Ref. A6261531

16 April 2026

Emily Banks
Project Lead
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

Dear Ms Banks,

Reference – ERC0424 and ERC0428

Security Framework Enhancements and Clarity and Transparency in Security Frameworks – Consultation Paper

Powerlink Queensland (Powerlink) welcomes the opportunity to provide input to the Australian Energy Market Commission's (the Commission's) Consultation Paper on two Rule change proposals - the *National Electricity Amendment (Security Framework Enhancements) Rule* and the *National Electricity Amendment (Clarity and Transparency in Security Frameworks) Rule* published on 12 March 2026.

Response to AEMO's Proposal – Security Framework Enhancements

The Australian Energy Market Operator (AEMO) has proposed enhancements to system strength, inertia and Network Support and Control Ancillary Services (NSCAS) frameworks. In addition, AEMO has put forward changes to the Regulatory Investment Test for Transmission (RIT-T) process and notice of closure for generators.

Similar to other parts of the National Electricity Market (NEM), Queensland's evolving power system is giving rise to new challenges that impact power system security and reliability. Under Powerlink's Transmission Authority and other obligations under the National Electricity Rules (the Rules), Powerlink is responsible to plan, procure and deliver system strength and inertia services in Queensland. As the system changes, Powerlink must continue to provide safe, secure and reliable and cost-effective services to its customers and, in doing so, to manage emerging system security challenges.

We agree with AEMO that it is critical that regulatory frameworks are sufficiently flexible to support timely, efficient and coordinated responses to these challenges. However, we are also mindful of the need to consider the impact of addressing these challenges on customer bills.

Powerlink has provided feedback on some of the changes proposed by AEMO in the following sections.

System Strength Shortfall Analysis

AEMO proposes to use the NSCAS framework to procure system strength to achieve both minimum system strength and stable voltage waveforms (or 'efficient levels of system strength') shortfall requirements. It follows that system strength shortfall analysis be based on information that is reasonably available, up-to-date and location-specific when using the NSCAS framework.

Powerlink is strongly of the view that it is best-placed to undertake system strength shortfall analysis for Queensland, noting that this would still involve interaction with AEMO. Powerlink is aware of and understands location-specific system strength requirements in Queensland. Given our roles and responsibilities to develop, operate and maintain the electricity transmission network in Queensland over several decades, we have established deep and broad knowledge of the Queensland power system, locational requirements and customers. Our unique role and ongoing engagement with industry and customers enables us to access key information (in particular, in relation to the timing of potential coal generation closures, unit decommissioning, etc), well in advance of when it may be put in the public domain. Powerlink uses this timely, localised and pertinent information to inform the planning and potential development of its network. This significant, local network information may not be available to AEMO within the necessary timeframes to factor into the Integrated System Plan (ISP).

This localised knowledge also enables Powerlink to pursue a broad range of potential procurement options to address system strength needs in a manner that promotes prudent, efficient and lower cost outcomes for customers.

We acknowledge AEMO's proposed inclusion of system strength shortfalls in the NSCAS frameworks seeks to reinforce its role as a backstop mechanism to address emerging system security issues. In the event the Commission considers and can demonstrate that AEMO should undertake system strength shortfall assessments for Queensland, Powerlink recommends that any such Rule strengthen the information AEMO should be required to consider. This could include:

- a requirement for AEMO to undertake joint planning activities for system security services with the relevant Transmission Network Service Provider (TNSP), informed by recent, market-tested information in the region. Joint planning should have regard to TNSP involvement in the inputs and assumptions stage prior to shortfall assessment. In addition, a TNSP should have the ability to review and provide feedback on assessment results prior to publication of AEMO's report (Draft or otherwise);
- to strengthen governance and assurance arrangements to provide clear accountability and delineation of roles and responsibilities between AEMO and the TNSP; and
- to establish a framework to address instances where material differences arise between AEMO and the relevant TNSP regarding the outcome to ensure the robustness and integrity of the analysis and ultimate identification, magnitude or location of an NSCAS shortfall. This would enable the timely identification and resolution of any significant disagreements, reduce the risk of delayed or inconsistent procurement and improve certainty in addressing system security risks.

Potential RIT-T Modifications and Alternatives

Powerlink agrees with AEMO that the RIT-T is not well suited to the timely and effective assessment of both network and non-network options to address emerging system security needs. Some of these issues are identified in the AER's *Efficient Management of the System Strength – Guidance Note*[1].

Powerlink's experience is that the cumulative effect of issues with the RIT-T can lead non-network proponents to disengage from the process, which can materially limit its suitability for use to assess and facilitate investment in system security solutions.

Table 1 provides a high-level outline of issues with the RIT-T when used for system security related investments, and potential modifications to develop a more fit-for-purpose assessment framework for system security needs. Powerlink notes that further detailed consideration from stakeholders (including the AER) is required on potential alternative or amended arrangements.

