

Mr Ben Hiron
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

By Online Submission

21 August 2026

Dear Ben,

RE: ERC0439 - Consultation paper MSL rule changes

Eku Energy is pleased to provide this submission to AEMC's Consultation Paper MSL Rule Changes (**Consultation Paper**)¹ regarding changes to the regulatory and market arrangements that relate to minimum system load conditions in the NEM.

As a global infrastructure investor, developer and operator of utility-scale battery energy storage systems (BESS) backed by a Macquarie Asset Management Managed Fund and British Columbia Investments, Eku Energy has delivered over 1 GWh of BESS capacity across the NEM, including the 150MW/150MWh Hazelwood BESS, 200MW / 400MWh Rangbank BESS and 250MW / 500MWh Williamsdale BESS. Further to this, Eku Energy is advancing a mid-late stage development pipeline of over 8 assets in the National Electricity Market (NEM).

Summary positions

Eku Energy support incremental improvements to the Rules and associated market settings and frameworks that increase transparency, market information and efficient price formation such that AEMO can effectively mitigate and manage minimum system load conditions.

A move towards a market framework may be in the long term interests of consumers and further work should be undertaken to understand future frequency and severity of system conditions giving rise to MSL events. Directions, out of market interventions and transitional contracts should be proportionate to the need and minimised as much as possible. Where out-of-market actions may still be required, greater transparency of the costs of these interventions is required to enable a fair comparison of a market-based solution. Furthermore, Transitional Service Contracts must evolve to recognise and remunerate the total value of the delivered load response service, recognising any opportunity costs of service provision.

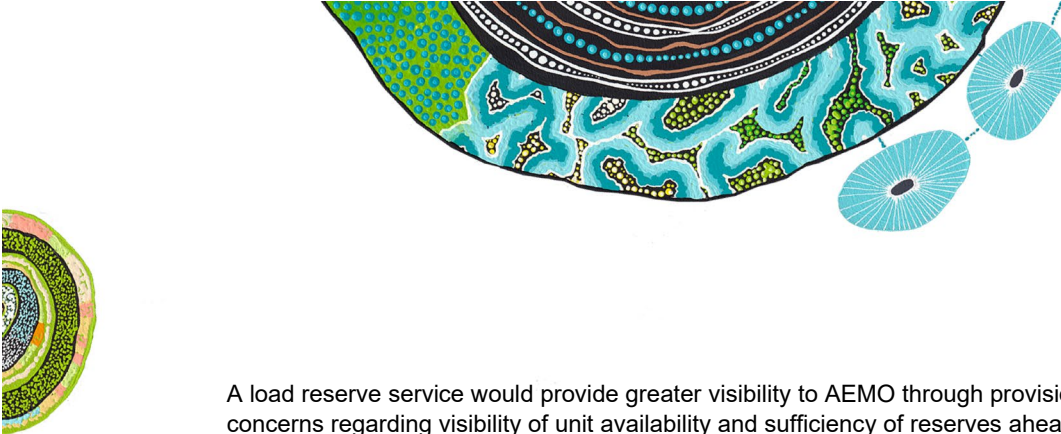
1. Support for further work on a Minimum System Load Service (Question 7 and 8)

Eku Energy is supportive of the objective of the CEC's proposed minimum system load reserve service and encourages further work on a long-term market solution. This analysis would support more detailed engagement and discussion on the pros and cons of introducing a new market service.

The market framework should move to avoid reliance on interventions - Directions and Transitional Service Contracts. While we do recognise that these mechanisms have an important role to play in the suite of tools available to AEMO, there is concern that there may become an over-reliance on the existing Transitional Service Contracts and directing assets (including BESS), impacting wholesale market efficiency. This is explored further in Section 2.

