To: AEMC

Date: 16th April 2026

Submitted via website

Subject: Clarity and transparency in security frameworks (ERC0428[1] and ERC0424[2])

Overview of our submission

AEMO, the Clean Energy Council, and the Australian Energy Council have clearly articulated the challenges associated with identifying and procuring critical system security services, particularly in the context of long lead times for investments and ongoing global disruptions.

While significant progress has been made across several rule changes, we agree that system security frameworks require strengthening to ensure that these frameworks enable and accelerate the transition to an affordable, low emissions grid. At a high level, we consider there are three key issues to address:

- **Identifying what resources are required to manage possible grid conditions or transition points.** Detailed engineering studies are required, without presupposing how likely various transition points or grid events are. This must consider the implications of the exit of existing resources, and the new resources that would close that gap. AEMO's 2025 TPSS represents a step change in NEM planning studies, and future studies need to be supported (and guaranteed) through clear NER based guidelines.
- **Determining what investments need to be made in the context?** While a "just in time" procurement process would be optimal, this is impossible to deliver in practice given high uncertainty over a) procurement timeframes, b) probability and timing of transition points, and c) requirement for replacement resources to be in place before the transition points arrive. Therefore, some level of pro-active procurement under conditions of uncertainty is required. This necessarily involves cost/benefit trade-offs, and these need to be made proactively. An appropriate body needs to be tasked with *responsibility* and *accountability* for deciding what transition points do we proactively prepare for (accepting some costs now) and what do we not prepare for (accepting the risk of poor outcomes later), balancing diverse costs and risks.
- **How do we efficiently and competitively procure the necessary resources?** This needs to consider how to increasingly standardise procurement, how to co-optimise service procurement across processes (e.g., feed into CIS/LTESA/FERM procurement).

The AEMC has previously noted the "risk asymmetry" of under-procurement vs early-procurement. Furthermore, coal closures (both currently planned and required to meet Australia's international

[1] https://www.aemc.gov.au/rule-changes/clarity-and-transparency-security-frameworks
[2] https://www.aemc.gov.au/rule-changes/security-framework-enhancements

climate change obligations) cannot proceed until replacement resources are available, and there are efficiency gains from co-optimising ESS procurement and new generation.

Our submission outlines the critical steps required to address these points, and deliver a secure, reliable, and affordable transition to a low emissions system, as required by the NEO. The key points of our submission are:

- We consider actioning the CEC/AEC rule change to be critical: without a clear governance and planning framework, the NEM will continue to be at risk of expensive interventions and heightened security and reliability risks.
- AEMO has raised important points, and we broadly support AEMO's recommendations if they are actioned in parallel with the CEC/AEC recommendations, including for extending timeframes for identifying actionable gaps and NSCAS backstop mechanisms. Many risks in the NEM are highly asymmetric and earlier action will, on average, deliver higher reliability and security and lower overall costs to consumers.
- The requirements under the TPSS should be clarified, either in the NER or by appointing the Reliability Panel (or similar body) to develop appropriate Guidelines that can evolve over time. Providing clear guidelines to AEMO will allow AEMO to better plan and resource its functions.
- The next TPSS (and subsequent reports) should present a plan for a fully operational, investable, and dispatchable grid without the existing synchronous units that are anticipated to close over the next ~15 years (in particular, existing coal units). This plan would not necessarily be the least-cost or optimal solution, but would begin to inform future investment requirements, clarify any remaining service gaps, and support alternative or non-network solution proposals.
- The Reliability Panel (or similar body) should be appointed to determine the appropriate scenarios for investment, based on advice from AEMO. We consider this is an incremental change from today: AEMO already effectively does this in-house (for example for system strength needs). The Reliability Panel would weigh up the costs and benefits of deviating from the ISP "most likely" scenario for the purposes of transition point risk management, including the consideration of asymmetric risks and lead times for actionable projects. The Panel's decision would be made based on advice from AEMO (similar to how the Reliability Panel reviews the Frequency Operating Standard, for example) and draw on modelling from the TPSS. Similar to setting reliability standards, a transparent, well consulted process involving consumers, industry, networks, and AEMO will necessarily deliver outcomes more closely aligned with the NEO.
- Moving to standardised contracting structures (including tenor, requirements, and pricing mechanisms) would significantly streamline investments, facilitate revenue stacking when developing prospective asset business cases, and reduce overall costs to consumers.
- We have identified some of the key historical and current planning challenges in the NEM, which we consider that the current frameworks would not (or did not) sufficient address. We consider these provide a minimum set of criteria for evaluating the effectiveness of the current and proposed NEM planning regimes.
- We do not support extending the timeline for notifying coal closures to 5 years, as this is unlikely to align with decision making from actual businesses, would delay coal closures (increasing emissions), and risks creating complacency by relying on aging assets instead of proactively investing in the replacement capacity that must be delivered to allow their closures.

