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Australian Energy Market Commission (AEMC)

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Dear Emily

ERC0424 and ERC0428: National Electricity Amendment (Security framework enhancements) Rule and National Electricity Amendment (Clarity and transparency in security frameworks) Rule

Akaysha Energy (Akaysha) welcomes the opportunity to provide a response to the Australian Energy Market Commission (AEMC) to the Consultation Paper on the two Rule Change requests on improving the system security frameworks - ERC0424 National Electricity Amendment (Security framework enhancements) Rule, as submitted by the Australian Energy Market Operator (AEMO); and ERC0424 National Electricity Amendment (Clarity and transparency in security frameworks) Rule, the joint Rule Change Request from the Australian Energy Council (AEC) and the Clean Energy Council (CEC).

Akaysha is an Australian company specialising in build, own, operation of utility scale battery energy storage systems (BESS) asserts. We currently have 5GWh of BESS in operation and construction in Qld, NSW and Victoria, and a 30GWh global development pipeline. The continued focus on improving the existing system security framework across the NEM is a critical priority for us for a number of reasons:

- Grid-forming (GFM) inverters can, and should, play a growing role in providing a range of essential system security services. This presents an optimal pathway for an energy system that is transitioning away from existing thermal generation. Without the appropriate regulatory and procurement settings to enable GFM inverters to provide these services, we risk a delayed coal closures and/or an over-investment in synchronous condensers or other network solutions.
- Without appropriate grid inertia and system strength levels, Akaysha is concerned about an increase in AEMO intervention events.

Akaysha supported the initial proposal for the AEC/ CEC Rule Change and believe that it is fully complementary to the AEMO Rule Change. The existing essential system security (ESS) procurement framework has arisen from successive Rule Changes, most recently the Improving Security Frameworks (ISF) Rule Change. There are a number of evolving processes relevant to the success of ESS procurement in Australia – AEMO released their second TPSS in December 2025, and system strength service providers (SSSPs) finalised their RIT-T processes in 2025.

We acknowledge the points raised by the AEMC that these processes are new and we have not had time to fully play out. However, we also believe that the success of a future ESS framework will be iterative. We have had enough time to recognise some initial issues that should be addressed as a matter of priority. These issues make up the points put forward in the two Rule Changes – with AEMO considering concerns from a grid operator perspective, and the AEC/ CEC Rule Change considering

the issues within the current procurement framework that might limit the commercial appetite for GFM inverters to provide ESS.

As a further point, we do not fully agree with the AEMC characterisation of the AEC/ CEC Rule Change. The AEMC notes that the AEC/ CEC Rule Change seeks to improve:

> *accountability and transparency in system security planning and provision, with a focus on ensuring that the governance arrangements elicit clear, consistent and timely investment signals*

This is a partial summary of the intent of the Rule Change. The Rule Change focuses on three key areas – improved planning, improved procurement processes (following planning) and improved governance. Each of these areas is fully complementary to the AEMO Rule Change.

It is critical that the two Rule Changes are progressed in parallel to jointly consider how to improve current processes both from a grid operation perspective, and from a commercial perspective. If the AEMC were to only pursue the AEMO Rule Change as a higher priority, then this will result in a sub-optimal set of solutions. The issues identified are not isolated – the planning issues recognised by both AEMO and the CEC/ AEC beget procurement issues, and the concerns regarding the overall governance and accountability under the ESS framework compound or directly relate to these issues

As noted above, there is no doubt that the ESS frameworks in Australia are going to need to go through iterative, successful Rule Changes over the next 5-10 years as additional efficiency opportunities become apparent. Delaying reforms to address the current identified issues will likely result in more future issues. Importantly, neither Rule Change seeks to undermine the existing ESS framework or propose radical departures. Many of the points put forward can be addressed through tweaks within the existing processes. Other points – such as the need for service specifications – has been an ongoing point of discussion for a number of years.

Akaysha's response below sets out our position in respect of the questions asked by the AEMC. Broadly we are supportive of most elements of the Rule Change Recommendations – and as noted – are very supportive of these issues being addressed under a single Rule Change process to ensure that issues are not considered in isolation.

