likely to occur under conditions where prices would already be expected to be highly negative, it is unclear that the additional intervention would deliver commensurate benefits relative to the costs and risks introduced.

For these reasons, Alinta Energy supports retaining the existing MFP arrangements and not proceeding with the proposal to set the spot price to the MFP during MSL3 events.

Provision and availability of load reserves

We do not consider there is sufficient evidence to support the introduction of a new MSL market ancillary service.

Alinta Energy does not support the introduction of a dedicated MSL ancillary service. The market need for such a mechanism has not yet been demonstrated, with MSL events remaining relatively limited in practice and significant uncertainty regarding their future frequency. Existing market signals and broader reforms aimed at improving CER visibility, coordination and demand-side participation should be given the opportunity to address emerging MSL risks before additional market complexity and costs are imposed.

We are also concerned that a separate ancillary service could dilute energy market price signals by creating competing incentives between the energy and ancillary service markets, while requiring market participants to fund issues largely driven by non-market facing CER. In our view, targeted reforms that improve the visibility and responsiveness of CER are likely to represent a more efficient and proportionate response than establishing a new reserve market at this stage.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact Isidora Stefanovic at isidora.stefanovic@alintaenergy.com.au.

Yours sincerely,

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