Problem statements

The AEMC has requested potential problem statements that could inform their thinking. We present below some examples and case studies that we consider could have benefited from greater consideration of scenarios and risk, or where more structured or streamlined processes would have benefited consumers.

System strength

While new frameworks have been developed that *allow* for the procurement of system strength, there remain material risks that insufficient (or inefficient) resources will be procured.

For example, AEMO currently selects the 'most likely' scenario from the most recently published ISP in determining the *system strength requirements* each year[3]. AEMO has flexibility to consider alternative scenarios, in consultation with the SSSPs, but there is no clear pathway for consultation with other stakeholders *or* of consideration of the risks of not procuring to manage a downside scenario. Similarly, AEMO and TNSPs follow AEMO's NSCAS procedure[4] where AEMO will typically use a metric requiring projections to exceed the requirements for a percentage of time equivalent to three standard deviations above the mean (approximately the 99.87th percentile). Again, however, how the various transition points should be weighted and measured within this calculation is not transparent (for example, it is credible that binary variables might materially change the outcome of the modelling, and the relevant weightings need to be considered).

For example, NSW generators now regularly experience system strength constraints due to ongoing line works, including for connecting new generators. I.e., system "typical" conditions are not system "normal" conditions. This has led to significant curtailment and costs to existing plant; this increases system costs in the short-run, and will increase the hurdle rate for new investments leading to higher prices for consumers.

Coal closures, outages, and mothballing implications

Coal closures which occurred before 2020 were not considered in any way in ISP or similar publications *prior* to their announcement[5]. Critically, this included a lack of modelling of system security considerations.

Powerlink was highly proactive in undertaking modelling and analysis of the necessary resources required to facilitate the closure of Gladstone power station, which was then subsequently announced. However, it is not clear the conditions under which Powerlink could proactively invest in anticipation of (as it eventuated) an early closure announcement. Critically, the 2024 TPSS[6] again did not consider the implications of this unannounced coal closure. To be clear, the 2025 TPSS (published after the October 2025 Gladstone announcement) considers this and other issues

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[3] P25 https://www.aemo.com.au/-/media/files/electricity/nem/security_and_reliability/system_security_planning/system-strength-requirements-methodology-v21.pdf

[4] nscas-description-and-quantity-procedure-v3-0

[5] Table 1, https://www.aemc.gov.au/sites/default/files/documents/rule_change_submission_-_infigen_-_20200813_-_erc0263_erc0290_erc0295_erc0296_erc0300_erc0306_erc0307.pdf

[6] https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/transition-planning/aemo-2024-transition-plan-for-system-security.pdf

in greater detail, but this highlights that there is a regulatory gap in specifying the TPSS requirements.

More broadly, current planning obligations do not necessarily require consideration of the broad range of operational conditions likely to be observed. For example, mothballing of coal stations, extended outages (such as Callide B), etc. AEMC should ensure that any frameworks require all these (and more) scenarios to at least be considered to understand the operational impacts.

Operational conditions and the pace of transition are intrinsically uncertain

Given the long lead times for investment, earlier action is required to prepare for major transition points. This requires consideration of the pace of rooftop solar investment, the investment and operation of installs under the Home Solar Battery scheme, data centre load growth and operation, the future of existing large loads[7], unknown loss of technical capability from aging stations to deliver system restart services, and more.

Critically, as noted by the AEMC, the risks across these scenarios are asymmetric. Shortfalls of services can lead to much higher operational costs (as well as broader increases to the cost of investment through higher risk-adjusted hurdle rates). Conversely, "earlier than required" investment (as judged ex-post) effectively acts as an insurance payment – a payment that on average is unnecessary but insures against very significant risks.

