

Australian Energy Market Commission
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Lodged online: www.aemc.gov.au

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Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap – Draft Determination

The Australian Energy Council welcomes the opportunity to make a submission to the Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap – Draft Determination (Draft).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC supports the AEMC’s Draft and believes it clearly satisfies the NEO. It reflects the Reliability Panel’s (the Panel’s) recommendations except for the APC where the AEC believes the Panel erred. The AEC supports the AEMC’s decision to make a preferable rule change and maintain the APC at \$600/MWh rather than accept the Panel’s recommendation of \$500/MWh. The benefits of this decision include:

- It should provide sufficient signals for storage because \$600/MWh is likely to provide more arbitrage opportunities than \$500/MWh.
- It avoids further uncertainty in the market and its level should comfortably ensure we don’t see the market seize up because of an inadequate level of APC as happened in 2022.
- It may reduce the volume and magnitude of compensation claims, which reduces administrative costs for both participants and market bodies.

One question the AEC would like to raise is how the Reliability Panel’s recommended MPC and CPT have been escalated from 2021 dollars to 2022 dollars.

Table 1: Reliability Panel's Final Recommendation (\$FY2021)

	1/07/2025	1/07/2026	1/07/2027
MPC	17,500	19,500	21,500
CPT	1,575,000	1,872,000	2,193,000

The ABS indicates two potential inflation rates, the headline rate which is rounded to one decimal place and the rate that can be calculated from change in the CPI index and thereby obtain more decimal places.

Table 2: All Groups headline CPI indexation of Panel's Recommendations to \$FY2022

	1/07/2025	1/07/2026	1/07/2027
MPC	18,568	20,690	22,812
CPT	1,671,075	1,986,192	2,326,773
CPI	6.1%	6.1%	6.1%

The headline CPI for June 2022 was 6.1 per cent whereas when using the change in CP Index you can obtain 6.1448 per cent.¹ The latter calculation and application to the Panel's recommendations are set out in Tables 2 and 3 respectively.

Table 3: Index Numbers; All groups CPI; Australia; Original All Groups and percentage change

	Index Numbers; All groups CPI; Australia; Original
Jun-21	118.8
Jun-22	126.1
Change	6.1448%

Table 4: Index Numbers; All groups CPI indexation of Panel's Recommendations to \$FY2022

	1/07/2025	1/07/2026	1/07/2027
MPC	18,575	20,698	22,821
CPT	1,671,780	1,987,030	2,327,755
CPI	6.1448%	6.1448%	6.1448%

¹ <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#using-price-indexes>

Table 5 sets out the AEMC’s Draft and the implicit CPI escalation rates.

Table 5: AEMC escalation of Panel’s Recommendations to \$FY2022 and percentage increases.

	1/07/2025	1/07/2026	1/07/2027
MPC	18,600	20,700	22,800
CPT	1,674,000	1,987,200	2,325,600
CPI	6.2857%	6.1538%	6.0465%

While the differences are somewhat trivial and it appears the AEMC is merely rounding the actual indexed values (ie, 2022 dollars) to whole numbers, the AEC believes the Final determination should explain this.

The AEC also notes that Delta Electricity submitted a rule change proposal to amend the cumulative price threshold (CPT) methodology. This proposal was born out of the APC event of June 2022 and has been pending on the AEMC’s website since February 2022. The proposal is to remove an unintended discrepancy in how the CPT is calculated between regions when one region has already reached the CPT. The proposal is expected to be uncontroversial as it would improve reliability and supply of energy outcomes through ensuring generators receive the right and efficient signals to maintain and invest in generation as intended by the Reliability Panel’s reliability standard and settings process. The AEC hopes that the AEMC could perhaps comment on when it intends to initiate this rule change proposal in its Final determination.

Any questions about this submission should be addressed to me directly, by email to peter.brook@energycouncil.com.au or by telephone on 03 9206 3103.

Yours sincerely,



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