



**EnergyAustralia**

LIGHT THE WAY

16 April 2026

Australian Energy Market Commission  
Attention: Emily Banks, Victor Stollman

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**National Electricity Amendment (Security framework enhancements) Rule (Ref: ERC0424)**

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

EnergyAustralia is one of Australia's largest energy companies with around 2.2 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We welcome the AEMCs consultation on the rule change requests proposed by the Australian Energy Market Operator (**AEMO**), and Australian Energy Council (**AEC**) and Clean Energy Council (**CEC**), respectively. We also thank the AEMC for its engagement with industry on the requests to date.

In principle, we agree with both proponents that the security framework could be enhanced. However, we encourage the AEMC to consider both rule change requests in tandem, and not to let the opportunity for reforms which may benefit the industry in the long-term pass in favour of more short-term, incremental improvements to the security framework.<sup>1</sup>

In summary, our positions are:

- While we support AEMOs rule change request in principle, we consider broader changes to the essential system services (**ESS**) framework should also be prioritised, which may help to alleviate the need for some of AEMOs proposals.
- The AEC/CEC rule change request, including the costs and benefits associated with reforms to ESS governance, merit further consideration, in tandem with AEMOs rule change request.

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<sup>1</sup> AEMC, Consultation Paper | System Security Amendments, 12 March 2026 (**Consultation Paper**), p. vii. We note the AEMCs indicative comment that it may seek to progress the AEMO rule change request in 2026, while targeting completion of the AEC and CEC request in 2027.

- In the alternative to a change of ESS governance, we propose consolidating existing AEMO planning documents to provide greater long-term national consistency on ESS governance and procurement.
- Regardless of any change to ESS governance, we submit the current ESS procurement process lacks transparency and propose workable options to help remedy this.

Our submission supports progress on a range of reforms designed to complement AEMOs rule change request by prioritising contestability and market-based solutions for ESS, while retaining AEMOs reforms to the NSCAS framework as a backstop mechanism.

We appreciate the AEMC manages a significant volume of regulatory change, the pace of which is unlikely to slow in the foreseeable future. However, we stress that there may not be a more opportune time to thoroughly consider the issues outlined in both rule change requests. Below, we outline why progress on both rule change requests together is the preferable approach, and why the two requests are also complementary.<sup>2</sup>

### 1. Current ESS framework

First, we outline our experience with the current ESS framework. While we agree improvements could be made through AEMOs rule change request, we submit that broader improvements to the ESS governance and procurement process should also be prioritised.

#### *a. RIT-T process lacks transparency and consistency.*

The existing RIT-T procurement process is structurally inconsistent across jurisdictions. While we acknowledge this process has broader application than ESS, we submit that these inconsistencies have a broader impact on contestability in procurement application between different regions, including for ESS.

We consider the RIT-T does not give industry participants sufficient clarity or predictability as to how investment decisions are made. The metrics for RIT-T investment decisions are at times vague and differ between TNSPs, while successful tenderers lack protection from unexpected costs relevant to the ESS projects. This is particularly the case, for example, when we see VicGrid’s structured approach to procurement based on a three-phase process, starting with existing operational synchronous generation, followed by services from new synchronous condensers, then new grid forming assets.

#### *b. Overlap between AEMO planning documents.*

Currently, different ESS forecasts or TNSP planning documents may not include the same information or milestones, creating the potential for uncertainty and over-procurement in ESS. Having a consolidated approach to setting both the minimum and efficient levels of ESS required—whether this is provided by AEMO, or a third party to complement AEMO—could help alleviate planning uncertainty and provide more clarity to both TNSPs, in their role as System Strength Security Providers (**SSSPs**), and industry participants.

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<sup>2</sup> Consultation Paper, p. 47. We note the AEMCs agreement with the AEC and CEC that the ‘two rule change requests are complementary and that there are overlaps in the problems identified as well as some aspects of solutions’.

AEMO publishes multiple documents designed to inform how industry participants make forward-looking decisions, but it can be unclear which of these documents should be considered as the most accurate and authoritative. These documents include the Integrated System Plan (**ISP**), Transition Plan for System Security (**TPSS**) Electricity Statement of Opportunities (**ESOO**), and each jurisdiction's annual planning reports (**TAPRs**). Each contain forward-looking milestones and given the different cadence of each publication, there is potential for confusion about what dates industry participants should consider when making forward looking planning decisions.

Further, while we consider the 2025 TPSS includes several improvements on the 2024 TPSS, we respectfully submit it remains a highly technical document that is particularly difficult to interpret on a consistent basis, and which may not be accessible to relevant stakeholders, including investors, who lack industry expertise.