Minimum system load conditions

Minimum system load forecasts were previously modelled on a central scenario that was quickly exceeded, leading to AEMO identifying[8] an existing system risk in 2024[9]; this forced AEMO and participants to immediately prepare for complex interventions. Critically, even if all installed batteries were to charge during the middle of the day the grid be inoperable under certain, credible conditions (low system load and network outages).

This led to higher operational costs for participants, as well as increased risks of grid failure with very high costs to consumers.

This raises key questions that the AEMC should consider:

- If we were considering system security frameworks and planning in 2019, what settings would have required AEMO to consider the implications of faster rooftop solar PV uptake? We note that the 2024 TPSS report still focused on "90% POE" scenarios[10] - i.e., only

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[7] We note the recent Commonwealth support for the Rio Tinto smelter, which suggests that a closure would at least have been, and may still be, a credible scenario. https://www.riotinto.com/en/news/releases/2026/rio-tinto-queensland-and-commonwealth-secure-long-term-future-for-boyne-aluminium-smelter-at-gladstone

[8] https://reneweconomy.com.au/not-enough-demand-big-batteries-may-be-told-to-stand-by-on-empty-to-avoid-rooftop-solar-switch-off/

[9] https://www.aemo.com.au/-/media/files/initiatives/der/managing-minimum-system-load/supporting-secure-operation-with-high-levels-of-distributed-resources-q4-2024.pdf

[10] P31, https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/transition-planning/aemo-2024-transition-plan-for-system-security.pdf

examining scenarios with a 1 in 10 "probability" of occurring (but the 2025 TPSS report considers faster "onerous" scenarios, as previously recommended by Iberdrola Australia's previous submissions).

- If AEMO had undertaken more scenario analysis ahead of time, who would have made the decision to act (if indeed the NER would have allowed action). For example, for those "onerous scenarios" in the TPSS, should these scenarios should be "actionable"? How "bad" a scenario should AEMO (or another body) prepare for to manage MSL conditions? Noting that many of these scenarios are statistical rather than simple definitions of credible vs non-credible contingencies.

Synchronous condensor procurement in NSW

We note that TransGrid recently undertook modelling of various system strength solutions, determining a least-cost pathway with a mix of batteries and syncons. However, the existing frameworks are slow enough that the NSW government had to intervene[11] to accelerate a least-regrets pathway. We consider that a streamlined and consistent procurement process would allow for more rapid procurement with fewer regulatory barriers.

System restart services

Queensland experienced a shortfall in system restart services in 2025[12] when historical providers of SRAS were no longer able or willing to continue to supply the service. This raises key questions as to whether this shortfall could have been identified ahead of time and whether forward planning of replacement resources is required in this or other areas. Again, this becomes a question of "insurance": if existing but exiting resources are sufficient to provide the service, when should alternative resources be brought online? (Noting again that the question of *how* these new resources should be procured is distinct from the question we are addressing here of whether they *should* be procured and *who* should make that decision.)

Procurement needs to be optimised across multiple streams

Project development increasingly requires coordinating and synchronising multiple workstreams, including project approvals, financing, CIS/LTESA/FERM auctions, etc. System costs will be minimised if developers have clear signals for other value stacking opportunities. This includes whether locational signals can be provided that informs (and influences) future development projects.

Key questions for AEMC to benchmark proposed solutions against

In conclusion, we recommend the AEMC benchmark the existing and proposed frameworks against a range of historical conditions, including those raised above.

- Would the framework have helped identify and then avoid the shortfall of system restart services in Queensland?

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[11] https://reneweconomy.com.au/transmission-company-announces-early-delivery-of-10-big-spinning-machines-to-stabilise-grid/

[12] Page (i) https://www.aemc.gov.au/sites/default/files/2024-12/Issues%20Paper%20-%20Review%20of%20the%20System%20Restart%20Standard.pdf

- Would these frameworks have required AEMO to have modelled more extreme MSL scenarios, leading to earlier identification of the critical issues discovered in 2024?
- If new frameworks had been in place from 2020, would they have led to sufficient investment to allow the scheduled closure of Eraring?
- How would each framework allow AEMO or TNSPs to evaluate the risk of multiple coal stations being offline (due to any combination of economic closures, planned maintenance, or forced outages)?
- And then, how would this framework determine whether to manage that risk to make anticipatory investments to manage that risk?
- If the current TPSS obligations had existed in 2015 or 2020, what would have been considered, and what different actions (positive or negative) would have been taken?

