



Purpose

The Australian Energy Market Commission (AEMC or Commission) is required under section 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, including the reason why the rules were not made within the timeframe.

Background

On 2 July 2020, the AEMC initiated a rule change request from:

- Infigen Energy, proposing an operating reserve market to help respond to unexpected changes in supply and demand (ERC0295); and
- Delta Electricity, proposing a new 30-minute raise and lower “ramping” frequency control ancillary services (FCAS) to respond to changes in output from variable renewable electricity generators (ERC0307).

Both rule change requests interact 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 both rule change requests, among others, was published on 2 July 2020 followed by a Directions Paper on 5 January 2021.

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

On 24 September 2020, the Commission extended the timeframe to make a draft determination until 24 June 2021 for both rule change requests. Then on 16 June 2021 the Commission again extended the timeframe to make a draft determination in both rule change requests to 9 December 2021. The Commission determined that extensions were necessary because:

- The rule change requests relate to the provision of reserves under existing arrangements, and whether it is more appropriate or efficient to unbundle the provision of the service from the energy market. This raises complex questions regarding the extent to which reserves are likely to be provided across investment and operational timeframes under existing incentives, as well as the potential changes that may occur under an operating reserve or alternative arrangement. The assessment requires complex modelling to be completed, as well as significant stakeholder engagement with market bodies and industry.
- 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.
- There is a need to further consider the interactions of these rule change requests with other projects currently being considered by the Commission, such as the *integrating energy storage systems into the NEM* rule change and the *enhancing operational resilience in relation to indistinct events* rule change.

The extended timeframe also enables the Commission to consult extensively with stakeholders on the issues raised in the rule change request, including further technical working group sessions and bilateral engagement to work through the issues and solutions in detail with industry and consumer representatives.

The final rule determination for these rule changes 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 is expected to be made by 9 December 2021.