24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T 13 13 65
ausgrid.com.au

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Christian Dunk
Principle Adviser
Australian Energy Market Commission
REF: ERC0394

Dear Mr Dunk

Ausgrid response: AEMC Draft Determination on Improving the NEM Access Standards (Package 2)

Ausgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) Draft Rule Determination on the National Electricity Amendment (Improving the NEM access standards - Package 2) Rule 2025 (**Draft Determination**). Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter in NSW.

The issues around large, inverter-based load (**IBL**) connections are complex and evolving. We thank the AEMC for the effort it has gone to, since the release of its Consultation Paper in May 2025, to develop its own understanding of these matters. This effort has contributed to a Draft Determination that, in Ausgrid's view, is more measured and workable.

The amendments proposed within the draft determination are likely to affect the cost, time and resourcing required from both applicants and distribution network service providers (**DNSPs**) to connect large IBL projects. This submission focuses on opportunities to reduce complexity and administrative burden, and support industry and network understanding. All our recommendations could be pursued by the AEMC in complement to proposed amendments within the draft determination.

The AEMC's connection tiers could be enhanced further to reduce complexity and costs

Ausgrid supports the introduction of the three connection tiers for distribution connected load within the National Electricity Rules (**NER**). Specifically, we support increasing the threshold for "large" IBL to 30 MW and giving DNSPs discretion over how to apply Schedule 5.3 for large IBL with a nameplate rating between 30 – 100 MW. This is considerably more proportionate than the existing 5 MW threshold, as defined in the Australian Energy Market Operator's (**AEMO**) System Strength Impact Assessment Guidelines (**SSIAG**).

Despite this, Ausgrid notes that it does not represent a material change in the increased workload that this rule change will generate. Based on Ausgrid's current connections pipeline, the average size IBL seeking to connect into our network is over 150 MW, meaning most of these projects will be classified as tier 2 or tier 3 connections, and require additional modelling and assessment under Schedule 5.3.

We consider there are further steps the AEMC could take to tangibly reduce unnecessary administrative and cost burden without jeopardising system security. These further steps include:

- **Introduce new Australian Standards:** The AEMC could consider the development of Australian Standards for all load-based power electronic equipment, similar to those available for distributed solar

photovoltaic inverters (AS/NZS 4777.2). This would allow original equipment manufacturers (**OEM**) to develop equipment that meets the Schedule 5.3 minimum access standards, providing connection applicants with an off-the-shelf product they can buy for their load projects. Provided the OEM can demonstrate its equipment meets these Australian Standards, the DNSP technical assessment could be streamlined, saving significant time and costs by avoiding complex and costly power system modelling. Compliance with Australian Standards can be verified through onsite testing at the time of commissioning.

- **Apply voltage thresholds:** The AEMC may wish to consider automatically treating all IBL connecting into the distribution network at 66kV or below as a "tier 1" connection. Based on Ausgrid's assessments, which were shared through the Technical Working Group sessions, these connections are sufficiently electrically and geographically distant from the transmission network. Faults within this part of the network will not trigger the broader system security concerns that AEMO has identified and that the AEMC's draft determination is trying to address.

DNSPs and industry need clear guidance from AEMO on how tier 2 connections should be assessed

Ausgrid supports the introduction of clause S5.3.1a(2)(ii) within the draft rule, which empowers the DNSP to determine which Schedule 5.3 technical standards apply for large IBL projects with a nameplate rating between 30 – 100 MW. DNSPs are best placed to assess the system security risks associated with projects connecting into their network. It is therefore appropriate for DNSPs to be given flexibility, within the NER, to consider the possible network impacts of an IBL project before determining which technical standards should apply to its connection.

However, the draft determination establishes these technical standards as AEMO "advisory matters", meaning, in practice, DNSPs will need to consult with AEMO when exercising discretion at clause S5.3.1a(2)(ii). While Ausgrid is comfortable with AEMO advising on these matters, we are concerned their role remains largely undefined which could lead to confusion for DNSPs and project proponents, and an inconsistent application of Schedule 5.3. We request that, in finalising this rule change, the AEMC consider what guidance material is necessary to support clear and consistent assessment of tier 2 IBL connections.

In Ausgrid's view, this guidance is separate from the updated Power System Modelling Guidelines (**PSMG**) that AEMO will be required to publish within 12 months of the final rule change. DNSPs will need clear guidance on how to engage with AEMO and what information and/or assessments AEMO will require from the DNSP or project proponent to be able to "advise". The modelling requirements must be significantly less onerous – seeking to reduce time and costs for all parties, where possible - than what would otherwise be required by applying certain provisions under Schedule 5.3.

We further note that the draft determination will, in practice, also establish an implied advisory role for the relevant transmission network service providers (**TNSPs**). As such, this separate guidance material must extend to the role TNSPs are expected to play in advising DNSPs on the potential upstream impacts of a large IBL connection. For example, ensuring the SSIAG supports DNSP discretion over tier 2 connections.

Transitional arrangements must be clearer to avoid duplicative technical project assessments

The AEMC is proposing that this rule change should commence when the final rule is published and that transitional arrangements should apply to any project currently in the connections pipeline but without an offer to connect from the network service provider. While Ausgrid accepts the need to introduce these amendments quickly, the proposed transitional arrangements could be clarified further to avoid connection delays and duplicative costs.

Connection applicants are likely to have already invested in detailed and expensive modelling ahead of a formal offer to connect. Where a customer has already provided the technical modelling required for a DNSP to complete its options study, we therefore ask the AEMC to explicitly allow this customer to continue with their connection under the existing technical access standards.

Industry needs 'Plain English' guidance to understand what this rule change means for them

This draft determination represents significant change to an already technically complex process. Industry proponents of IBL projects are not energy regulatory experts. Market bodies must consider what communication materials will be required to combat any potential confusion and anxiety these changes may cause. We note that representatives from data centre companies have already approached Ausgrid, seeking advice on what this rule change means for them and their projects, and how to comply.

Longer term, it is vital that AEMO's updated PSMG provides fit-for-purpose guidance that is specifically tailored for IBL projects. The PSMG must clearly explain what modelling a connection applicant can be asked to provide, and when detailed requests for modelling should be expected. We thank the AEMC for its detailed commentary on the PSMG, and including a summary of stakeholder feedback (Box 6), for AEMO's information.

Ausgrid also sees a more immediate need for clear and simple, industry-facing explanatory materials. The AEMC should therefore consider developing an industry-facing fact sheet, which could be published alongside the final rule change determination. In our opinion, this fact sheet is distinct from the typical information sheets, prepared by the AEMC to support publications. The fact sheet should specifically explain the new connection tiers, how Schedule 5.3 will apply for each tier, and what practically it means for proponents of IBL projects.

Ausgrid would be happy to discuss our submission further. Please contact Emma Vlatko, Energy Policy Manager at [redacted] if you would like to arrange a discussion.

Regards,

[redacted]

Junayd Hollis
Group Executive Network & Digital