AGL Energy Limited
T 02 9921 2999
F 02 9921 2552
agl.com.au
ABN: 74 115 061 375

Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065

Australian Energy Market Commission

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National Electricity Amendment (Security framework enhancements) Rule (ERC0424)

National Electricity Amendment (Clarity and transparency in security frameworks) Rule (ERC0428)

AGL Energy (AGL) welcomes the opportunity to respond to Australian Energy Market Commission (AEMC) Security Framework Enhancements & Clarity and Transparency in Security Frameworks rule change consultation.

We consider that the issues raised in both rule change requests are timely, given the pace of change in the National Electricity Market (NEM) and the increasing importance of essential system services (ESS) in enabling reliable and secure operation. We consider both rule changes should be consolidated as part of this process. However, if there are resourcing limitations which may make this challenging, we consider that substantive and enduring improvements will only be achieved through deeper reform of the governance, planning, and coordination of ESS, as proposed in the Australian Energy Council (AEC) & Clean Energy Council (CEC) joint rule change proposal.

Key points

- AGL supports the AEC-CEC rule change proposal, including:
  - Assigning clear responsibility to an independent body for determining the efficient level of ESS, rather than relying on fragmented, transmission network service provider (TNSP)-led decisions. AGL supports potentially expanding the scope of the existing Reliability Panel to take on this responsibility.
  - Strengthening long-term forward planning, including a more actionable and investable AEMO Transition Plan for System Security (TPSS) with targets at least 10 years ahead.
  - Establishing consistent ESS definitions, technical standards, and procurement approaches across the NEM to reduce uncertainty and costs.
- The current piecemeal, project-by-project approach to ESS procurement, led separately by multiple TNSPs across different jurisdictions, is uncoordinated, costly, and poorly suited to the rapid pace of transition within the NEM.
- A future ESS framework must be technology agnostic and provide clear, credible, and long-term investment signals to support efficient investment across different asset classes.
- We recognise that elements of the AEMO proposal may deliver short-term improvements, particularly around timing and backstop mechanisms.
  - However, the AEMO proposal should not be prioritised over the more fundamental reforms proposed by the AEC-CEC proposal.
- AGL does not support extending the generator notice of closure timeframe from 3.5 to 5 years, as doing so would not materially improve system security outcomes in the absence of stronger ESS governance and planning frameworks, risks creating a false sense of certainty, and may instead increase the likelihood of delayed closures and distorted investment signals rather than enabling timely, coordinated and least-cost delivery of ESS.

AEMO rule change proposal

AGL acknowledges that elements of the AEMO rule change proposal may provide near term benefits, particularly in addressing timing misalignments and improving the effectiveness of backstop mechanisms.

We are concerned that focusing reform efforts primarily on extensions of existing timelines and streamlining of RIT-T processes may divert attention from the more fundamental task of establishing clear, credible, and coordinated long-term planning for essential system services. Without this structural change, incremental

improvements may deliver diminishing returns, leave investors exposed to ongoing uncertainty and ultimately lead to poorer system security outcomes at higher cost.

Structural, impactful changes should be prioritised

AGL encourages the AEMC to consolidate both rule change proposals as part of this review process. If this is not possible then we consider the AEC-CEC rule change should be prioritised. While AGL recognises that some elements of this proposal are complex and will require careful design and implementation, the scale of the system transition demands a framework that is capable of evolving with it.

AGL considers that a reformed ESS framework grounded in transparent objectives, clear accountability and long-term planning will better serve consumers, support competition, and enable efficient investment across a diverse range of technologies. In our view, this pathway offers a more durable and future-focused solution than incremental adjustments to existing arrangements.

The current ESS framework is not fit for purpose

The current regulatory settings for ESS are not fit for purpose for the rapidly transitioning NEM. The existing frameworks remain heavily path dependent on historical network centric arrangements and implicit services provided by synchronous generation (the majority of which will exit the system within the next 10 years), rather than being designed around a future system dominated by inverter-based resources (IBR), storage, demand response, and new forms of firming.

The absence of a clear, system wide approach to determining efficient levels of ESS creates uncertainty for investors and increases the risk that security outcomes will be achieved in a reactive, ad-hoc and financially inefficient manner, ultimately leading to higher costs for consumers. The lack of transparent investment targets and clearly articulated long-term requirements is a primary driver of inefficient outcomes, including duplicated investments, suboptimal technology choices, and late reliance on emergency or transitional mechanisms.

