

System Strength Procurement Workshop

Security Framework Enhancements Rule Change Request

This presentation represents the preliminary views of the AEMC project team and should not be taken to represent the views of the Commission.

22 July 2026

Australian Energy Market Commission

AEMC

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora Nation. We pay respect to all Elders past and present, and the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

ACKNOWLEDGEMENT OF COUNTRY



Agenda for today's workshop

1	Welcome and housekeeping	10 mins
2	Objectives, context and background	10 mins
3	Elements that could be standardised and potential reform options	95 mins
4	Wrap up and next steps	5 mins

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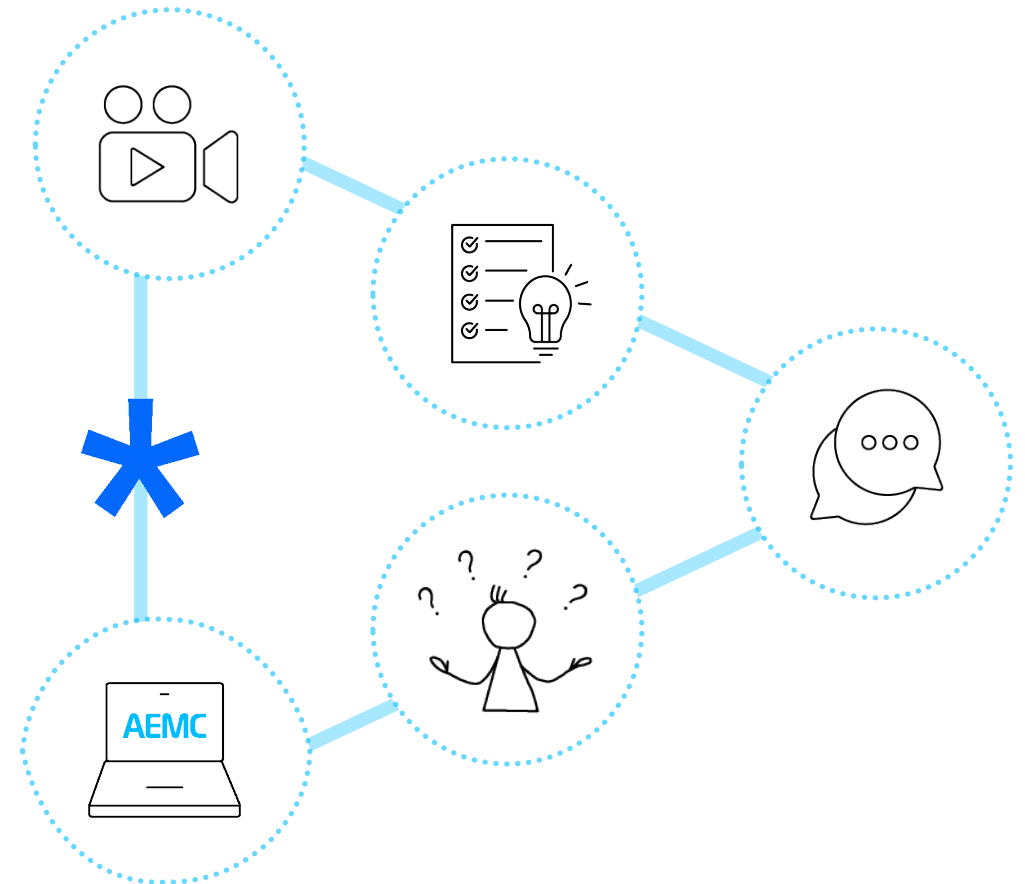


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KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
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- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