Akaysha looks forward to continuing to work with the AEMC on progressing these recommendations. For more information on anything included within this submission please contact Emma Fagan (emma.fagan@akayshaenergy.com).

Kind regards

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akaysha

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Akaysha response to the AEMC questions

No	AEMC question	Comments
1a	Are the timelines for TNSP obligations and incentives (or lack thereof) to commit ahead of requirements limiting the ability of TNSPs to procure and commission system security solutions ahead of transition points? If so, in what way?	Questions 1a and 1b related to the timelines should be explored in more detail. These changes also highlight the importance of running the two processes in parallel – if a number of existing processes are resolved in parallel, then there may not need to be an extension to the existing timelines for procurement and commissioning of system security services. If recommendation 1c is progressed, and ESS procurement is taken out of the RIT-T framework, then it is worth considering whether an extended timeframe is still needed, and what the most appropriate timeframes would be. **Improved planning process per the CEC/ AEC proposal.** One of the key recommendations within the CEC/ AEC is for the TPSS to create more actionable outcomes. Addressing this point would be an initial step into considering the most appropriate timeframes for procurement. This would lead to a slightly updated approach than the one that currently exists. Under the slightly amended process AEMO releases their annual TPSS identifying additional ESS needs. In addition to setting out jurisdictional needs it would create actionable obligations for specific services and procurement, with clear obligations on timelines and clear obligations on the expectations of the TNSPs. This would then drive the immediate ESS procurement priorities. From a non-network options perspective – it is likely that this process could occur within a three-year window. Given the initial system strength RIT-Ts have already been finalised, procurement of non-network options should be able to occur annually or biannually with minimal additional review to incorporate any additional requirements highlighted by AEMO in the TPSS – particularly as procurement is focused on operating or construction assets[1]. The ability to deliver services within a three-year window will be further improved if the procurement recommendations included in the AEC/ CEC Rule Change are progressed in parallel. The primary timeline concern seems to be whether network solutions can be procured within the existing timelines. We would encourage the AEMC to undertake further work on this issue to better understand the timeline concerns and what an alternative framework might need to look like.

[1] Note that if the ESS procurement framework is ever used to drive new build capacity in a particular region then a five-year lead time from the beginning of the procurement cycle starting with AEMO releasing the TPSS to delivery of services may be necessary.

1b	Is the right information provided in the right timeframes to enable timely procurement? If not, why not?	Akaysha does not support any extension to coal closure notification timelines. A better approach is to keep the shorter minimum 3.5 coal closure notice dates. AEMO and the TSNPs should be planning for ESS requirements based on the existing closure schedule, rather than waiting for notice to be provided. Any extension to the notice period amplifies the asymmetric risk profile highlighted by AEMO in that it risks ESS procurement being delayed, and there being insufficient ESS on the network in the event of increased asset failure and unplanned outages of aging thermal assets. The RIT-Ts finalised last year set out a clear plan for procuring minimum and efficient levels of system strength over the next decade. If these quantities are procured, then it is unclear what value a five-year notice period would provide. If there is a mismatch between identified RIT-T quantities and quantities that are procured, then this represents more fundamental issues in the procurement and governance frameworks that will not be addressed through an extended 5-year coal closure notice period.
1c	Are planning lead times too short, such that we miss out on additional options or opportunities for co-optimising procurement?	No obvious issues at this stage, but there needs to be more active procurement of ESS over the next couple of years to fully identify if this is an issue.
2a	Is the length and complexity of the assessment process justified given the urgency for investment in system security solutions? Do the frameworks strike the right balance between ensuring sufficient oversight of network spending, selecting low-cost solutions and enabling timely investment?	Akaysha is fully supportive and aligned with the concerns raised in the AEMO Rule Change regarding the application of the RIT-T process to ESS procurement. The RIT-T is a highly regulated process with a number of steps and approvals that need to be satisfied ahead of the official procurement beginning. It is well suited to major, individual network investments, but is not well suited to ESS procurement – which will essentially be an ongoing, annual or semi-annual process. If a RIT-T process was required to address every change put forward in an AEMO TPSS, then the TNSPs would effectively always be 2-3 years behind identified AEMO needs. The initial RIT-T process finalised by all regions last year has effectively identified both the preferred technology mix for minimum and efficient levels of system strength, as well as the notional quantities needed. This should not need to go through any future RIT-T processes if the TPSS changes requirements. Similarly, if inertia or NSCAS needs are identified then there are more streamlined options than a full RIT-T. Akaysha is very supportive of a more streamlined procurement process that would follow the following steps:

