

## AEMC – NATIONAL ELECTRICITY AMENDMENT (OPTIMISING CONTINGENCY SIZE IN DISPATCH AND ALLOCATION FCAS CONTINGENCY COSTS) RULE, CONSULTATION PAPER

AEMC REFERENCE - ERC0359 & ERC0360

**18 DECEMBER 2025**

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission to the National Electricity Amendment (Optimising contingency size in dispatch and Allocating FCAS contingency costs) Rule Consultation Paper. In this submission we will make some introductory comments on the nature of large industrial loads and the obligations of market participants under the National Electricity Objective (NEO). We then seek to define “large loads” for the purpose of these proposed rule changes and then make some brief comments on proposed rule changes (ERC0359 & ERC0360) themselves.

### Introductory Comments

The NEM is changing rapidly and it is prudent to continue to ensure it remains a fit for purpose system that delivers against the NEO, being:

*“to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*

- a. price, quality, safety, reliability and security of supply of electricity; and*
- b. the reliability, safety and security of the national electricity system; and*
- c. the achievement of targets set by a participating jurisdiction—*
  - i. for reducing Australia's greenhouse gas emissions; or*
  - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”*

We firmly believe that the market must continue to work for consumers and that it is incumbent on rule makers and providers of energy services to develop a fit for purpose market that is consistent with the NEO.

All too often we hear calls for consumers, especially large industrial loads, to be required to alter their operations to help manage emerging energy market issues. While some large loads do have some degree of load flexibility and engage in demand response activity (when it is in their best interest to do so), most do not have this flexibility making arbitrary requirements such as forced constraint of load, as suggested in these proposed rule changes to manage emerging issues, a direct contradiction of their long-term interest and the NEO.

This is a highly sensitive issue for large commercial and industrial loads who expect energy providers and the NEM in general to manage the core business of energy supply, so they can manage their core business of providing products and services for their customers.

### **Defining “Large Loads”**

In both rule change proposals we note that all examples given involve the interaction of generation in the system. We agree this is an increasingly complex area given the large number of new generators and other associated technologies connecting to the system and may warrant further consideration of the most efficient operational guidelines and incentives to enhance efficiency and reduce net costs for consumers.

We further note that when “large loads” are mentioned it seems to refer to in-market pumped hydro, batteries and potentially electrolyzers. These in-market loads will indeed have greater flexibility in operation and will more than likely react to sharper price signals, because they can. This is demonstrated via the basic business case for in-market batteries and pumped hydro. They charge or pump when prices are low and discharge or generate when prices are high. In this way we consider them to be flexible, bi-directional loads. Traditional industrial loads, in the main, do not have this operational flexibility as energy is an input as part of a manufacturing process of service provision.

We are unsure if it was the proponents intention to capture all large loads or just specific in-market bi-directional loads. Should these rule changes progress we would strongly suggest that the definition of large loads be made more specific to capture flexible in-market bi-directional loads and exclude traditional, non-flexible loads.

### **ERC0359 – Optimising Contingency Size in Dispatch**

While there may be some efficiency and cost savings to be gained from the optimising approach as suggested by the rule change proponent we are unsure if these savings translate into a net cost reduction for consumers given what we assume will be costs associated with changing the AEMO dispatch engine (NEMDE). The rule change proponent has also identified this as an issue:

*“NEMDE changes can often be expensive and complex so in the event that costs of a full implementation are currently infeasible, I would suggest exploring partial solutions until a time where it does become feasible to fully implement this mechanism.”*

We await any further detail on the net cost savings should this rule change move to the next phase.

Of particular concern is the suggestion that constraining large loads be included as part of this revised approach. We would seek clarity on the definition of large loads and the cost benefit analysis associated with large loads

(specifically traditional large loads) being forced to constrain production, especially where this constraint is to solve a market problem and not associated with stability and safety of the system.

#### **ERC0360 – Allocating Contingency FCAS Costs**

The “runway pricing” model proposed by the proponent, if applied to all large loads, seems highly unworkable and potentially unfair on large loads who may have had nothing to do with the creation of the frequency event but would face a disproportionate cost. No evidence has been provided that would indicate that traditional large loads are causing significant frequency issues that would justify bearing a greater burden of FCAS lower charges. In fact many large loads play an important role in helping to keep the system stable, without any recognition.

If there is a concern that the new wave of flexible bi-directional loads or inverter-based loads (i.e. data centres) are currently or likely to create greater frequency disturbances then rule changes and cost recovery regimes should be targeted specifically at the causer, not the incumbents.

We note the proponents comments that many frequency events are a result of network (specifically transmission) failure and asks if networks should be included in this regime. From a consumers perspective the FCAS bill always gets passed through to them so the principles of efficiency, transparency and fair allocation of costs is paramount. We are unsure of the net benefits of including transmission who already have performance incentives via the regulated regime in which they operate and are unsure if it would improve transparency and efficiency.

The EUAA welcomes further discussions on the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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