TPSS and ESOO enhancements

We commend AEMO for the work undertaken for the 2025 TPSS. The report provides an overview of many of the key transition points and key limitations.

Clearer guidelines of content

To provide certainty for both industry and AEMO, we recommend that the Reliability Panel's role could be strengthened in the NER such that they develop, in close consultation with AEMO and TNSPs, appropriate Guidelines for the TPSS. This would complement the Panel's existing role in reviewing the TPSS.

A Panel obligation, rather than a more descriptive NER, would provide more flexibility to change and adapt the TPSS over time, while ensuring all stakeholders have a say in the structure of this critical report.

The next TPSS needs to provide examples of investable solutions

We support the CEC/AEC proposal to require the TPSS to develop "actionable" (we could call them "investable") solutions.

The 2025 TPSS provided valuable, high-level analysis of the gaps and potential solutions required. However, it stops short of identifying investable (potential) options that could guide future project development.

We do not consider that the TPSS needs to determine the least-cost solution (which would be determined through the procurement process). Rather it needs to demonstrate a suite of engineering solutions that AEMO confirms will address the system needs at a level that investors could credibly begin pursuing development sites. This analysis might be conducted by AEMO or, more likely, would involve TNSP modelling that AEMO would incorporate into its TPSS report.

Examples could include more specific modelling of where (and how many) syncons or BESS would be required, what standardised capabilities would be required from BESS or other resources, what options could provide system restart services and what locations would they be required, etc. AEMO could work with TNSPs and OEMs to identify and model potential solutions

This will address the NEO by improving reliability and security through the forward development a pipeline of projects (reducing lead times), and improving affordability by creating opportunities for co-optimisation across multiple procurement processes.

We consider that this analysis of shortfalls and potential investments could be reported as required system security services in the ESOO[13]. This would include identifying syncons, batteries, and other generators to meet system strength, inertia, system restart, and other services, and would note any specific engineering constraints. AEMO and TNSPs would be required to continue to consult with potential service providers about alternative technologies for delivering these services and each iteration of the TPSS and/or ESOO would continue to update the potential solution space. Recognising that AEMO/TNSPs are the sole parties able to determine which solutions are sufficient, where the engineering analysis is uncertain but plausible, these technologies should form the basis for Type 2 trials (or similar).

Subsequently (as discussed below) economic analysis would be undertaken of which transition points need to be actioned. We recognise there may be some iterations required, depending on the cost of action. For example, there may be opportunities for small incremental costs to add capabilities to new gas or diesel generators or to syncons that would provide option value in the future.

Provide clarity over what steps are required to allow each transition point to occur

Building on this information, there should be further clarity on what steps need to undertaken to ensure that each transition point can proceed when ready. For example (and in particular) any announced coal station closures should have highly detailed plans for how any remaining gaps are intended to be analysed and actioned.

Last time to act provisions

It is possible that a more nuanced approach to timeframes could deliver value. That is, rather than fixed timeframes for TNSP action or AEMO backstop action, the TPSS could consider the "**last time to act**" for various transition points or identified investments. This would then inform the scenario planning and TNSP procurement targets, but crucially could drive the timing of AEMO backstop investments.

Scenarios and decision making

There is a role for a dedicated body to trade off the costs and risks of investment

We consider there needs to be a central body with the responsibility for determining when forward investment of system security services should be procured.

We propose that the Reliability Panel would be well suited for this role, but other alternatives (including a new Security Panel) could also be utilised.

Rather than just relying on a "most likely" scenario (see p4), this body would help determine the potential scenarios and scenario weightings to be considered by AEMO/TNSPs/etc. This would cover both demand for services (what could occur, what transition points are possible) and supply (what resources are available, what might exit, the timeframes for new services). This would draw on the TPSS analysis, the ISP projections, and policy frameworks, as well as consumer risk appetite.

[13] Or similar publication

We anticipate that this body would make decisions on advice from AEMO, similar to how Frequency Operating Standards are set. Effectively, this body (in consultation with AEMO) would be responsible for determining which of the transition points raised in the TPSS should be actioned "today".

We consider the discussion in Section 3.4.1 to be a good summary of the points raised by the CEC/AEC, and of the resulting issues.

System security needs similar levels of consultation as reliability

We highlight the difference between the treatment of reliability and security: setting the reliability standard and resulting market price settings requires an extensive 12-18 month consultation process, consultation across all stakeholders and jurisdictions, publication of all details of the modelling, and a final decision made jointly by representative of key stakeholders.