## 2. Clarity and transparency to help the industry at large.

As outlined in section 1 of this submission (above), a lack of clarity and transparency in the current ESS procurement framework risks creating uncertainty not just for industry participants, but for TNSPs and AEMO.

We acknowledge AEMOs vital role and expertise in the ESS framework. Rather than detract from this, we express our support for complementary measures to provide more long-term national consistency over ESS governance and procurement. We consider these measures could help reduce the frequency of backstop ESS mechanisms over the longer-term, and associated opportunity costs being passed on to consumers.

We consider a more robust governance framework could be achieved in multiple ways, with two examples outlined below.

- **Option 1** – undertake further assessment of delegating responsibility for ESS governance to a third party, as proposed by the AEC/CEC.
- **Option 2** – clarify and strengthen AEMOs role in ESS governance through reform of existing processes.

### a. Consideration of governance reforms raised by the AEC/CEC.

On **Option 1**, we consider there is merit in further exploration of the AEC/CECs proposed governance reforms before the AEMC decides whether to separately progress the two rule change requests. We acknowledge the potential issues to work through in developing a new ESS governance framework, though we note the costs of doing so likely cannot be quantified at this stage.<sup>3</sup> Meanwhile, the cost of implementing AEMOs proposed amendments, though likely administrative in nature, don't address the 'potential opportunity costs' from over-procurement if the current ESS framework remains as is.<sup>4</sup> We consider the two rule change requests could be progressed together, among other reasons, so the AEMC can conduct further analysis of the relative costs and benefits from each before deciding which combination of reforms is most likely to contribute to the National Electricity Objective (**NEO**). This would also allow the AEMC and AEMO to undertake further feasibility assessments on whether potential third parties are appropriately set up to support ESS governance, including the Reliability Panel.

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<sup>3</sup> Consultation Paper, pp. 31-33.

<sup>4</sup> AEMO, Electricity Rule Change Request, Efficient and timely management of system security needs through the energy transition, November 2025 (**AEMO rule change request**), p. 25.

#### ***b. Leverage existing AEMO planning documents.***

In the alternative, under **Option 2** we consider existing industry processes could be leveraged to clarify AEMOs role for ESS governance while providing industry with greater long-term certainty. In section 1 of this submission, we identified several AEMO forward-looking publications which overlap to an extent. In our view, the TPSS should be the authority for ESS. Where AEMO undertakes broader consultation on TPSS changes, we suggest that AEMO could apply the standards in the ISP consultation framework, requiring material changes to be published within a reasonable time, with multiple rounds of consultation, ensuring a consistent feedback loop with industry. Where AEMO requires the ability to update the TPSS more quickly to reflect known and agreed signposts affecting ESS in a material way through the transition, we suggest a similar process to ESOO updates, which can generally be triggered by an announcement.

#### **3. Consistency in ESS procurement processes.**

Regardless of changes to ESS governance, discussed in section 2 of this submission, our view is there are workable ways to improve the current ESS procurement process.

We suggest the RIT-T process could be amended to create a specific procurement channel for ESS, as distinct from other infrastructure projects, incorporating the principles identified by the AEC/CEC. In terms of what this separate ESS procurement channel looks like, we suggest at a minimum, it should include a requirement for TNSPs to seek to procure the least-cost available technology necessary to meet AEMOs forecast demand, in addition to ensuring consistency with any other market-wide procurement reforms.<sup>5</sup>

We also support reforms to strengthen accountability on ESS procurement targets set by TNSPs (in their role as SSSPs). We consider the AEMO rule change request goes part-way to addressing this, though greater accountability could also be achieved by requiring either the TPSS, or TNSP annual planning reports, to include clear metrics for ESS procurement, which are consistent across SSSPs and jurisdictions.

#### **4. Transparency of costs for close-to-real time gaps.**

We agree that a stopgap to address short-term gaps is required, in the case of ESS, the Network Support and Control Ancillary Services (**NSCAS**) framework. However, we submit the NSCAS framework should include greater transparency of costs, locations, and re-dispatch for system strength. This would provide the market with more reliable price signals.

In our view, AEMO should also consider how best to address close-to-real-time gaps. Currently, we understand this is done through security directions. We urge AEMO to consider a transparent and competitive mechanism for close-to-real-time ESS gaps that provide transparency and certainty for industry participants making commercial offers. Alternatively, we suggest transparency of compensation provided to assets under directions could be improved through the development of pre-defined, commercially informed metrics.