Limitations of the current decentralised, TNSP-led, piecemeal approach

The current ESS procurement model is overly complex, fragmented and ill-suited to delivering least-cost outcomes in a transitioning power system. Under the existing arrangements, responsibility for deploying system strength, inertia and related services largely sits with individual TNSPs. Reliance on project-by-project RIT-T processes, undertaken separately by multiple TNSPs across different jurisdictions, has resulted in lengthy timeframes, inconsistent approaches, and barriers to efficient participation by non-network solutions. This has resulted in a patchwork of procurement processes, technical specifications and investment decisions that are not coordinated at a system level.

We consider this to be a fundamentally poor process for managing services that are, by their nature, system critical and increasingly interdependent across regions. The absence of whole-of-system portfolio planning results in decisions that are made in isolation, without adequate consideration of how different investments interact, substitute, or reinforce one another across the NEM. This approach increases costs, limits optionality, and makes it more difficult to optimise outcomes for consumers.

The most efficient pathway forward is the development of a long term, system level portfolio planning for ESS. This should be supported coordinated investment across regions, reduce the risk of over or under investment, and allow trade-offs between locations, technologies, and timeframes to be assessed transparently. Continuing with the current decentralised model will entrench higher costs and inefficiencies over time, particularly as security needs grow and diversify.

We support further consideration of alternative procurement models that are service based, technology neutral and aligned with long term planning signals, while maintaining appropriate cost effectiveness. Procurement reform should be viewed as a core enabler of efficient ESS delivery, but it must sit within a stronger governance and planning framework to ensure system wide coordination and accountability.

The frequent reliance on directions illustrates systemic failure of the current system

AGL considers the increasing and sustained reliance on directions as a strong indicator that the current system security and ESS frameworks are not functioning as intended. Directions are designed to be a last-resort operational security mechanism, yet their frequent use over many years suggests that underlying planning and investment signals are failing to deliver the services required to operate the system securely under normal conditions. Consumers ultimately bear the costs of these interventions, meaning that deferring structural reform in the name of consumer protection is increasingly difficult to justify. In our view, the prevalence of directions should be interpreted as evidence of systemic shortcomings in the ESS framework, reinforcing the need for proactive, forward-looking reform rather than continued reliance on operational workarounds.

A proactive approach to ESS is needed

We consider that system security regulation must be anticipatory rather than reactive. The consequences of failure in power system security are high, potentially catastrophic, and often only become visible after irreversible decisions have already been made, such as major plant closures or investment deferrals. A regulatory approach that waits for observable harm before acting is poorly suited to managing these risks and is inconsistent with prudent system planning. Therefore, reform of ESS governance and planning should therefore be undertaken to anticipate foreseeable risks, rather than responding after the fact through emergency measures. Consolidated and proactive reform will better align regulatory practice with the nature of system security risks and the objectives of the National Electricity Objective.

AGL supports technology-agnostic, forward-looking investment signals

We support reforms that promote technology-agnostic, cost-effective outcomes. Future ESS requirements will most probably not be delivered by any single technology class, but through portfolios of complementary assets capable of providing multiple services across different timeframes and operating conditions.

We consider that the AEC-CEC proposal is well aligned with this need, as it emphasises clarity of service definitions, standardisation of requirements, and long-term planning signals rather than prescriptive solutions. By contrast, frameworks that rely on late-stage procurement by TNSPs, often in response to binding requirements that arise only a few years ahead, tend to favour capital intensive network solutions and disadvantage innovative or multi service assets that require earlier development and financing certainty.

Clear, forward looking and technology neutral planning signals are essential to support efficient investment decisions. This is particularly important for assets such as batteries, hybrid facilities, fast-start gas plant, and emerging grid-forming technologies, which can provide energy, reliability, and multiple essential system services if given adequate lead time and certainty.

About AGL

Proudly Australian since 1837, AGL provides over 4.5 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. AGL operates the largest private electricity generation portfolio in Australia, with a total operated generation capacity of almost 8000 MW across Australia as of 30 June 2025. AGL owns Australia's largest privately-owned fleet of hydro assets and operates the largest portfolio of renewables and storage assets of any ASX

listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market (NEM).

If you have queries about this submission, please contact Alifur Rahman at arahman3@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager Wholesale Market Regulation

AGL Energy