

18 December 2025

Australian Energy Market Commission

Submitted via www.aemc.gov.au

Dear Mr Mills,

Optimising contingency size in dispatch, Allocating FCAS contingency costs

Hydro Tasmania welcomes the opportunity to provide feedback on the Optimising contingency size in dispatch and Allocating frequency control ancillary services (FCAS) contingency costs consultation paper. Hydro Tasmania is Australia's largest generator of renewable energy and has been an active contributor to the Australian Energy Market Commission (AEMC) power system frequency reforms over the past several years.

Hydro Tasmania supports the intent of the proposed rule changes. We consider these reforms would enable more efficient operational behaviour, reduce unnecessary FCAS procurement costs, and better align market signals with the services required to maintain power system security. By improving efficiency and cost signals, the changes could also contribute to broader energy transition objectives.

Hydro Tasmania has long advocated for improvements to FCAS dispatch and cost allocation, including as far back as our 2006 rule change request that sought more efficient FCAS dispatch by co-optimising between regulation and contingency services¹ and more recently the synchronous services market rule change submitted in 2019.² We see these current rule change requests as a constructive and meaningful step toward a more efficient and secure FCAS framework.

Importantly, the proposed changes reflect principles that Hydro Tasmania considers fundamental to a well-functioning market:

- **Cost reflectivity and transparency:** FCAS contingency costs should be recovered from parties that either benefit from or contribute to the need for these services. In particular, allocating contingency raise costs to generators within the affected region would improve cost reflectivity, strengthen locational signals, and enhance transparency around the drivers of FCAS costs.

¹ For more information see: [Efficient Dispatch of Regulation Services | AEMC](#).

² For more information see: [Synchronous Services Market rule change proposal](#).





- **Enhanced system security through improved operational tools:** enabling AEMO to manage system security concerns more effectively through the National Electricity Market Dispatch Engine (NEMDE) would allow for better optimisation of resources, reducing inefficiencies and supporting a more secure power system.
- **Efficient dispatch aligned with the National Electricity Objective (NEO):** contingency services should only be dispatched when they reduce overall market costs and deliver net benefits to consumers. Ensuring FCAS is procured and dispatched on the basis of net system benefit would avoid unnecessary intervention, minimise distortionary outcomes, and align FCAS outcomes more closely with the NEO.

While we are aligned with the principles underpinning these proposals, we encourage the AEMC to consider **the materiality of the benefits relative to the costs involved** to ensure that any changes deliver proportionate benefits.

Should you require any further information or wish to discuss the contents of this submission, please contact shannon.culic@hydro.com.au.

Yours sincerely

A handwritten signature in blue ink that reads 'JN Cooper'.

John Cooper
Manager Market Regulation