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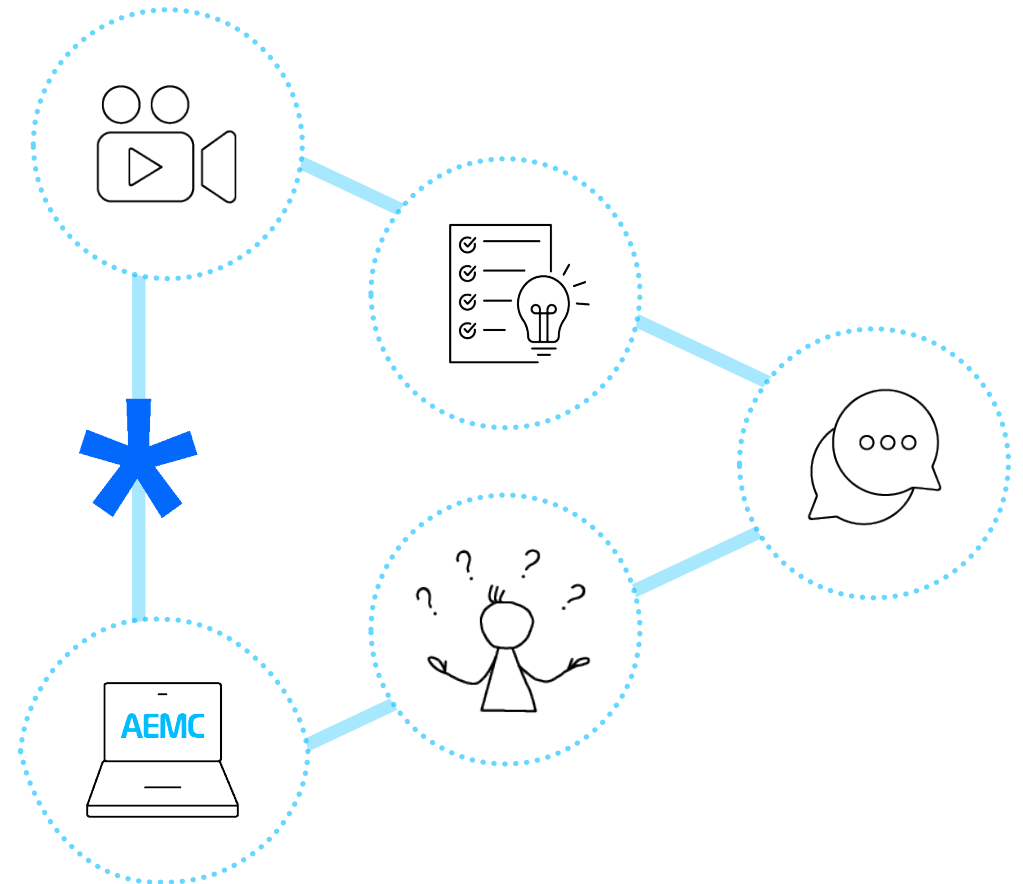


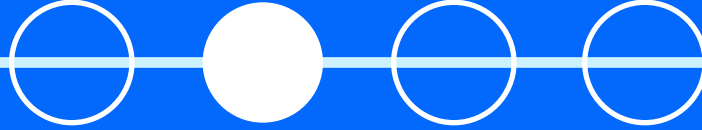
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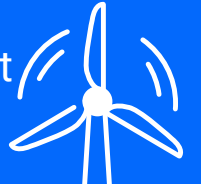
Objectives, context and background

Workshop objectives

The AEMC is currently considering two rule change requests (now consolidated):

- **Security framework enhancements** (AEMO), submitted in November 2025
- **Clarity and transparency of security frameworks** (AEC/CEC), submitted in January 2026.

The rule change requests raise a wide range of issues and proposed solutions to promote the timely and efficient delivery of system strength services.



Today, we would like to focus on **system strength procurement practices and opportunities to improve consistency and transparency in procurement.**

As procurement is still ongoing, this workshop seeks to understand how improvements can be made to **future rounds** of procurement.

By the end of the workshop, we would like:

- Your views on aspects of procurement that can (or cannot) be standardised or made more transparent, where appropriate
- Your views on the benefits, costs, and risks of potential procurement reform options
- A shared view of the key issues and priority areas for further investigation by the AEMC

The case for a more standardised or transparent procurement process and/or service specifications



What we've heard from stakeholders

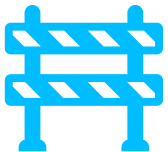
Stakeholders raised concerns that current procurement practices are bespoke, opaque, and inconsistent. For example:

- There are different procurement approaches across TNSPs
- There is no binding system strength specification
- There is a lack of consistency in contract terms across negotiations
- TNSP incentives and obligations may create a perceived or actual advantage for network options



What we understand about the current procurement process

- The RIT-T (and/or MCC) processes are not procurement processes. TNSPs complete RIT-Ts *before procurement* to assess solution portfolios that meet their system strength needs.
- After identifying a 'preferred portfolio' (which can include network and/or non-network solutions), SSSPs obtain the required solutions via procurement.