In contrast, the level of procurement of system services is a comparatively opaque process – partly by necessity (the required modelling is complex, technical, and involves confidential models of grid elements) but the NER also requires and facilitates relatively little discussion or consultation, particularly in terms of the scenario inputs.

Uncertainties stem from more than just credible contingencies

A critical point is that planning for system security requires more than just considering credible contingencies (AEMC Box 4). The transition points raised by in the latest TPSS include both binary (will it happen or not) and statistical (continuous variables). Critically, the closure or economic two-shifting of a coal power station is distinct from an unplanned outage (a credible contingency).

An example of the questions to be addressed by the body might be:

- For coal closures:
    - What is the risk of an earlier-than-announced economic closure or critical failure, including from accelerated policy settings?
    - What is the consequences from subsequent credible contingencies under this scenario? Would there be compounding factors leading to significant reliability or system security events? As AEMO has noted in the 2025 TPSS, periods with one or zero coal stations online can occur earlier than anticipated.
    - What would be the indicative cost of managing this risk?
    - Is this a risk that should be ignored, actioned, or used as part of a risk weighted scenario analysis framework?
- Minimum system load
    - What scenarios have AEMO used for assessing minimum system load? Should AEMO assume "central" policy settings, or should the "risk" of faster uptake of rooftop solar PV be considered?
    - Are these appropriate? What are the consequences of the edge case scenarios?
    - What scenario should be used to determine any actionable investments on planning timeframes?
- More generally, does the TPSS identify scenarios that cannot be managed even with directions if they occur.

To date, these questions have not been well considered, and we don't believe they are well incorporated into AEMO's scenario planning process.

The Reliability Panel would be well placed for this role

We consider that, in practice, appointing the Reliability Panel as the responsible party would be efficient and appropriate, complementing their existing responsibilities for reliability and security as well as their work with AEMO. The Panel would take technical advice from AEMO (as well as AEMC analysis), would have opportunities to consider the relevant scenarios, and to engage in broader consultation as required.

This approach would address the critical issue: who is responsible and accountable if shortfalls in system services develop? Particularly if longer timeframes are implemented, what does accountability look like for consumers and governments in terms of a prudent level of investment? For example, we understand the drive for the most recent Eraring extension was in part due to shortfalls in system security services (rather than reliability). However, there have been limited opportunities for stakeholders to engage with AEMO or TNSPs on the necessary investment for (or, conversely, the barriers to) that closure. The extension has material impacts on existing investments, as well as increases security risks through relying on an aging asset.

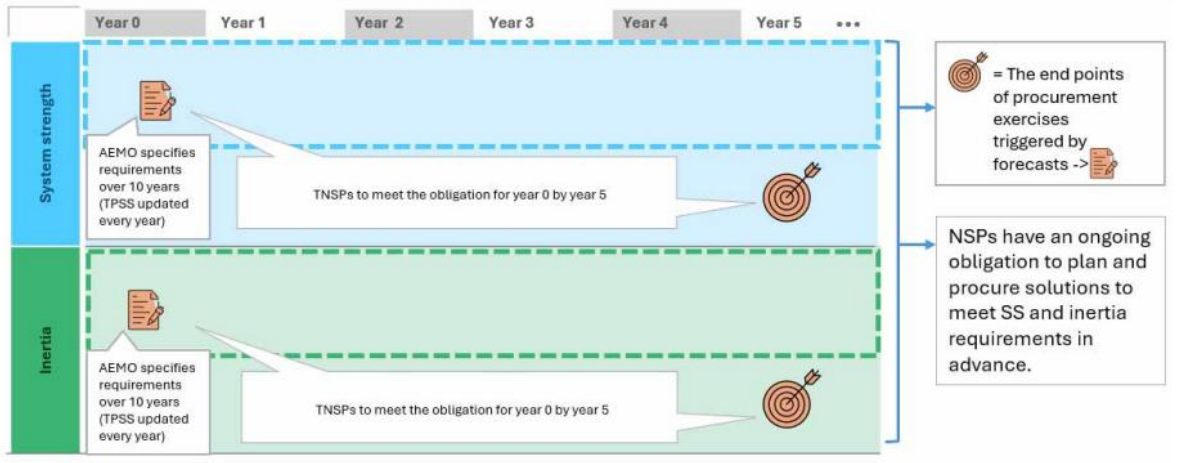
Proposals to accelerate procurement

We agree with the issues outlined in Section 2.2.1 of the Consultation Paper, particularly around the lack of incentives (and potentially regulatory flexibility) for TNSPs to procure and commission solution, or begin early works, ahead of their binding compliance dates.