Table 1 – Issues and potential alternatives for the RIT-T

Existing Issue with RIT-T	Potential Alternative
The current stages of RIT-T consultation cause unnecessary delays in assessment and investment and requires non-network solution proponents to submit extensive information	• Reduce the number of stages of assessment, with proponents of non-network solutions, industry stakeholders and interested parties • Improved timeliness of TNSP assessments, and reduced burden on non-network proponents to provide information on solutions
The current dispute process may result in unnecessary delays to critical investment	• Limit access to the dispute process to parties who make a non-network solution submission to the TNSP
Net market benefits and base case assessments are costly, complex and time-consuming, and may not add material value to the assessment of solutions	• Implement a simpler assessment process that focuses the evaluation on the costs and benefits • Development of agreed principles with consultation on the principles
Treatment of operating and capital costs for non-network options distorts commercial feasibility analysis for system security investments	• The actual/expected operating cost of non-network options to address system security needs should be directly accounted for in the assessment and ranking of options (in comparison to the RIT-T where estimated operating costs are treated as a wealth transfer between market participants and do not impact the NPV) • Where a non-network asset is uncommitted at the time of assessment and can provide multiple services, only the incremental capital cost required to deliver the relevant security service should be considered.

[1] AER, The efficient management of system strength framework – Guidance Note, December 2024.

Extension of Generator Closure Notices

Powerlink supports AEMO's proposal to extend the minimum notification period for generator closure from 3.5 years to 5 years. Extending the notification period to 5 years would better align generator exit signals with the planning, approval and delivery timeframes required for system security solutions. This could reduce the risk of under procurement of critical system services and support a more orderly, efficient and lower cost transition of the NEM.

However, closure dates are frequently revised or deferred regardless of required notification periods. This can create the risk of inefficient investment where information changes quickly and the procurement of potential solutions is slower. We recommend the Commission consider how the Rules can provide guidance on navigating such situations.

Interaction between the NSCAS Framework and other System Security Frameworks

While Powerlink supports measures to enhance AEMO's ability to declare system security deficits as NSCAS gaps, this role should operate strictly as a backstop to TNSP system security planning functions. This reflects the need to preserve clear accountability and ensure that forward-looking, integrated system security planning continues to be led by TNSPs, with NSCAS gap declarations used only where planning and delivery mechanisms are not able to address emerging risks in a timely manner.

We consider that the use of this mechanism be limited to circumstances where existing frameworks are unable to address identified system security needs. It should not displace the primary planning and investment responsibilities of a TNSP, nor impose infeasible or commercially unreasonable procurement outcomes. Consistent with this approach, the Rules should enable a TNSP to progress solutions where system security shortfalls are independently identified, without reliance on a formal AEMO NSCAS gap declaration.

AEMO proposes to amend the NSCAS framework so gaps in the efficient (stable voltage waveform) level of system strength can be declared as NSCAS gaps, which System Strength Service Providers (SSSPs) must remediate. Powerlink understands AEMO's Inverter-Based Resource (IBR) forecasting assumes all IBR are grid-following; does not reflect IBR-specific self-remediation; and may include projects under the former system strength framework. If AEMO's IBR forecasts overstate service needs, efficient system strength NSCAS gap declarations could drive inefficient SSSP expenditure.

As a result, the NSCAS framework should only function as a genuine backstop mechanism. The majority of system security needs should continue to be addressed through recently established, forward-looking arrangements, including the System Strength Framework. In this context, the System Strength Framework has only been fully operational since December 2025 - a mere four months. Given the clear recency of this framework, our view is that this framework should be allowed sufficient time to embed, apply and mature, to enable any practical implementation or other issues to be identified, considered and potentially worked through, prior to further reform.

Powerlink recommends that any changes to existing arrangements should appropriately recognise the asymmetric risk profiles between AEMO and TNSPs in managing system security risks. This is particularly relevant when considering the potential for over versus under procurement in a system security context. While the consequences of under procurement may be materially greater than the costs associated with acting earlier to support secure outcomes, this may not always be the case. It is essential that any changes to the existing frameworks continues to account for this nuance, to ensure positive and efficient customer outcomes are prioritised.

This consideration is especially relevant given the current allocation of system security roles and responsibilities between TNSPs and AEMO under the Rules.

Response to AEC/CEC Proposal - Transparency in Security Frameworks

In recent years, market bodies and industry participants have worked collaboratively to design and implement a range of system security reforms. While Powerlink acknowledges the importance of clearly defined accountabilities and responsibilities for the planning and delivery of system security services as the power system evolves, the extent of these recent reforms and the work currently underway does not provide sufficient evidence to justify further change at this time.

As outlined above, these frameworks must be given time to operate and mature over a longer period to support a more informed assessment of system security arrangements before considering broader change.

If you have any questions or require further clarification in relation to this submission, please contact me at jenny.harris@powerlink.com.au.

Yours sincerely

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