



Thursday, 26 October 2023

Graham Mills  
Senior Advisor  
Australian Energy Market Commission

Lodged via the AEMC website

Dear Graham Mills,

**SUBMISSION TO THE DRAFT RULE CHANGE AMENDMENT TO THE MARKET PRICE CAP, CUMULATIVE PRICE THRESHOLD AND ADMINISTRATIVE PRICE CAP**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing over 1,000 of the leading businesses operating in renewable energy generation, energy storage, and renewable hydrogen. The CEC is committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible while maintaining a secure and reliable supply of electricity for customers.

CEC welcomes the opportunity to provide input to the draft rule change amendment to the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administrative Price Cap (APC). CEC is in support of the draft rule change as it will incentivise future deployment of renewable energy generation and energy storage.

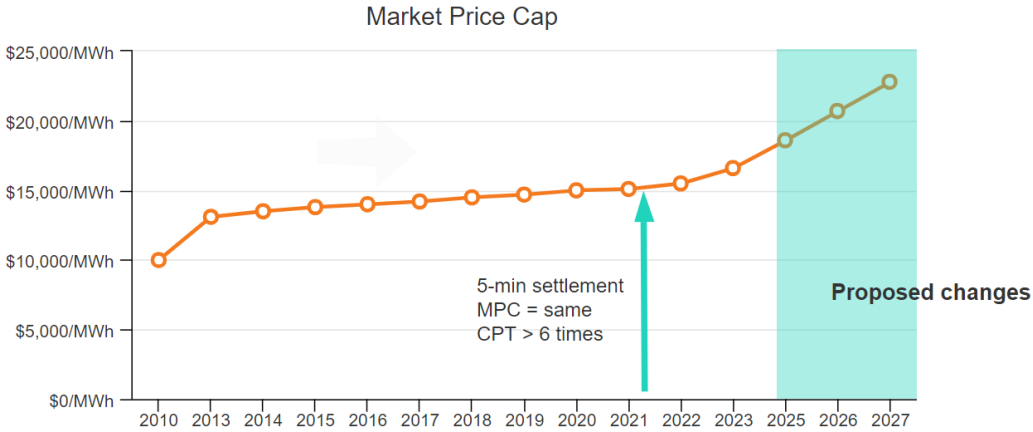
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### **Increasing the MPC**

The CEC supports progressively increasing the MPC to \$22,800/MWh by 1 July 2027. The reliability risk associated with early closure of coal-fired power stations requires appropriate market signals to improve investment in the appropriate mix of generation and storage capacity to ensure system reliability.

For the most part, the MPC has lagged changing conditions in the market, with slow increases since 2010 (Figure below). Increasing the MPC will have two desired consequences. Firstly, it encourages retailers to enter a suite of contracts to meet demand and reduce exposure risk to high wholesale prices. Secondly, it provides incentives to supply side participants to invest, particularly energy storage developers to

build more batteries capable of fast response to capitalise on energy arbitrage opportunities.



The CEC is of course supportive of the continued development of federal and state governments incentive mechanisms, to accelerate the transition. However, over the long term, stable and predictable market price signals remain a key driver of investment. Increases in the MPC would reduce the likelihood that government underwriting of renewable energy projects will need to be called, reducing costs for consumers.

The CEC recognises the modelling results on consumer energy bills and acknowledges the low impact it would have from increasing MPC, while driving other benefits.

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### Increasing the CPT

CEC is in support of progressively increasing the CPT to 8.5 hours at MPC, equivalent to \$2,325,600/MWh on 1 July 2027. Energy storage in the NEM must increase considerably and valuating the type and level of capacity needed by the system is essential for the scale of the transition.

The CEC considers an extension of the CPT is key to unlocking investment in longer duration energy storage to manage the changes in demand profile, higher VRE integration, system security and stability, and energy scarcity events. The pipeline of energy storage projects in the NEM indicates higher power (MW) batteries which would be able to provide energy for more than 2 hours. Currently, energy storage with duration of 4 hours or longer are not economical unless the services they provide are clearly

valued. Progressively increasing the CPT will signal this value of longer duration storage, in turn encouraging investment at the lowest possible cost for consumers.

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### **Maintaining the APC**

CEC supports maintaining the APC at \$600/MWh in order to ensure this key variable is in alignment with actual costs of delivering energy during reliability at risk periods. Beyond this, we note that administered price period (APP) events are infrequent and thus tend to have only a minor to moderate effect on consumer energy bills. A level of \$600/MWh also encourages large users of electricity and retailers to seek contracts that minimise the impact of high spot prices.

In the eventuality of future APP events, a higher APC would facilitate less reliance on directions from AEMO. This is consistent with modification currently suggested under the Improving security frameworks for the energy transition draft rule.

We appreciate the consideration of the aspects raised above, and if you would like to discuss further, please contact Christiaan Zuur on [czuur@cleanenergycouncil.org.au](mailto:czuur@cleanenergycouncil.org.au).

Kind regards

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