

9 May 2022

Reliability Panel  
c/- Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Submitted online.

Dear Reliability Panel

### **Review of the Form of the Reliability Standard and Administered Price Cap (REL0086)**

CleanCo Queensland welcomes the opportunity to provide input to the Reliability Panel as part of the Review of the Form of the Reliability Standard and Administered Price Cap (APC).

CleanCo was established by the Queensland Government in 2018. We deliver renewable and low-emission energy solutions and play a critical role in supporting new energy developments to help Queensland businesses thrive in a net zero future. Given the nature of our existing assets and focus of our future investment, we have a strong interest in how the National Electricity Market transforms to a low emissions future.

This submission responds to the Panel's consideration of the form of the APC. CleanCo (along with other market participants) had direct experience with functioning of the APC during the market events of June 2022 and we consider it important to ensure that this experience is shared as part of any consideration of the level and/or form of the APC.

#### Reviewing the Administered Price Cap

As the Panel notes, the APC serves a dual function in response to the sustained high prices that ultimately result in an Administered Pricing Period (APP) being declared:

1. To cap participant exposure to high prices; and
2. Maintain incentives for generation to make itself available during the APP.

It was apparent during and following the events of June 2022, that the APC was not effective in achieving its second function. The subsequent rule change to temporarily increase the APC to \$600/MWh and the Panel's recommendation to set the APC at \$500/MWh from 1 July 2025 recognised this shortcoming.

The analysis undertaken by the AEMC as part of the rule change process demonstrated that an increase in the APC would see a significant increase in the level of gas-fired generation that would likely become available during an APP. However, CleanCo considers that it is important that any consideration of the form of the APC is future-focused and considers a system that incorporates a more diverse range of "firming" technologies, particularly energy storage playing an increased role in the market.

CleanCo operates Wivenhoe Power Station (pumped-storage hydro) and we note the challenges we faced in operating in a commercial manner during the events in June 2022. We also note that these challenges are not specific to our asset and would relate to any type of storage technology.

For storage, the level of the APC is not the primary factor to enable availability to generate during an APP. The ability of storage to generate is constrained by its ability to store energy at a reasonable price. This relies on some level of price differentiation to overcome the round-trip efficiency losses inherent in all storage technologies.

In theory, the APC is the maximum price that applies during an APP and prices can be set below this level according to supply and demand. What we saw in practice was that prices hovered at, or near to, the APC for significant periods during the market event. This either limited the ability to store energy or resulted in the cost of storing energy (effectively the fuel cost) exceeding the revenue that can be obtained when generating. We understand that the compensation regime exists to account for this, but we consider that a properly functioning APC should be focused on ensuring that commercial operations are maximised and limits the reliance on after-the-fact compensation (which is uncertain from both a generator and customer perspective).

CleanCo notes that setting the APC at the higher levels (now effective until 2028) could help to alleviate this issue, enabling an effective level of price difference throughout an APP. In this case, storage may comfortably operate in a commercial manner. However, it is likely that during an APP there are some fundamental issues with market dynamics (such as high gas prices or low renewable energy availability) that could see the same issue emerge, just at a higher price level. It is also worth noting that to make storage available to generate, it increases demand while storing and would place upward pressure on prices at that time.

CleanCo isn't necessarily advocating for a change in the form of the APC i.e. moving from a fixed APC to a more dynamic version. However, we note that the alternative options presented by the Reliability Panel are predominantly focused on some form of linkage to gas prices. CleanCo therefore recommends that in assessing whether a change in the form of the APC is warranted, the Panel consider how the APC might function as the market evolves and a more "technology-neutral" approach to alternative options.

Should you wish to discuss our submission (including our experiences during the June 2022 events) in further detail, please feel free to contact me via email at [andrew.burnett@cleancoqld.com.au](mailto:andrew.burnett@cleancoqld.com.au) or phone on 0429 800 612.

Regards,



Andrew Burnett  
**Principal Advisor, Regulatory**  
**CleanCo Queensland**