

26 October 2023

Submitted online

Reference: ERC0353



Dear Sir/ Madam,

### Market Settings Draft Rule

The Australian Financial Markets Association (AFMA) is responding to the AEMC's consultation on its draft determination on the Reliability Panel's Amendment of the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) rule change.

AFMA is the leading industry association promoting efficiency, integrity, and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy, carbon, and other specialist markets. Our role is to provide a forum for industry leadership and to advance the interests of the markets and their respective participants. Our membership is comprised of over 125 of Australia's leading financial market participants, including many of the energy firms who participate in the National Electricity Market.

---

#### Key Points

- **AFMA supports the proposed changes to the market settings**
- **We continue to consider that APC should be indexed to ensure it remains commercially relevant**

---

As an advocate for participants in financial markets, AFMA wants to ensure that settings in the underlying physical markets are appropriate for both the physical and the financial markets. AFMA supports the AEMC's proposals to increase MPC and CPT but as stated in our previous submission we believe the AEMC should take the opportunity to index APC.<sup>1</sup>

#### 1. Increases to MPC and CPT

AFMA supports the AEMC's proposals to increase MPC and CPT to ensure that they are at an appropriate level to support investment in firming capacity which is essential for the successful operation of the physical and financial markets. Recent changes in the electricity market mean that providers of firming capacity have to recover their costs over shorter periods of high prices, it is therefore important to ensure that MPC and CPT are set at levels to justify investment. AFMA's members consider that the proposed changes are appropriate to do this.

#### AFMA Recommendations

- AFMA supports the AEMC's proposals to increase MPC and CPT.

---

<sup>1</sup> [AFMA submission rule change initiation](#)

## 2. Providing clarity about APC

AFMA considers APC is an important setting in both the physical and financial markets that unfortunately did not receive adequate attention for a number of years. As noted in our previous submissions to the AEMC and the Reliability Panel,<sup>2</sup> AFMA considers it is important to provide long term certainty to the market about the level of APC. We therefore support the AEMC's proposal to make the current \$600 APC permanent, as it removes the uncertainty created by the potential under the current rules for APC to revert to \$300 in 2025. Additionally, we cannot identify a compelling reason why the Reliability Panel's proposed \$500 APC should be preferred over the current \$600 so in the interest of certainty support retaining the current number.

As stated in our previous submission AFMA supports indexing APC in the same way as MPC to ensure it remains commercially relevant. As noted by the AEMC, if APC had been indexed since it was originally set, it would now be at close to \$600. While we appreciate the AEMC's desire not to pre-empt the Reliability Panel's review of the form of APC, as pointed out in our submission to that review, AFMA does not consider that any of their proposed options is viable.<sup>3</sup> We therefore recommend the AEMC take the opportunity to provide certainty to the market by indexing APC to ensure it remains at a commercially relevant level.

### AFMA Recommendations

- ii. AFMA supports retaining APC at \$600 post-2025.
- iii. APC should be indexed to ensure it remains at a commercially relevant level.

## 3. Drafting considerations

AFMA considers that the proposed drafting of the Rules setting the level of APC is unnecessarily complex. In the current Rules the level of APC is set in rule 3.14.1(a) at \$300, this is then modified by transitional rule 11.155 which raises it to \$600 from 1 December 2022 until 30 June 2025.

The AEMC's current draft rule proposes to leave this rather confusing structure in place until 30 June 2025 and then amend rule 3.14.1(a) to make APC \$600 permanently. We suggest that as in practice the AEMC is proposing to make the current level of APC permanent, the readability of the Rules could be improved by amending 3.14.1(a) and repealing rule 11.155 on the making of this rule. We note that this would achieve exactly the same result as the current drafting, but consider it would be clearer, simpler and shorter.

### AFMA Recommendations

- iv. The AEMC should consider simplifying the drafting of the proposed rule.

AFMA would welcome the opportunity to discuss the proposed rule change. Please contact me on 02 9776 7994 or by email at [lgamble@afma.com.au](mailto:lgamble@afma.com.au).

Yours sincerely

**Lindsay Gamble**  
**Policy Director**

<sup>2</sup> [AFMA submission APC Rule Change Directions Paper](#); [AFMA Submission APC Rule Change Consultation Paper](#); [AFMA Submission Reliability Panel Review](#)

<sup>3</sup> [AFMA Submission Reliability Panel Review](#)