¹

AEMC 2026, *Consultation Paper – Minimum system load governance and market arrangements*. Available at: <https://www.aemc.gov.au/rule-changes/minimum-system-load-framework-and-floor-price-proposal>



A load reserve service would provide greater visibility to AEMO through provision of bids, mitigating many of the concerns regarding visibility of unit availability and sufficiency of reserves ahead of forecast MSL conditions. Many of these themes and the likely benefits of greater visibility of reserves (on the generation side) were explored in Infigen's 2020 Rule Change Request regarding the introduction of an Operating Reserves Market, later the Enhancing Reserves Information Determination.²

As with the introduction of any new market, scale will be an important factor. While there may be available load that would be willing to participate, if market depth remains shallow then participation may be disincentivised or the value realisation may be outweighed by the cost of implementation. Notwithstanding, as the cost of directions and enablement of Transitional Service Contracts continues to grow, these must be considered where an alternative solution can be established.

2. Efficiency of Transitional Service Contracts needs further attention (Question 1)

Since 2025, AEMO commenced procuring load response service through the Type 1 Transitional Service Contracts. AEMO has adjusted the service definition and performance requirements since the first pilot procurement in SA and VIC in 2025 to this year's first NEM-wide procurement.³

Addressing MSL conditions through transitional arrangements is not considered efficient for the long term. While a useful tool to address rapidly emerging or changing system security issues that cannot be mitigated through existing planning frameworks, there is a risk that AEMO may come to over-rely on these out of market contracts, locking up load capacity for an undetermined quantum of MSL events.

Presently, the service definition and performance requirements of Type 1 MSL Transitional Service Contracts afford AEMO with a high level of flexibility, allowing the System Operator to choose which assets, and how much capacity, are enabled and ultimately activated. While it is recognised that this flexibility is required to enable only the necessary amount of capacity, there is little assurance that the Service Provider can recoup the opportunity cost of holding these contracts compared to participating unencumbered in the market. The nature of these uncertainties would influence service pricing offered to AEMO. To address this, clearer valuation of the opportunity cost of providing the service, particularly from BESS, alongside greater price transparency (or a more standardised pricing approach) may benefit the market encouraging higher participation.

Furthermore, the market does not yet have visibility of the quantum of capacity being secured within each Jurisdiction, nor the varying duration that load capacity is being contracted (noting the maximum tenure is three years). This incomplete market information can influence operational decision making by Market Participants who may (or may not) respond to forecast or emerging MSL conditions with little awareness of how much and when existing transitional service contracts will be enabled. Coupled with increased transparency in PASA, limits or guardrails bounding how much capacity is secured through this mechanism should be explored such that the volume of contracted load capacity does not distort the market. Similarly, a lack of transparency here introduces more risk to investment decisions which may adversely timing or close of projects or result in a price in and pass through of costs.

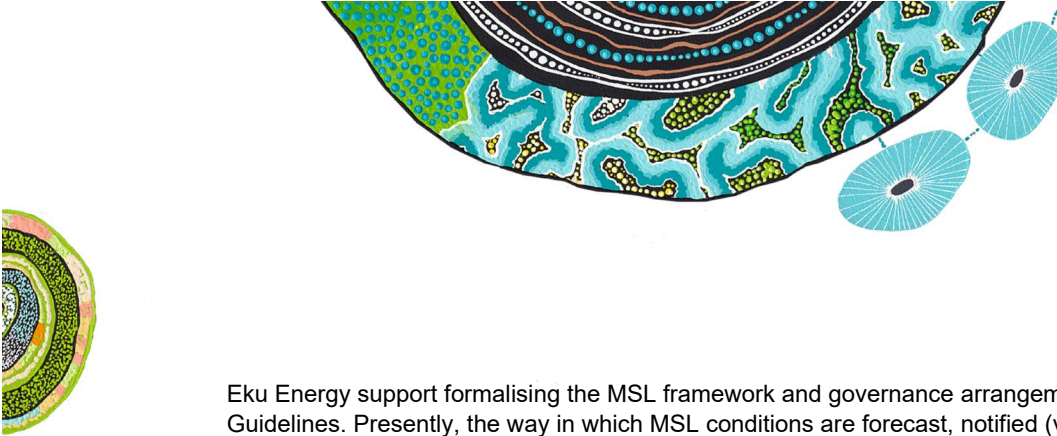
Eku Energy encourage greater transparency on the procurement methodology and approach, alongside transparent reporting on the costs of transitional service enablement and activations.

