Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

18 December 2025

To Ms Collyer,

Optimising contingency size in dispatch and Allocating FCAS contingency costs – Consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission's (the Commission) consultation paper on two rule change requests related to contingency frequency control ancillary services (FCAS) arrangements in the National Electricity Market (NEM).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE does not support the Commission progressing these two rule change requests at this time. ENGIE is broadly concerned that the two rule change requests would reduce the transparency and predictability of contingency FCAS costs and dispatch outcomes, making it more challenging for all participants to forecast their exposure and manage their risks.

Energy Ministers have recently agreed to implement the recommendations of the NEM wholesale market settings review (NEM Review), subject to detailed design proposals, which will result in significant changes to wholesale electricity markets in 2026 and 2027.[1] These two rule change requests should not be assessed in isolation from the NEM Review recommendations, particularly where there are potential conflicts between these rule changes and the NEM Review recommendations. ENGIE notes that these two rule change requests were lodged in 2023, well before the NEM Review commenced.

[1] Energy and Climate Change Ministerial Council 2025, Meeting Communique, 16 December, pp. 1 – 2.

For example, a potential area of conflict in the 'Allocating FCAS contingency costs' rule change request is that the proposed solution may decrease the willingness of larger generators to offer derivative contracts due to new curtailment risks undermining their ability to defend contract positions. This risk is acknowledged by the rule change proponent.[2] The NEM Review identified and raised concerns with upcoming challenges in derivative markets, largely due to declining liquidity and the exit of large generators that have historically underpinned the supply of baseload swaps.[3] ENGIE contends that the likely outcomes from implementing the 'Allocating FCAS contingency costs' rule change would be counter to the NEM Review recommendations that seek to improve derivative market liquidity.

In the context of existing issues with long-term investment signals in the market[4], ENGIE is concerned that these rule change requests may further undermine the commercial viability of larger generation assets and investment signals for these assets. Investment in large synchronous assets is important as these assets provide a relatively higher level of system strength and inertia to the market due to their heavier mass. ENGIE contends that these rule change requests may introduce new barriers to investment beyond those already identified in the NEM Review and intended to be addressed through a new Electricity Services Entry Mechanism.[5]

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0436 929 403.

Yours sincerely,

Matthew Giampiccolo

Matthew Giampiccolo
Manager, Regulation and Policy

---

[2] Grids 2023, Efficiency improvements in Central Dispatch Related to Contingency Frequency Control Ancillary Services (FCAS), April, p. 3.

[3] Nelson, T, et al. 2025, National Electricity Market wholesale market settings review: Final Report, December, p. 13.

[4] Ibid, p. 14.

[5] Ibid, p. 15.