



Prioritising arrangements for system security during a period of market suspension

The AEMC has made a final rule determination to not make the proposed rule change given that the Rules currently set out clearly what arrangements apply during a period of market suspension, and that attempting to further clarify this may create uncertainty or confusion in relation to the interpretation of the Rules.

The Commission's final determination

On 26 May 2020, the Council of Australian Governments (COAG) Energy Council submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) that seeks to explicitly set out the applicability of the National Electricity Rules (NER or the Rules) during periods of market suspension with the aim of providing the Australian Energy Market Operator (AEMO) with appropriate flexibility to prioritise arrangements for system security during such periods.

The Commission recognises the importance of the Rules being clear and transparent in terms of how they would apply during periods of market suspension, with this being important for maintaining clear roles and responsibilities during such events. The Commission also agrees that system security should be AEMO's priority during extreme events.

However, the Commission does not consider that the proposed rule will not, or is likely to not, contribute to the achievement of the NEO. Therefore, it has decided not to make a rule. The Commission's decision is consistent with stakeholder feedback - including from both the AER and AEMO - to both the consultation and draft determination, none of which supported all aspects of the rule change request.

In relation to clarifying the Rules applicability during a period of market suspension, the Commission has determined to provide clarity, but to do this in the determination, rather than in the Rules. This is because:

- It is clear that the Rules apply during period of market suspension, as during all other system and market conditions, unless otherwise stated in the Rules. In the absence of a specific provision to the contrary, all obligations under the NER remain in effect.
- Attempting to clarify the Rules in this instance may create a precedent where the Rules applicability needs to be explicitly set out for any varied market and system conditions.

In relation to providing AEMO with flexibility to prioritise system security obligations over other NER requirements during a period of market suspension, the Commission considers that:

- Circumstances have changed since the Commission's recommendations were made in the Black system event (BSE) Report. In particular AEMO has implemented the recommendations made by the AER in its *Black system compliance report*.
- Given the AER takes into account all relevant facts and circumstances when assessing compliance against relevant obligations in the NER, the Commission is of the view that the existing enforcement regime is a more appropriate mechanism for periods of market suspension, rather than trying to foresee extreme or rare events occurring and amending the Rules to specify arrangements for such events.
- Finally, the Commission is of the view that the proposed Rule, which would allow AEMO not to comply with obligations of a more administrative nature, would be a barrier to market participants making informed and timely decisions. This is likely to jeopardise rather than enhance system security.

The rule change request

On the 26 May 2020, the COAG Energy Council made a request to the AEMC to make a rule regarding prioritising arrangements for system security during market suspension. The rule change request sought to clarify the applicability of the NER during periods of market suspension. This followed on from recommendations made by the AEMC in its BSE report.

The rule change request suggested that the applicability of the NER during a period of market suspension was unclear. It also suggested that rigid requirements for AEMO to comply with all aspects of the NEM may compromise their ability to maintain power system security during a period of market suspension. In doing so, the rule change would establish a transparent framework that would provide AEMO and other participant's clarity on the applicability of the rules during a period of market suspension.

For information contact:

Senior Adviser, **James Tyrrell** + 612 8296 7842

Graduate Adviser, **Patrick Loughrey** + 612 8296 1659

Media: Media and Content Manager, Kellie Bisset 0438 490 041

17 June 2021