We thank AEMO for their careful consideration of these issues, in particular identifying the mismatch between regulatory and investment lead times.

Five-year notification of TNSP obligations

Figure 3.1: Proposed change to binding timeframe



Source: AEMC

AEMO proposes to use the TPSS to determine the binding obligations on TNSPs for T+5 years ahead, up from T+3 years today.

Early decision points for actionable procurement can reduce net risks and costs to consumers, particularly when investment lead times are long and there is uncertainty of timing of the need, both of which are very true today. However, planning over longer timeframes necessitates moving away from simple “persistence” or “linear extrapolation” forecasts for today.

We therefore support this proposal, provided:

- it is coupled with a stronger framework for determining what scenario should be used to determine the obligation (i.e., what risk-adjusted planning scenarios should be used) in consultation with an independent body, as outlined above; and
- there is opportunities for AEMO to continue to revise the requirements over time (e.g., if the risk weighting changes) which can then either be actioned by the TNSP or through a backstop mechanism.

As noted above, there may be a need in some cases for a more nuanced approach, including potentially a longer "last time to act" provision. The AEMC could consider not encoding the 5-year require in the NER but instead allowing Guidelines (to be developed by the Reliability Panel based on AEMO advice) to specify the appropriate figure.

AEMO backstop

The NSCAS "backstop" arrangement provides enhanced confidence that system security can be maintained. AEMO's recent consultation[14] has outlined how a statistical approach will be taken to determining an NSCAS, including using "system typical" scenarios and considering 3-sigma variations as a threshold. AEMO will undertake market modelling, and consider a range of data inputs[15]. AEMO's procedure currently focuses on *anticipated* projects, ISP forecasts of generation and storage, with a focus on announced or *expected closure* years[16] but includes the possibility of considering risks of delayed or early retirement.

If the NSCAS gap declaration window is increased from 3 years to 5 years, those scenarios and forecasts will become much more critical (as there could effectively be 6-7 years from the date the modelling is commenced and the date the project is delivered). We recommend that, as with reliability, representatives from consumers, industry, TNSPs, and AEMO should jointly make decisions on the risk appetite and prudent pathways; while backstop mechanisms necessarily need to be actioned quickly, we consider it prudent that a body like the Reliability Panel ultimately approve the backstop actions.

With this framework, we agree with AEMO's assessment that the NSCAS need (Chapter 10 of the NER) could be amended to allow system strength and inertia shortfalls to be declared and managed more effectively. This includes, as proposed by AEMO[17]:

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[14] https://www.aemo.com.au/consultations/current-and-closed-consultations/amendments-to-the-nscas-description-and-quantity-procedure

[15] Section 3.2 and Appendix A, https://www.aemo.com.au/-/media/files/electricity/nem/security_and_reliability/system_security_planning/nscas-description-and-quantity-procedure-v3-0.pdf?rev=79c63a4d0979453384d4ab16493f23da&sc_lang=en

[16] https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-and-planning-data/generation-information

[17] P6 https://www.aemc.gov.au/sites/default/files/2025-11/New%20rule%20change%20proposal%20-%20AEMO%20-%20Efficient%20and%20timely%20management%20of%20system%20security%20needs%20through%20the%20energy%20transition.pdf

- Increasing the lead time for declaring an NSCAS gap for up to 5 years (but noting further consideration is required on how this interacts with the TNSP obligations);
- in relation to system strength to add all elements of system strength (i.e. both minimum three phase fault level and stable voltage waveform, not just minimum three phase fault level as is currently the case);
- Amend the definition of 'NSCAS gap' for system strength and inertia in Chapter 10 of the NER to extend the timeframe under which NSCAS gaps of any type can be declared to match the length of commissioning new resources to meet the identified NSCAS need;
- Allow plant that is required to address an NSCAS gap declared by AEMO to undergo a streamlined investment approval process, with access to early works that enables investment and commissioning in long lead items by time of need;

We support in principle, in relation to inertia and system strength, the option to remove the requirement for AEMO to have revised the inertia requirements or minimum three phase fault level as a precondition for declaring a Network Support and Control Ancillary Services (NSCAS) gap.