Our assessment of the problem

- Issues with the procurement process and/or service specifications can limit procurement contestability and present risks to the timely and efficient delivery of system strength services

What we consider success looks like

Reforms through the AEMC's process are progressed based on several NEO criteria. The following criteria have been chosen for the *Security framework enhancements* rule change:

AEMC assessment criteria	Safety, security and reliability - Future proof, resilient and able to maintain system security through the transition
	Market efficiency - Promotes efficient operation and use of generation facilities, load, networks and other service capability
	Innovation and flexibility - Supports innovation and delivers the benefits of innovation to consumers
	Implementation – Able to be implemented in a timely manner and avoids unreasonable impacts to participant certainty.

... with these assessment criteria in mind, any reforms to improve the procurement process and/or service specifications will focus on promoting:

1. **Timely provision of security services**
2. **Competitive provision of security services**
3. **Certainty for market participants**
4. **Flexibility to accommodate future innovations**

Observations from past procurement processes

Recent procurement experience has provided several insights into how the current framework operates and how participants have responded to its requirements. These insights are important context for any discussion of future reform.



The RIT-T (and/or MCC) processes are not procurement processes

After identifying the preferred option in the RIT-T, TNSPs run a separate procurement process.

If the preferred option includes a new solution, TNSPs procure by going to market to contract with solution providers or building solutions themselves.



TNSPs are at different stages of procurement

Because of differences in requirements, preferred approaches, and solution types, TNSPs are at different stages of procurement.



Procurement will be guided by the urgency of meeting system requirements

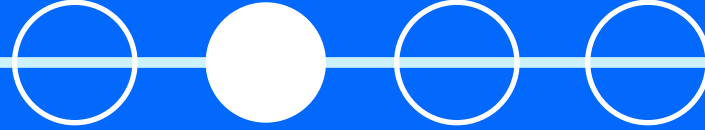
Time-bound solutions with narrow supply may be less competitive.

Long-horizon solutions with many eligible parties are likely to attract a deeper pool of providers.



The NER offers limited guidance on system strength procurement

Beyond allocating responsibility to TNSPs to procure to meet system strength requirements, and to the AER to approve only prudent and efficient investment, the NER does not provide principles or prescription on system strength procurement.



Discussion: Options to standardise procurement

Elements of procurement that could be standardised

For the purpose of discussion, we consider that some form of standardisation could be considered for three key elements of procurement:



1. Service specifications

Technical requirements for minimum fault current and/or stable voltage waveform could be standardised through minimum technical requirements or suggested testing methodologies



2. Contract terms

Commercial arrangements could be standardised through common contract terms covering service obligations, payment mechanisms, risk allocation or timing.

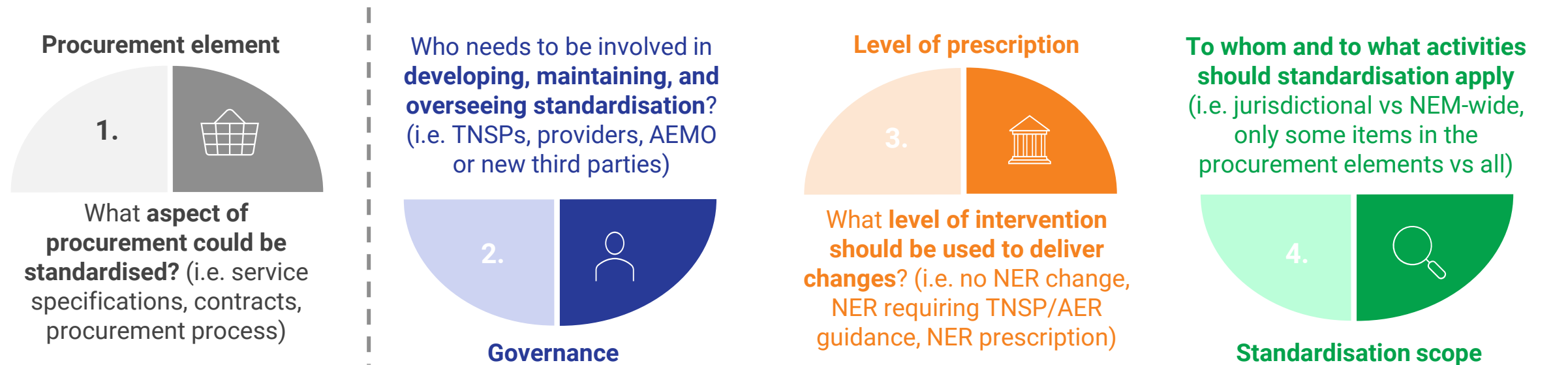


3. Process items

The 'machinery' of procurement could be standardised through common minimum tender requirements, evaluation criteria, procurement stages, timelines or reporting expectations.

