



# Notice

23 January 2023

## Energy price limits review 2022

### Final determination

The Economic Regulation Authority has completed its annual review of the energy price limits and published its final determination. The ERA's final determination of energy price limits follows consultation with industry and is available on the ERA's [website](#).

The energy price limits are used to mitigate the exercise of market power in the day-ahead Short-Term Energy Market (STEM) and real-time balancing market, and are based on the cost of supply of the highest cost generator in the South West Interconnected System.

The Wholesale Electricity Market (WEM) Rules specify two maximum energy price limits:

- The maximum STEM price, which applies to all electricity generating facilities except those using diesel as the fuel source.
- The alternative maximum STEM price, which applies to all electricity generating facilities that use diesel as a fuel source. This price limit is indexed to the diesel price and varied monthly based on the prevailing diesel price.

The ERA has revised the energy price limits as follows:

- The maximum STEM price will be set at \$324/MWh. This is higher than the current maximum STEM price of \$290/MWh.
- The alternative maximum STEM price will be set according to the following formula:

$$37.263 + 26.051 \times \text{diesel price } (\$/GJ)$$

At the current diesel price of \$36.547/GJ, the formula yields an alternative maximum STEM price of \$989/MWh.

The revised energy price limits will take effect on a date specified by the Australian Energy Market Operator (AEMO), to be announced on its [website](#).

The ERA's determination of energy price limits will apply until the commencement of the new market design on 1 October 2023, when the two existing energy price limits will be replaced by a single market price limit. The ERA will be required to review the market price limit less frequently, with the first review to commence by 1 February 2024.

Until the ERA has completed the 2024 review, the new market price limit that will apply from 1 October 2023 will be equivalent to the value of the alternative maximum STEM price set in September 2023.



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## Further information

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