

26 October 2023

Mr Graham Mills
Project Leader
Australian Energy Market Commission
Lodged on AEMC website

Dear Mr Mills,

Response to Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap Draft Rule Determination

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC)'s *Amendment of the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) Draft Rule Determination* (Draft Determination) published on 14 September 2023.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

KEY POINTS

- CEIG supports in principle the proposed changes to the MPC and CPT set out in the Draft Determination to progressively increase the MPC and CPT from 1 July 2025 to 30 June 2028.
- The proposed changes will encourage investment in generation capacity, particularly firming and storage, which will be essential to maintaining system reliability during the transition.
- As demonstrated by the AEMC in the Draft Determination, RERT represents a costly way of maintaining reliability compared to leveraging in-market capacity. We agree with the AEMC's findings which suggest that retaining the current MPC/CPT would escalate long-term energy costs for consumers relative to the proposed amendments.
- While state schemes and the CIS will help investment, market settings are critical for storage providers.

CEIG support in principle the proposed changes set out in the Draft Determination to progressively increase the market price cap and cumulative price threshold from 1 July 2025 to 30 June 2028. We appreciate the AEMC's foresight in aligning these changes with the proposals made by the Reliability Panel.

The proposed amendments to the MPC and CPT, coupled with the retention of the administered price cap at its current level, represent a balanced approach, ensuring reliability and affordability while promoting the transition to cleaner energy solutions.

Investment in Generation Capacity

The proposed adjustments to the MPC and CPT are pivotal for the energy sector. These changes are expected to boost investments in new generation capacity, particularly in firming and storage options. As we transition to a more renewable-focused energy mix, maintaining system reliability is paramount. The adjustments laid out in the draft will incentivise the development of new, reliable energy infrastructure.

Reliability in the Face of Coal Fleet Decline

With the transition away from coal-fired base load generation, the NEM is at a crossroads. Reliability can be achieved either through market-based pricing signals or via regulatory intervention, such as the Australian Energy Market Operator's (AEMO)'s Reliability and Emergency Reserve Trader (RERT) function. However, as demonstrated by the AEMC in the Draft Determination, RERT represents a costly way of maintaining reliability compared to leveraging in-market capacity. We agree with the AEMC's findings in the Draft Determination, which suggest that retaining the current MPC/CPT levels would escalate long-term energy costs for consumers relative to the proposed amendments.

Role of State Schemes and Capacity Investment Scheme

While state-based and Commonwealth schemes, like the Capacity Investment Scheme (CIS), are critical for bolstering investments in the energy sector, market settings play a pivotal role, especially for storage providers. The draft rule rightly recognises the importance of both market price settings and governmental schemes. Together, these mechanisms will ensure that the NEM is equipped with energy storage technologies which are essential for stability given the increasing integration of wind and solar energy.

CEIG thanks the AEMC for the opportunity to provide feedback on its Draft Determination and looks forward to continued engagement on those issues. Our Policy Director Ms. Marilyne Crestias can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,



Marilyne Crestias
Policy Director
Clean Energy Investor Group Ltd
w: www.ceig.org.au