		1. AEMO identifies needs – this is already done through the TPSS. 2. Technology types that can meet those system requirements are, or already have been, determined based on compliance with existing service specifications (see Q4a) 3. A competitive, transparent process is run by the TNSPs to procure quantities needed to meet the identified needs. Selected providers would be based both on cost and their ability to provide service by identified timelines. 4. Successful proponents would commit to a standardised contract that aligns with the requirements as operating as an ISF asset. Note that the procurement process is currently run by the TNSPs. In the interests of considering minor implementable changes, the above process does not challenge this – however if multiple procurement processes are being run over multiple jurisdictions in an uncoordinated fashion, this is necessarily going to create administrative and resourcing challenges for non-network solution providers. The AEMC should consider whether this can be resolved if procurement remains with the individual TNSPs, or whether a NEM-wide ESS procurement approach could be managed through a single body. This notion was considered at a high level in the Final Report of the National Electricity Market (NEM) Wholesale Market Settings Review[2]
2b	Are there barriers related to assessment and procurement processes that restrict non-network proponents participating in the provision of system security? If so, what are these barriers?	Related to the need for a more streamlined procurement process as an alternative to the RIT-T – addressed in the question above, Akaysha believes that non-network solutions would benefit from the following features within a procurement process: • Clear service specifications with regulatory authority that can be used to support the selection of OEMs who are deemed compliant with those specifications. • Full process transparency – forward looking timelines for ESS procurement processes set out on a jurisdictional basis. This could be incorporated into the TPSS or form part of a separate document. • Clear guidelines for each ESS procurement process setting out quantities needed, timelines for services, and contract length. These suggestions are not unreasonable, and in fact would be considered industry standard when compared to all other procurement processes that currently exist – the CIS, FERMA and LTESA as examples. The RERT and SRAS procurement processes also have

[2] National Electricity Market wholesale market settings review - DCCEEW

		transparent procurement frameworks and clear process timing laid out to enable business planning. Importantly these processes need to be coordinated and consistent across jurisdictions. This level of clarity and transparency would allow businesses to incorporate these services into forward planning. Ultimately more transparency and process enable business to start considering ESS services as standard project offerings, rather than needing ad-hoc, bespoke consideration on a jurisdiction-by-jurisdiction basis. A broader issue relates to the appropriate approach for pricing services. As per our comment on 2a, we have focused on process improvements that can be easily implemented within the existing framework. However, we encourage the AEMC to continue to think about broader reforms which may improve processes further. One of these points is whether ESS services should ultimately become fixed price services based on jurisdictional need. This is the approach taken in other jurisdictions[3], and also aligns with how system strength costs were originally applied.
3a	Do stakeholders agree with AEMO's view that the NSCAS framework has limitations that prevent its effectiveness as a backstop mechanism for system strength and inertia?	Akaysha is supportive of the AEMO proposal to allow the NSCAS framework to procure stable voltage waveform services. The fact that it does not currently allow this seems like an oversight – like the historical oversight that prevented GFM inverters from participating in procurement that was specific to "inertia" – this point was rectified in the ISF Rule Change
3b	Are there any other limitations or issues with procuring system strength or inertia services through the NSCAS framework that could be addressed through this rule change process?	N/A
4a	Do you agree with the Commission's characterisation of the issues raised in the AEC & CEC rule change request?	As set out by the AEMC the CEC and AEC Rule Change is focused on three key areas – better planning, improved procurement processes and improvements to the governance frameworks. The challenges and proposed improvements to the procurement processes has been addressed at length in response to previous questions. **Governance and transparency**

[3] See Germany as an example Market-based procurement of inertia of local grid stability

