

13 October 2025

Ms Anna Collyer
Chair, Australian Energy Market Commission
Sydney NSW 2000

Reference: ERC0402

Dear Ms Collyer,

AEMO submission to draft rule determination – Clarifying registration for non-generating units providing system security services

AEMO appreciates the opportunity to submit to the draft determination on CS Energy's proposed change to the National Electricity Rules (NER) to clarify registration of non-generating units providing system security services.

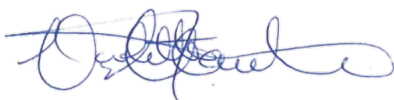
As noted in our first submission, AEMO strongly supports innovative provision of system security services from non-traditional services, including those supplied outside of regulated Network Service Providers (NSPs) or active power generation, and supports efforts to resolve any registration uncertainties.

AEMO agrees with the draft determination that pathways already exist in the NER to enable registration of such services. These existing pathways appear to provide a means for operators of non-generating plant to access all existing system security service provisions and markets. Therefore, AEMO agrees that it is not necessary to create a new participant category, nor to alter the scope of an existing category.

The draft determination proposes inserting a clarification note directly into the NER. The attached detailed submission discusses that clarification, identifies a related NER drafting anomaly that may be contributing to industry misunderstanding and makes brief observations on other matters in the draft determination.

Should you wish to discuss any aspect of our submission, please contact Hannah Heath, Group Manager, Strategic Market Reform (Hannah.Heath@aemo.com.au).

Yours sincerely,



Violette Mouchaileh
Executive General Manager, Policy & Corporate Affairs



ATTACHMENT – Detailed submission

This is AEMO's submission to the AEMC's draft determination on Clarifying Registration for Non-Generating Units Providing System Security Services, dated 11 September 2025. In summary:

- Section 1 discusses the clarification note proposed in the draft determination for NER 2.3.4.
- Section 2 proposes correcting an apparently anomalous wording in NER 3.11.3(b1) that may have contributed to industry misunderstanding.
- Section 3 discusses AEMO's registration guidance.
- Section 4 notes the issues associated with synchronous condenser losses.

1. Clarification note for NER 2.3.4

AEMO supports the AEMC's desire to clarify for industry that adequate pathways exist in the NER for a person to be a registered participant in respect of a synchronous condenser system, therefore eligible to provide any system security service for which registration is a prerequisite. The draft determination proposes inserting a clarification note directly into NER 2.3.4(b) to remind readers that the classification requirement for market connection points applies to synchronous condenser systems for the purposes of eligibility to register as an Integrated Resource Provider (IRP) under NER 2.1B.2(a)(2).

Although AEMO agrees that the proposed note is strictly correct, its location and emphasis risks introducing new misunderstandings. The proposed note is located at the end of a paragraph that refers to classification of market connection points by either a Customer or an IRP. As noted in our earlier submission, a Market Participant in either of those categories is eligible to classify a connection point for a synchronous condenser system as one of its market connection points. However, by referring only to the IRP pathway, the note may imply that the Customer registration pathway is unavailable for synchronous condensers, potentially introducing a different uncertainty. AEMO understands the AEMC's desire to promote increased uptake of IRP registration as a broadly applicable category but considers it desirable to avoid any potential inconsistency between a note and the clause it seeks to explain.

To cover both valid registration pathways, the additional phrase "or a *Customer* under clause 2.1B.4(a)(2)" should be added at the end of the note. Another approach would be to present the clarification through clear final determination commentary rather than amending the NER.

2. Drafting consistency in NER 3.11.3(b1)

In AEMO's experience, the NER clauses requiring inertia/system strength production units to be registered with AEMO and enabled through dispatch instructions can be misunderstood as restricting TNSPs to only contracting those services from production units. This misunderstanding may arise when reading those clauses without their full context. AEMO considers that clauses 5.20B.6(b) and 5.20C.4(b), read in conjunction with new clause 4.4A.5 (from December 2025), are clear enough. If, and only if, the relevant service is provided by means of a production unit, it must be classified accordingly and only enabled (effectively

constrained on) via dispatch instructions. If the service is provided using plant that does not participate in central dispatch, AEMO can enable it under other, pre-approved arrangements specific to that service.

In considering these provisions, however, AEMO noticed an inconsistency in the drafting of related rules that could, if not corrected, undermine the clarification of the existing registration pathway for synchronous condenser systems to provide system security services. This inconsistency is explained below.

NER 5.20B.6(b) (for inertia network services) and NER 5.20C.4(b) (for system strength services) are essentially identical (**emphasis added**):

*“Where the [Inertia/System Strength] Service Provider procures [inertia network/system strength] services from a Generator or Integrated Resource Provider **provided by means of a production unit** under an [inertia/system strength] services agreement, the [Inertia/System Strength] Service Provider must register the production unit with AEMO as an [inertia/system strength production] unit and specify that the production unit may be periodically used to provide [inertia network/system strength] services and will not be eligible to set spot prices when constrained on to provide [inertia/system strength] services in accordance with clause 3.9.7(c).”*

NER 3.11.3(b1) was added by the Improved Security Frameworks (ISF) rule¹ and applies similar provisions where inertia or system strength is procured under the NSCAS framework. The final ISF determination states that this new clause “align[s] with ... existing provisions for inertia and system strength contracts”². However, the words of NER 3.11.3(b1) are slightly different from 5.20B.6(b) and 5.20C.4(b). It reads:

*“Where a Transmission Network Service Provider procures a system strength service or an inertia network service from a Generator or Integrated Resource Provider *** under a network support agreement to meet a NSCAS gap described in paragraph (b) or (c) of that definition, the Transmission Network Service Provider (in its capacity as a System Strength Service Provider or Inertia Service Provider) must register the production unit with AEMO as a system strength production unit or as an inertia unit and specify that the production unit may be periodically used to provide system strength services or inertia network services and will not be eligible to set spot prices when constrained on to provide inertia or a system strength service in accordance with clause 3.9.7(c).”*

The words “provided by means of a production unit” are missing where indicated by ***. While this could be implied by the subsequent use of “production unit”, the omission creates unintended ambiguity. There is potential to read the clause as applying to any inertia/system strength NSCAS procured from an IRP meaning that IRPs could only provide those services using their production units. As IRPs can classify a broad range of connection points capable of providing those services, including synchronous condensers, correcting the apparently unintended ISF rule omission³ seems necessary.

AEMO considers this drafting adjustment is consistent with the scope of this rule change whose intent is to remove uncertainties in the registration of synchronous condensers.

3. AEMO’s registration guidance

The draft determination indicates the AEMC’s expectation that AEMO would update its registration guidance “to incorporate the additional clarity introduced by the rule”. We would like to clarify that amending the registration information resource and guidelines is not an implementation requirement for the draft rule, noting

¹ [Improving security frameworks for the energy transition | AEMC](#)

² Improving Security Frameworks Final Determination Table D.1 page 147

³ It is worth noting that clause 3.11.11(n) for transitional services, also introduced by the ISF rule, does include the words “provided by means of a production unit”

AEMO's current guidance does provide for IRPs to classify market connection points without an integrated resource or generating system.

4. Synchronous condenser losses

AEMO agrees with the draft determination that the appropriate treatment of losses of synchronous condensers is a matter that requires deeper consideration of issues beyond those raised by this registration clarification proposal.