3. Support to formalise the MSL framework in the NER (Question 2 and 3)

Figure 2.3 of the Consultation Paper highlights the recent increase in the total number of MSL notices issued in the last two published calendar quarters. While AEMO has established guidance for the identification and management of these conditions, system security is increasingly being managed through out-of-market interventions (i.e. Directions and Transitional Service Contracts).

² AEMC, 2024. *Enhancing reserve information (formerly Operating reserves) Final Determination*. Available at: <https://www.aemc.gov.au/rule-changes/enhancing-reserve-information-formerly-operating-reserves>

³ AEMO, 2026. *Minimum System Load (MSL) - Type 1 Transitional Service*. Available at: <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/transition-planning/transitional-services---type-1-services/minimum-system-load---type-1-transitional-service>



Eku Energy support formalising the MSL framework and governance arrangements in the Rules and related Guidelines. Presently, the way in which MSL conditions are forecast, notified (via market notice), managed and reported is inconsistent and lacks predictability. Improving visibility and consistency of the approach and tools being used by AEMO will support market efficiency.

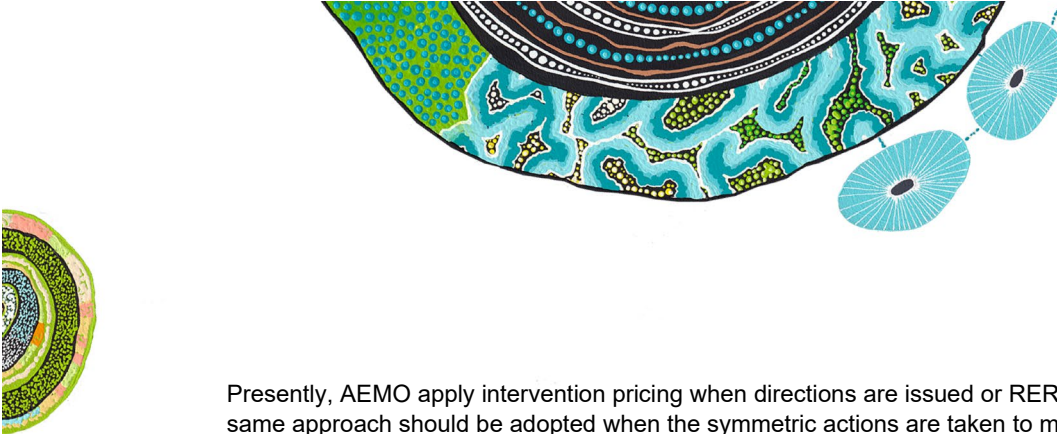
- **Forecasting MSL conditions:** Eku Energy support increased visibility (through MT and ST PASA) alongside clearer, more consistent market notices of anticipated conditions giving rise to MSL event(s). Likelihood of occurrence (including whether a similar 'Forecast Uncertainty Measure' could exist) over the PD timeframe should be a priority, but support for providing this visibility over the ST PASA timeframe would be ideal to support operational efficiency.
- **Variability in MSL conditions:** Further clarity of the triggers within each Jurisdiction is also required. For example, in Summer 2025-26, actual and forecast MSL3 thresholds in South Australia have been notified across 100 market notices ranging between -475 MW and -218 MW; while Victoria experienced 46 market notices ranging between 535 MW and 1015 MW. Understanding the methodology used to calculate MSL, and the variation in these thresholds, better allows Market Participants to monitor, prepare and respond.
- **Declaring MSL conditions:** AEMO's existing approach to the declaration of MSL conditions and MSL events (forecast and actual) is through market notices. These notices can be inconsistent in format, making it difficult for Market Participants to interpret, prepare or respond to market conditions without manual validation. For example, LOR notices are more uniform, with data available in a structured format through the database. Eku Energy recommend that AEMO adopt a clearer approach to the communication of MSL conditions through standard market data interchange systems, a defined governance document and consistent market notice formats. A further example of how MSL market notices could be improved is by including the 'minimum load capacity reserve available' information within the market notice. This is information that is standard within LOR notices. This information should reflect available reserve load from scheduled bi-direction units and scheduled load (i.e. pumped hydro), as it is understood that this is not presently included in all operational demand forecasts (including ST PASA).
- **Managing MSL conditions:** The hierarchy and combination of actions available to AEMO to mitigate and manage MSL conditions requires improved governance. For example, there are numerous times at which AEMO may enable Transitional Service Contracts or direct plant to discharge, hold charge or actively charge. Without clear visibility on the timing of intervention, and quantum of enabled response, the market has access to incomplete information to enact or adjust its intended trading decisions in line with efficient pricing principles.
- **Reporting MSL conditions:** While AEMO has initiated reporting on MSL conditions in the Quarterly LOR report, greater reporting detail on the costs of interventions is required (i.e. Directions; enablement of Transitional Service Contracts). This would help quantify the cumulative costs and impacts of these out of market interventions supporting future evolution of available tools and/or move towards a market service.