		In respect of the concerns raised on governance as a starting point the AEMC should pursue the changes proposed by the AEC;/ CEC related to introducing actionable projects into the TPSS. If the AEMC was to consider some simple to implement solutions that would improve transparency and accountability, the TPSS should be updated to include: • Actionable projects. • The TPSS should provide detail on the RIT-T quantities[4] and how this aligns with AEMO identified needs. • The TPSS should provide transparency on what TNSPs have procured to date – either contracts signed for network and non-network solutions, or quantities in processes underway. • TNSPs should be obligated to provide information for AEMO to include in the TPSS addressing whether there are any delays in the procurement process and where this might lead to shortfalls. • AEMO should be obligated to identify how these shortfalls will be resolved, with detailed timelines and actionable projects set out. **Need for service specifications** This is another topic included within the CEC/ AEC Rule Change which has not been addressed in detail above, but which Akaysha is very supportive of. Currently there is a mix of guidelines and/ or documents produced as part of the RIT process[5] - none of which are enshrined in the NER. Without having proper regulatory backing, it is challenging for OEMs to update inverters to meet these requirements – particularly international OEMs. It is also challenging for developers to make OEM selections based on technical capability if there is no process for OEMs to show they've been certified by AEMO and/or a TNSP to a specification. This is a critical topic that does need to be addressed quickly. Steps to address: 1. Identify which services need service specifications – stable voltage waveform and inertia should be the initial priority, but there may be other services captured within this first tranche. 2. These specifications need to be explicitly addressed in the Rules with authority given to a body to establish these specs. Strong preference for AEMO so we have jurisdictional consistency. Lesser preference would be for the NER to

[4] From the initial RIT-T System Strength process. As noted above, the RIT T should not be the preferred procurement mechanism going forward.

[5] For example see the AEMO "Inertia Methodology Requirements" - inertia-requirements-methodology-v2-0; and the Transgrid "Transgrid's technical performance and power system modelling requirements for stable voltage waveform support services from grid-forming BESS" Transgrid_Stable voltage waveform support specifications for grid-forming BESS

		enshrine the authority for the TNSPs to develop their own specifications – and determine the process for this. If this option is progressed the AEMC should think about how jurisdictional consistency can still be achieved. 3. The specifications should be subject to clear processes – i.e. approach for updates and consultation with stakeholders should be identified. 4. The specifications should ultimately be set out similar to the market ancillary services specifications (MASS) where expectations for successful provision of service as well as necessary data points to demonstrate success are very clearly set out. Note for both inertia and stable voltage waveform a significant amount of work has already been done by both AEMO and the TNSPs. This process step would just provide more clarity and formality, and drive more jurisdictional consistency. We are not asking that there is a single ESS procedure that tries to cover a range of services – we understand that this will be too challenging. We also think it will be too challenging and inflexible for the NER to define the services directly.
4b	Are there further issues related to governance and transparency in the security frameworks that are not captured above? Please provide evidence where possible.	This question is addressed in the answers above
7	Coordination and implementation of the Rule Changes	As noted in our opening commentary, Akaysha views it as critical that these Rule Changes are run as a single process.

Table on solutions

The following Table sets out Akaysha's position on each of the solutions as set out by the AEMC in Chapter 3.

Solution	**Akaysha Energy position**
AEMO proposes extending the binding timeframe for meeting system security requirements to five years	More work to be done on what the appropriate binding timeframes need to look like
AEMO proposes extending notice of closure obligations to five years	Do not support

AEMO proposes a streamlined or alternative RIT-T process for system security investments	Support
AEMO proposes removing the requirement for inertia or system strength requirements to be revised before an NSCAS gap can be declared	No position
AEMO proposes allowing the NSCAS framework to procure system strength to achieve stable voltage waveforms	Support
AEMO proposes extending the time period for which an NSCAS gap can be declared	Similar to point 1 – more work to be done on timeframes
AEMO proposes that system strength and inertia NSCAS should be subject to a streamlined investment approval process and have access to early works funding	No position
The AEC and CEC propose including extra Rules guidance on the TPSS to include specific actionable plans	Support
The AEC and CEC propose standardising security service definitions and procurement processes	Support