



## **Purpose**

The Commission is required under s. 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process.

## **Background**

On 2 July 2020, the Australian Energy Market Commission (AEMC) initiated a rule change request from Infigen Energy, which proposed two new frequency control ancillary services (FCAS) for 1 to 2 second responses to support existing 6 second, 60 second, and 5 minute services. The intention was to help AEMO manage frequency after a contingency event more efficiently (in terms of cost and volumes procured) given the declining levels of inertia in the system.

This project dovetails with the work of the Energy Security Board's (ESB's) post-2025 market design project, particularly its workstream on essential system services.

A consultation paper, relating to this rule change request along with a number of other system service rules changes, was published on 2 July 2020 followed by a Directions Paper on this rule change and the related *Primary frequency response incentive arrangements* rule change on 17 December 2020. A draft determination and draft rule were published on 22 April 2021.

## **Reason for the final rule determination not being made within 12 months**

On 24 September 2020, the Commission extended the timeframe for making a draft determination until 22 April 2021. The Commission provided the following reasons for the extension.

- The rule change request raised issues of sufficient complexity and difficulty such that it was necessary that the period of time to make a final determination be greater than 12 months. The rule change related to the procurement of faster frequency response, including whether it is more appropriate or efficient to reconfigure existing services or introduce two new services. Whether existing arrangements should be applied to these services was also an issue for consideration. Substantial technical advice was required from AEMO to develop a robust policy position on these points and AEMO was unable to provide this advice before February 2021 given interactions with Stage 2 of the Renewable Integration Study. The issues are also material for stakeholders and required substantial opportunities to engage and consult with stakeholders to address appropriately through the rule change.
- The assessment of the rule change request is being closely coordinated with the work of the ESB post-2025 market design program and the other market bodies, with this work being taken into account in the rule change process.

The extended timeframe also enables the Commission to consult extensively with stakeholders on the issues raised in the rule change request, specifically to:

- hold three technical working groups to date (8 October 2020, 4 March 2021, and 21 May 2021) on the rule change request and proposed policy
- hold numerous other bilateral meetings on aspects of the rule change request.

The final rule determination for this rule change request has therefore not been made within 12 months of the publication of the notice under s. 95 of the NEL.

## **Expected time for making a final rule determination**

The draft determination and draft rule were published on **22 April 2021** and submissions closed **3 June 2021**. The final determination is expected to be made by **15 July 2021**.