

29 January 2026

Reliability Panel

Submitted online



2026 Reliability Standard and Settings Review – Draft Report

The Australian Financial Markets Association (AFMA) is responding to the Reliability Panel's consultation on its 2026 Reliability Standard and Settings Review – Draft Report.

AFMA is the leading financial markets 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 membership base is comprised of over 130 of Australia's leading financial market participants, including key participants in the NEM.

Key Points

- **AFMA supports the Panel's decision to retain the current approach to market settings**
- **APC should be indexed to ensure it remains commercially relevant**

As we said in our submission to the Panel's consultation paper,¹ AFMA wants to ensure that settings in the underlying physical markets are appropriate for both the physical and the financial markets. AFMA considers that the framework for market settings continues to be fit for purpose and is robust enough to support the transition to a low emissions grid. We also note the NEM Wholesale Market Settings Review found that the spot market works well and sends efficient operational signals and did not recommend significant changes to the spot market or its key settings. We therefore do not think that there is a need for significant change to the market settings at this stage.

1. The role of the market settings

The extended periods of high NEM prices in 2022 leading to AEMO suspending the spot market, led to an increasing focus on the role of the market settings and the importance of ensuring that they are set at appropriate levels. During that period of stress, the form of the market settings was found to be appropriate as was the level of most of the market settings. The exception was the Administered Price Cap (APC) which, having not been escalated since market start, was found to be too low. The level of APC was a key component in AEMO's decision to suspend the NEM, as a result of the impracticality of attempting to schedule the market APC was not high enough to allow many generators to recover their costs.

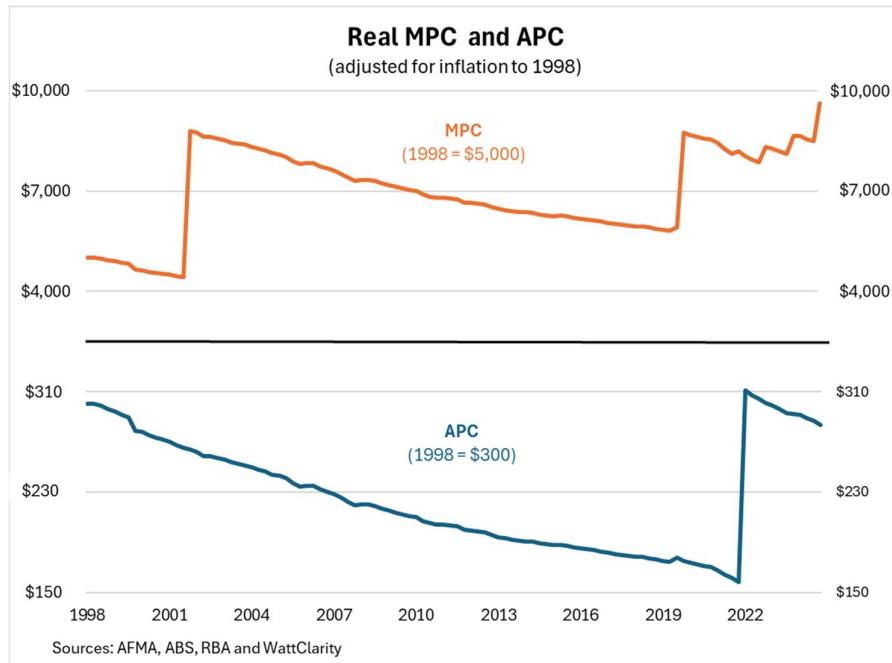
The resulting reviews led to increases to APC, the Market Price Cap (MPC) and the Cumulative Price Threshold (CPT). Given that the market settings were recently demonstrated to be effective in a period of high stress and that the Panel's 2022 recommendations to increase MPC and CPT above the rate of inflation are yet to be fully implemented, we do not consider that there is a case for significant change to either the form or level of the market settings at this stage.

2. Indexation of the Administered Price Cap

AFMA considers that the key learning from the events of 2022 was that the market settings need to be maintained at commercially relevant levels so that they can perform their functions. MPC and CPT had been

¹ [https://afma.com.au/policy/submissions/2025/r42-25-2026-reliability-review-\(1\).pdf?ext=.pdf](https://afma.com.au/policy/submissions/2025/r42-25-2026-reliability-review-(1).pdf?ext=.pdf)

escalated appropriately and therefore performed well while APC had not been and was found to be too low. Going forward, MPC and CPT are indexed to inflation, ensuring that their real value will be maintained, but confusingly APC is not. The chart below shows the impact that inflation has had on MPC and APC since market start. Values for APC and MPC are shown in constant 1998 dollars to more clearly show their real value over time.



Significantly, APC's real value declined by approximately 50% between market start and 2022 and increasing it to \$600 in late 2022 effectively just restored it to the same real value that it had at market start. Currently Australia is undergoing a period of relatively high inflation, resulting in APC losing approximately 14% of its real value since 2022. AFMA therefore encourages the Panel to recommend indexing APC to CPI in the same way as MPC and CPT to ensure that it remains commercially relevant.

AFMA Recommendations

- i. The form and level of the market settings remain appropriate
- ii. APC should be indexed to CPI to maintain its real value

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact me at lgamble@afma.com.au or 02 9776 7994.

Yours sincerely,

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