

26 October 2023

Anna Collyer
Chair
Australian Energy Market Commission

Dear Ms Collyer,

ERC0353 – Draft Determination – Amendment to MPC, CPT and APC

AEMO appreciates the opportunity to provide a response to the draft determination to amend the market price settings to levels recommended in the Reliability Panel’s 2022 Reliability Standard and Settings Review (RSSR).

Progressive increases to the market price settings

AEMO supports the draft rule to increase the Market Price Cap (MPC) and Cumulative Price Threshold (CPT) to the levels necessary to incentivise investment and agrees the draft increases to the settings balance the need to support reliability with minimising consumer costs. AEMO considers the Commission’s analysis to reasonably demonstrate the gap between the current market price settings and those required to achieve reliable outcomes in the NEM.

In the National Electricity Market (NEM), the market price settings are the primary market lever relied upon to incentivise the necessary investment needed to meet reliability standards. These should be set at the appropriate level to support appropriate market signals, including to support investment.

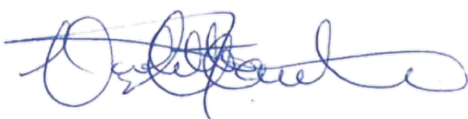
Maintaining current APC levels

AEMO supports the Commission’s draft decision to maintain the Administered Price Cap (APC) at the current \$600/MWh level. AEMO agrees with the Commission that maintaining the APC at current levels will improve reliability and encourage generators to operate during administered price periods. This would reduce the need for AEMO interventions and the minimise the risk of outages for consumers in the event of an Administered Price Period.

In summary, AEMO supports the draft determination to amend the market price settings through progressive increases to the MPC and CPT and agrees with the need to retain an increased APC. As Australia’s energy system continues to transition, it is important market settings are set at the level that is targeted at meeting the reliability standards. AEMO supports the Commission finalising these amendments well ahead of the review period to provide clear signals and certainty for market participants to respond.

If you have any questions please contact Kevin Ly, Group Manager – Reform Development and Insights, kevin.ly@aemo.com.au.

Yours sincerely,



Violette Mouchaileh
Executive General Manager – Reform Delivery