Key design considerations for standardisation

For each element of procurement, we consider that there are **three key design considerations** relevant to standardisation:



We are interested in stakeholders' views on how these design considerations should apply to the standardisation of each procurement element, as discussed in the following slides. **The examples on the next slides are for illustration and discussion only, and not intended to represent a particular proposed policy direction.**

Potential system strength service specifications

What aspects of service specifications could be standardised?

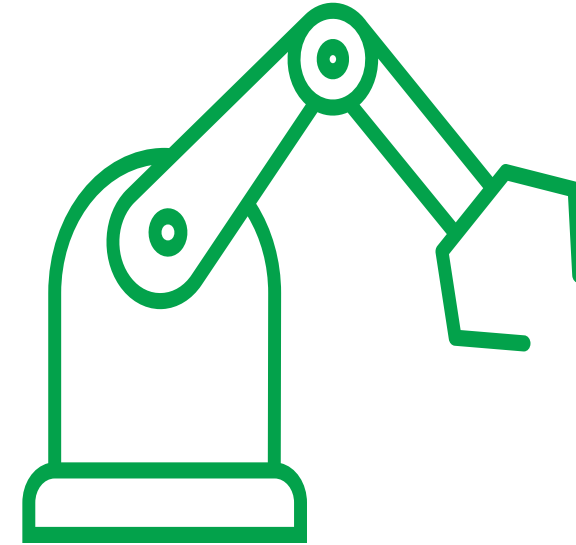
- **Minimum technical requirements:** similar to the inertia specification, a set of minimum requirements for a unit (synchronous or IBR) could be published to provide stable voltage waveform support and/or protection-quality fault current.
 - Meeting the requirements in a specification would not, by itself, guarantee that a potential provider will provide adequate fault current or stable voltage waveform support. Further modelling, testing and commissioning would likely still be required.
- **Approval process:** similar to the inertia specification, TNSPs (or potentially developers/OEMs) could seek AEMO and/or NSP approval that their equipment meets minimum requirements in the specification.

Who needs to be involved in designing a specification?

- **SSSPs:** the network experts and are responsible for providing adequate system strength
- **AEMO:** technical experts and are generally responsible for maintaining system security
- **Providers and OEMs:** plant & inverter experts and should be consulted when designing any specification

What level of prescription and scope could be considered for specifications?

- **'Do nothing':** continue without a formal or binding system strength specification
- **SSSP specification:** Require SSSPs to publish a set of minimum requirements for any non-network provider to facilitate procurement processes.
- **AEMO-coordinated or NEM-wide specification:** Require AEMO to publish a NEM-wide system strength specification in close collaboration with SSSPs.



Questions for discussion

- Is there anything we have missed?
- What would an ideal standardised service specification look like, with these considerations in mind?

Potential standardised contracts

Aspects

What aspects of contracts could be standardised?

- **Service obligations:** services provided, performance standards and operating requirements
- **Availability requirements:** testing, verification, availability targets and consequences for non-performance
- **Payment arrangements:** payment structure, performance incentives, and cost pass-through provisions
- **Tenor:** minimum tenor principles enabling efficient capital recovery, extensions and termination rights

Governance

Who needs to be involved in designing standardised contracts?