In all cases, AEMO should be explicitly excluded from contracting to extend the life of coal stations. It would not be consistent with the NEO for emissions to be locked when there are other investment or operational options available (as determined by the forward planning under the TPSS). Furthermore, the regulatory risk that AEMO will intervene to delay coal closures would severely hamper any investments in replacement resources, would be a reliability risk, and would increase costs to consumers.

We are also concerned that, in isolation, this change might lead to an overreliance on NSCAS and a preference for short-lead time solutions and/or overreliance on existing resources (e.g., forcing coal units to remain online), rather than more holistic planning and procurement options.

As noted below, we consider there is a role for a central body to monitor, review, and approve the progress TNSPs and/or AEMO in preparatory investment.

Streamlined procurement and RIT-T alternatives (3.2.3, p26)

While all investments need a consideration of the risk-adjusted costs and benefits, we agree that the existing RIT-T process may not be fit for purpose for the procurement of essential system services. As AEMO has noted, there are significant lags between launching the PSCR and the PACR published, and then further delays in the initial preparation and approval stages.

However, it is also not appropriate to avoid a fulsome consideration of both network- and non-network solutions. This reinforces the need for modelling studies to be conducted well ahead of the potential need, and continually iterated; at the point of investment decision, updated costs could then be used to rank various engineering solutions.

Extension of Notice of Closure arrangements

Although the specific approach proposed in AEMO's submission is ambiguous, the AEMC have framed AEMO's request as increasing the 42 month notice of closure provision to 5 years (60 months).

We do not support extending Notice of Closure arrangements to 5 years. This would act as a barrier to the efficient closure of coal power stations, which must be closed as soon as practical to ensure reliability, affordability, and emissions reduction. Further barriers to efficient closures would put Australia's state and Commonwealth renewable energy targets at risk.

Moreover, this change will not fundamentally improve system security. As AEMO notes, "step changes" can occur in relatively short timeframes. For example, coal units can fail (for example, Callide Power Station) or require uneconomical repairs to ensure safety (for example, Hazelwood Power Station[18]) with no notice[19]. We do not anticipate that most coal units are making firm decisions to close 5 years into the future. It is therefore not sufficient to rely on commercially notified coal closure commitments for planning.

Conversely, the evidence to date is that coal plant cannot close, regardless of its announced closure dates, until sufficient replacement services are in place. It is therefore imperative that sufficient resources be delivered to allow for Australia's renewable energy and climate targets to be met.

A responsible and accountable body therefore needs to take a risk adjusted view of the likelihood of one or more coal units being absent (whether due to closure or outage) and determine whether anticipatory investment (i.e., insurance) should be procured. We note that this is entirely consistent with the history of the NEM to date.

However, we would support complementary frameworks such as extending MTPASA to 5 years, potentially coupled with stronger good faith provisions to require businesses to consider their most likely responses to changing market conditions even if a decision has not yet been made.

TNSP and AEMO procurement processes

Clear and consistent procurement processes, coupled with clear and consistent service definitions, will help deliver more efficient, lower cost services. Supporting contestable network and non-network solutions facilitates greater competition and will lead to lower overall costs.

In particular, developing standardised terms of the contract that is entered into for a non-network ESS solution (including the tenor and cost structure) will allow such contracts to be incorporated into business cases.

More broadly, we support the points raised in the Clean Energy Council's submission.

Conclusion

We look forward to continuing to work with AEMC, AEMO, and industry to deliver a resilient, efficient, reliable, and secure grid.

If you would like to discuss this submission, please contact me on joel.gilmore@iberdrola.com.au or 0411 267 044.

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[18] https://www.abc.net.au/news/2016-12-01/worksafe-notices-detail-extent-of-repairs-needed-at-hazelwood/8082318

[19] Similarly, shifts in government policy, technology costs, or global markets can dramatically change the operating landscape (such as has been observed with minimum system loads and the growth in rooftop PV, policy shifts on home batteries, and the rapid fall in EV costs).

Yours sincerely

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About Iberdrola Australia

Iberdrola Australia delivers reliable energy to customers through a portfolio of wind and solar capacity across the NEM. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and energy storage. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

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