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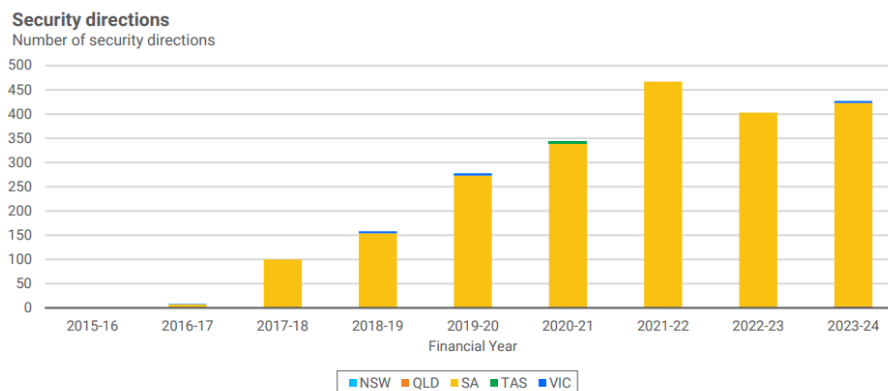
<sup>5</sup> For example, if the recommendations in the 'National Electricity Market wholesale market settings review' progress, ESS procurement should be consistent with the recommendations, including consideration of how procurement supports emissions reduction.

These principles could help to avoid the issue of security directions to address short-term gaps, which may have been prevented through earlier uptake of commercial options. This is particularly so where directions are issued to assets which have previously made commercial offers to provide these services. We suggest the frequency of directions issued would be a useful metric to assess whether reforms made by these rule change requests have been effective. For example, if the number of directions issued throughout the next decade are equivalent to or higher than the current level, this may suggest the reforms have not had the intended effect.

We note, as the chart below shows, the number of directions issued by AEMO for system security related matters increased significantly from 2016-17 to 2023-2024. A similar analysis of security directions over the remainder of this decade, and into the early 2030s, would be instructive as to whether the package of recent security framework amendments outlined by the AEMC (at page ii of the Consultation Paper), in addition to reforms made following this consultation, have had the desired effect.

### SECURITY DIRECTIONS INCREASED SLIGHTLY FROM FY2023

- In FY2024, a total of 427 security directions were issued, up from 402 in FY2023.
- Consistent with previous financial years, most security directions issued in FY2024 were for SA (420).
- 1 security direction was issued for NSW, 2 for QLD and 4 for VIC. This is above-average for non-SA regions in a single financial year, but more data is required to determine whether this is a trend. The Panel will continue to monitor security directions in future RASRs.
- 57% of security directions were issued in the first half of the financial year (1 July 2023 – 31 December 2023).



Source: Panel analysis of AEMO data.

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Source: [NEM Reliability & Security Report FY2024](#), p 61.

### 5. Now is the opportune time for reform.

Finally, we reiterate our opening comment that there may not be a better time than now to thoroughly consider and progress broader reforms to the ESS governance and procurement processes, to complement the reforms proposed by AEMO. We encourage the AEMC to seek to strike the right balance between quick wins (such as immediately extending the outlook for ESS to a longer timeframe) and longer-term enhancement to improve national consistency.

Given the current RIT-T procurement process runs on an approximately 5-year cycle, we consider that if elements of the AEC/CEC rule change request are not prioritised now, there may not be another opportunity for reforms to make a meaningful impact until the 2030s.

We note AEMOs comments that the lead times for ESS procurement are lengthy and may not align with existing RIT-T timeframes.<sup>6</sup> We agree the amendments to the NSCAS framework put forward by AEMO are prudent but consider these alone don't address the broader issues around long-term transparency and consistency raised by the AEC/CEC.

Further, as the AEMO rule change request identifies, procurement of ESS technology is subject to long lead times and international competition.<sup>7</sup> We consider it imperative not to delay longer-term reforms, noting that progress on both rule change requests together may help protect the industry from the potential for further international supply chain interruptions, and the costs associated with needing to procure ESS at short notice and higher costs.

To close, we encourage the AEMC to progress reforms which prioritise contestability and market-based solutions, in addition to AEMOs proposed amendments. We submit that clear and consistent long-term targets for ESS, along with a more transparent procurement process, would support the NEO by providing greater investment certainty and incentive for industry to participate, without limiting AEMOs ability to address more immediate gaps.

Of course, if you would like to discuss this submission, please contact me by email at [Tom.Byrne@energyaustralia.com.au](mailto:Tom.Byrne@energyaustralia.com.au).

Kind Regards

Tom Byrne

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<sup>6</sup> AEMO rule change request, p. 5.

<sup>7</sup> AEMO rule change request, p. 16.