AEMC
Australian Energy Market Commission

INFORMATION

Rule changes requests for market operation during low demand conditions

We have published a consultation paper on two rule change requests relating to the operation of the wholesale market during periods of low grid demand

The continued growth of consumer energy resources (CER), including rooftop solar and home batteries, is leading to new challenges for the operation of the National Electricity Market (NEM). One such challenge is a condition known as "Minimum System Load" (MSL), where the aggregate contribution of rooftop solar generation offsets underlying consumer demand reducing the demand for electricity from grid-scale generation. To date, these MSL conditions occur rarely, during periods of low customer demand and high rooftop solar generation, such as during a sunny spring-time weekend.

The Australian Energy Market Commission (AEMC or Commission) has received two rule change requests proposing changes to the National electricity rules (NER) relating to the management of MSL conditions in the NEM: one from the AEMC Reliability Panel (Panel) and one from the Clean Energy Council (CEC).

- **ERC0439 - Minimum System Load framework and floor price proposal:** The Panel's rule change request proposed changes to the NER to introduce an MSL governance framework alongside a requirement to set the regional spot price at the market floor price (MFP) (currently -$1,000/MWh) when system demand is expected to be insufficient to maintain secure power system operation. The Panel's proposed MSL governance framework, modelled on the existing lack-of-reserve (LOR) framework, would define MSL conditions and AEMO's related responsibilities to declare and report on these.
- **ERC0417** - **Minimum System Load reserve service:** The CEC's rule change request proposed a new MSL market ancillary service through which any responsive load (including utility BESS, pumped hydro and behind-the-meter resources) could bid to provide dispatchable reserves for use by AEMO to increase demand as required during forecast MSL periods. The CEC envisaged that this service would be technology-neutral, self-committed and operate like the existing frequency control ancillary service (FCAS) markets.

Submissions to the consultation paper are due by 20 August 2026. Feedback to the consultation paper will help inform how we progress the two rule change requests.

The assessment of these rule changes is part of a broader reform program

The Commission's assessment of these MSL rule change requests takes place in the context of a range of other regulatory and operational reforms underway to integrate and accommodate the projected increase in CER, including from rooftop solar generation, home battery and electric vehicles. This broader reform work program is described by the National Consumer Energy Resources Roadmap (the CER Roadmap) which sets out a plan for reforms to ensure Australians are able to harness the full potential of CER. Effective coordination of CER can help lower costs for all consumers by offsetting the need for billions of dollars in grid-scale investment.

In particular, the Commission highlights a number of reforms currently being considered or in the process of implementation that are likely to have a bearing on the outlook for MSL conditions in the NEM. This includes reforms related to:

- **Retail pricing** – such as the Commonwealth Government's Solar Sharer Offer, a regulated energy offer that will provide eligible households with 3 hours of free electricity in the middle of the day; and the final recommendations from the AEMC's *Pricing Review: Electricity pricing for a consumer-driven future,* which sets a clear direction for a simpler, more transparent energy market that unlocks the full potential of a consumer-led system. Each of these reforms – once implemented – are likely to impact on consumer behaviour and lead

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to underlying changes in operational demand profiles.

- **Market participation and visibility of CER** – including the implementation of voluntary scheduled resource classifications to support increased participation of price responsive demand side resources and the related *Market visibility framework* process initiated by AEMO in May 2026 to investigate further reforms to improve visibility and integration of unscheduled price response resources in the market to support secure operation and efficient market outcomes.
- **Operation of a high CER power system**, including definition and specification of new operational capabilities, roles and responsibilities to formalise *Distribution Network Service Providers* (DNSPs) as distribution system operators (DSOs). The new DSO role is envisaged to include operational responsibilities to adjust energy flows or activate flexible resources to efficiently manage power system requirements, including in response to low demand and minimum system load conditions.

AEMO has developed procedures to manage MSL conditions in the NEM

In the absence of an explicit MSL framework in the NER, AEMO has developed its own MSL framework, to monitor and manage these conditions. The key elements of the current approach involve the identification of MSL conditions and publication of market notices to inform market participants of the operational outlook for MSL conditions. It also informs the market of any related actions AEMO intends to take in order to manage the integrity of the system and reports on MSL events through its quarterly LOR reports.

We are seeking your views on the issues and proposed solutions raised in the rule change requests

AEMO outlooks project a growing trend in the incidence of MSL conditions in the NEM over the coming years, driven by the expectation of continued growth of rooftop solar capacity. However, the outlook for the evolution of the demand side of the system is far more uncertain, particularly in regard to the future impact of new large loads such as data centres and the uptake and coordination of home batteries and electric vehicle charging. At the same time, the outlook for MSL conditions is contingent on the timing of thermal generator retirements and the delivery of replacement system security plant.

In the context of this uncertainty over the outlook for MSL conditions, the consultation paper seeks stakeholder feedback on the proposed rule changes with respect to:

- **MSL governance and reporting arrangements -** including proposals for the NER to define MSL conditions and clarify AEMO's role in identifying, managing and reporting on them.
- **Effective wholesale price signals for efficient market outcomes during MSL conditions** - including the Panel's proposal to set the regional energy spot price at the market floor price when AEMO intervenes to increase demand along with the potential role of intervention pricing to improve pricing outcomes during MSL conditions.
- **the provision and availability of load reserves** - including the CEC's proposed new MSL market ancillary service along with a range of other alternative or complementary arrangements that could provide (or support the provision of) load reserves for MSL conditions.

Subject to stakeholder feedback, the Commission intends to make draft determinations for these rule change requests by 3 December 2026.

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