

23 October 2025

Australian Energy Market Commission

Submitted online at: www.aemc.gov.au your ref: **ERC0402**

Dear Sir / Madam,

Clarifying Registration for Non-Generating units providing systems security services Draft rule Determination

Stanwell Corporation Limited (Stanwell) appreciates the opportunity to provide feedback to the Australian Energy Market Commission's (AEMC) *Clarifying Registration for Non-Generating units providing systems security services Draft Rule Determination* (the Consultation Paper).

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell maintains a reliable supply of power from two of the most efficient and reliable coal-fired power stations in Australia - the Tarong power stations near Kingaroy and Stanwell Power Station near Rockhampton.

Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is being applied to the shift to renewable energy, as we work on a pipeline of renewable energy and storage projects throughout Queensland.

This submission contains the views of Stanwell only and should not be construed as indicative or representative of the views or policy of the Queensland Government.

Introduction

Stanwell does not believe that the more preferable draft rule that has been proposed by the AEMC will adequately address the issues that were identified in CS Energy's rule change request. We reiterate our support for CS Energy's rule change request and strongly recommend that it should be made as submitted. We believe that CS Energy's proposal to create a new registration category under the National Electricity Rules (NER) for non-generating units such as stand-alone synchronous condensers would resolve regulatory ambiguity around the registration category of non-generating units. It would also allow greater flexibility for future innovation and promote cost-effective and environmentally beneficial reuse of existing infrastructure.

Stanwell has been a strong advocate for the creation of market-based solutions for Essential System Services (ESS), including a separate market for Inertia. ESS is currently under consideration by both the AEMC and the Expert Panel conducting the Wholesale Market Settings Review. Stanwell has consistently advocated for reforms that move away from contracted ESS to transparent, operational markets for system security and inertia services. These markets will need to be developed prior to shortfalls occurring.¹

¹ [Stanwell response to the Efficient Provision of Inertia Directions Paper](#) p.2

The proposed registration category as proposed by CS Energy will capture all non-generating categories that can provide system security services, and this will allow for more flexibility for future innovation and participation in market mechanisms under development. It may provide incentives to retiring thermal generating units to consider alternative use options which may reduce costs and ultimately benefit energy consumers.

Procurement of essential system services

Under the NER, the Australian Energy Market Operator (AEMO), is responsible for determining the required service levels for system strength and inertia. These ESS, which are critical to the stable and reliable operation of the NEM, are currently provided as a by-product of synchronous generation (i.e. thermal generators), with no compensation under normal operating conditions. Any shortfalls in system strength and inertia are then procured as a contracted service by Transmission Network Service Providers (TNSPs).

TNSPs can only procure these services from registered Market Participants through Service Agreements.

The need for a new generator category

As the NEM shifts toward lower carbon emissions, AEMO will need to find new ways of maintaining system strength, inertia and other ESS.

CS Energy have identified a regulatory gap under the National Electricity Rules (NER), where there is no appropriate market registration category for non-generating units such as stand-alone synchronous condensers, or converted thermal generators.

More preferable draft rule is not fit for purpose

The AEMC has made a preferable draft rule to clarify the application of the Integrated Resource Provider Category (IRP) by adding a note to clause 2.3.4(b) of the NER, explicitly mention the IRP's application to synchronous condensers.²

The AEMC considers that the proposed note to clause 3.2.4 (b) of the NER addresses the issues identified by CS Energy. Stanwell does not agree with the AEMC's position. Stanwell believes that the AEMC's proposed inclusion of a note to the NER does not provide sufficient clarity to market participants looking to provide system security services in future. A note only adds to the ambiguity as notes at the foot of a provision are not considered to form part of the National Electricity Law (NEL). Our understanding is that greater weight is generally given to the substantive provisions in the NEL. This would be particularly relevant if the note is not consistent with substantive provisions in the NEL or NER.

Furthermore, the AEMC states in the Consultation Paper that *"as we learn how synchronous condensers engage in the market, there may need to be future changes to the NER registration categories related to the treatment of synchronous condensers or other non-generating units"*.³ This highlights the AEMC is unsure how the inclusion of a note to the NER will, in practice work. This approach could be seen to be "kicking the can down the road", when there is an opportunity to address this issue now by implementing CS Energy's proposal in full.

New registration category needed in the NER

In their Rule change request, CS Energy proposed a new registration category in the NER for non-generating units such as standalone synchronous condensers. This is potentially a more cost-effective way to provide security services than investing in new synchronous condensers.⁴ A new registration category removes any potential ambiguities regarding the ability of non-generating units to provide more non-network system services.

² [AEMC Draft rule determination Clarifying Registration for Non Generating Units Providing System Security Services](#) p i.

³ [AEMC Draft rule determination Clarifying Registration for Non Generating Units Providing System Security Services](#) p i.

⁴ [AEMC Draft rule determination Clarifying Registration for Non Generating Units Providing System Security Services](#) p i.

We see the creation of a new registration category as the simplest and most practical way to close the regulatory gap identified by CS Energy.

Stanwell supports CS Energy's proposal for a new registration category, as per our original submission to the AEMC's initial consultation paper.⁵ The proposed Rule change is non-controversial, not administratively complex, and has net benefits for industry participants, TNSPs, AEMO, and most importantly consumers.

An additional consideration is the potential time and cost of AEMO having to review and update its IRP registration documentation to incorporate the additional clarity introduced by the rule.⁶ Such costs will be passed on to customers.

AEMC's consideration of industry feedback

The majority of stakeholders who responded to the AEMC's consultation paper supported CS Energy's proposal for a new registration category, as it provided the best investor confidence by providing clarity.⁷ Stanwell was one of eight respondents to the initial consultation who overwhelmingly supported CS Energy's rule change and the introduction of a new Generator Category.

It is important for the AEMC to bear in mind that feedback provided by TNSPs will likely favor their business model. That is, continued ambiguity in registration categories, lessens participation and favors solutions involving the installation of new synchronous condensers for TNSPs, as these can be installed and included in their Regulated Asset Base (RAB) with guaranteed revenue for the life of the asset.

Conclusion

Stanwell appreciates the opportunity to provide feedback on the consultation *Clarifying Registration for Non-Generating units providing systems security services Draft rule determination*.

Stanwell supports the adoption CS Energy's rule change as originally proposed and urges the AEMC to listen to the overwhelming support of responses to the initial consultation paper maintaining that it should be implemented as submitted.

Establishing a new Generator registration category will:

- Provide a clear and appropriate registration category for non-generating units and address ambiguity in the NER.
- Support innovation and investment certainty through improved clarity in the NER. Facilitates future market-based ESS provision by enabling broader participation in emerging ESS markets, including future inertia markets.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please contact Brad Supple via email at Bradley.supple@stanwell.com

Yours sincerely



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⁵ [AEMC Stanwell Submission Clarifying Registration for Non Generating units Providing Systems Security Consultation](#) p.1

⁶ [AEMC Draft rule determination Clarifying Registration for Non Generating Units Providing System Security Services](#) p.11

⁷ [AEMC Draft rule determination Clarifying Registration for Non Generating Units Providing System Security Services](#) p.2