- **SSSPs:** contracting party with the regulatory obligation to provide system strength and inertia
- **Providers:** parties who must price and finance assets against the terms of the contract
- **AEMO:** the party responsible for determining the specifications that the contract delivers against
- **AER:** determines cost recovery treatment of contract payments and prudence/efficiency

Prescription

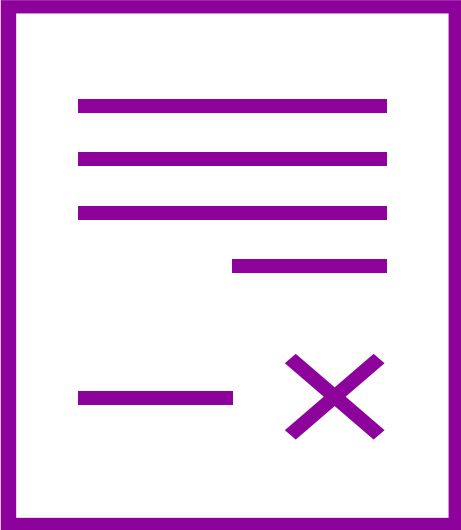
What level of prescription could be considered for delivering change?

- **‘Do nothing’:** continue without standardised contracts
- **Guidance:** Require TNSPs to publish contracting principles and example terms ahead of procurement
- **NER obligation:** requirement to use a standard contract, potentially determined by the AER/other party

Scope

What could the scope of standardised contracts be?

- **Reach:** could apply to each TNSP, jurisdiction, or NEM-wide
- **Applicability:** could apply to only certain solution families or all solutions regardless of technology type
- **Depth:** could be configured as flexible NER principles or pro forma contracts with limited departures



Questions for discussion

- Is there anything we have missed?
- What would an ideal standardised contract look like, with these considerations in mind?

Potential standardised process

What aspects of the procurement process could be standardised?

- **Minimum tender requirements:** minimum conditions for participation in procurement processes
- **Evaluation criteria:** how bids will be assessed after passing minimum requirements
- **Procurement stages:** common structure/steps – such as EOI, shortlisting, tender, negotiation and award
- **Timelines:** indicative timelines for each procurement stage
- **Documents and reporting:** common EOI, tender templates and progress reporting obligations

Who needs to be involved in designing a standardised procurement process?

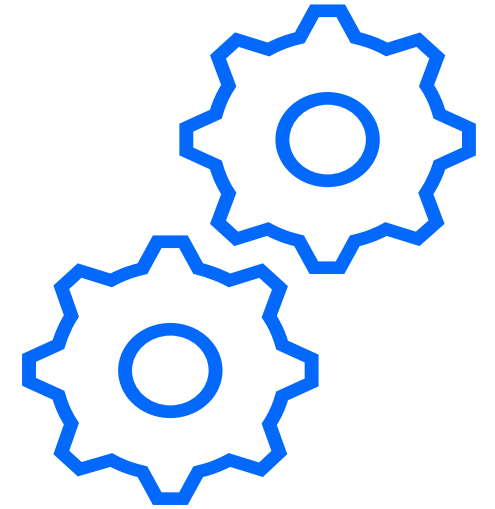
- **TNSPs:** procuring party whose current practice may change
- **Providers:** party who bears the cost of navigating a different process in each jurisdiction
- **AEMO:** could set technical specification that bids are assessed against
- **AER:** could author guidance or minimum requirements (unless allocated to a third party)

What level of prescription could be considered for delivering change?

- **'Do nothing':** retain the current procurement framework and the level of process guidance
- **Guidance:** TNSPs to publish procurement guidance outlining preferred process and expectations
- **NER obligation:** requirement to follow a structured, standardised procurement process

What could the scope of a standardised procurement process be?

- **Reach:** could apply to one jurisdiction or across the entire NEM
- **Applicability:** could apply to all procurement or only competitive tenders
- **Depth:** could be designed as minimum requirements (a 'gated approach') or a fully prescribed process



Questions for discussion

- Is there anything we have missed?
- What would an ideal standardised process look like, with these considerations in mind?

Post-discussion Menti

Following discussion, we are interested in your views on how standardisation should be prioritised across the three key elements, and what aspects of each element you think are important to standardise.

Three key elements

1. Service specifications

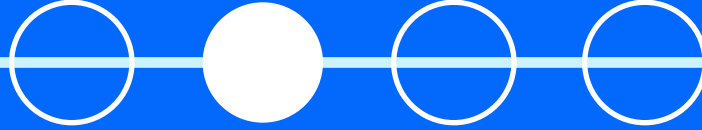
2. Contract terms

3. Process items

Menti sign-up details



****Placeholder: details will be provided during the workshop***



Wrap up and takeaways

Next steps for *Security framework enhancements* rule change requests