In summary, clearer governance would provide Market Participants with clarity on the system conditions, thresholds and tools available to identify and manage MSL conditions. While it is not necessary, we recognise that framework may have a level of symmetry with the LOR framework.

4. Intervention pricing should apply when AEMO intervenes to manage MSL conditions (Question 6)

As noted in the Consultation Paper, AEMO does not currently apply intervention pricing for interventions during MSL conditions that relate to the maintenance of load above minimum required levels. Eku Energy agrees with the Commission that the application of intervention pricing during MSL conditions would support strengthening price signals and encourage market participants to respond and help alleviate MSL conditions.

Intervention pricing during these actions would drive transparency and reveal true market value of load scarcity or generation oversupply, serving as helpful information to inform current and future operational behaviours. This is of importance in the instance where there is a continued reliance on out-of-market interventions to manage MSL conditions, the cost of which remains invisible to the market.



Presently, AEMO apply intervention pricing when directions are issued or RERT contracts are enabled – the same approach should be adopted when the symmetric actions are taken to manage MSL conditions (i.e. when Transitional Service Contracts are enabled and activated). Eku Energy are supportive of the outcome that intervention pricing would provide – a true reflection of the underlying valuation of energy generation and consumption during MSL conditions, in the absence of AEMO intervention, supporting efficient price formation.

5. Setting the MFP to -\$1,000 during MSL3 conditions (Question 4 and 5)

The Reliability Panel has recommended the wholesale pricing would automatically set at the market floor price (–\$1,000/MWh) when AEMO declares an MSL3 event. Eku Energy encourage further modelling and consideration of whether the market floor price should be automatically triggered prior to implementing this change.

While the potential to reach a low wholesale price would deliver of a sharp market signal, it is unclear whether this specific market price setting (i.e. -\$1,000/MWh or any alternate level) is sufficient to drive changed generation or load behaviour or investment decisions. For example, the instances of -\$1,000/MWh pricing across the NEM are limited – over the last 2 years, only a single event of a -\$1,000/MWh trading price interval occurred in SA, and 9 events in Victoria, importantly none during MSL conditions. There is limited data to ascertain the level of elasticity of price-responsive generation and price-responsive demand at different negative price points.

Furthermore, if the MPF was only to be triggered once MSL3 was reached, it is likely that available price-responsive load would have already optimised its trading intentions, responding to earlier MSL1 or MSL2 conditions, as there is no assurance that the MPF would be hit. The future price signal is likely too late for to be realised by reserving load 'headroom' and, as has been seen to date, AEMO would have likely pre-emptively enacted alternate actions (such as directing plant or, in the extreme case, shedding DPV).

Controllable, price-responsive demand (i.e. load from BESS) is already responding to negative prices in a rational manner – charging during low or negative wholesale market prices. In the case of BESS, units are likely already trading in a manner to undertake charging at optimal times to maximise wholesale spreads. With access to more information and market forecasts (refer Section 3), price-responsive demand is likely to continue to trade in a way that is rational.

Eku Energy recommend further modelling or analysis explore the price that encourages more generation to turn off (i.e. addressing the root cause of the problem), prior to adjusting price settings during MSL conditions.

6. Other measures

Encourage AEMC to consider whether network tariff reform could address some of the causal issues of excessive DPV giving rise to MSL conditions. For example, there is a material volume of DPV connected in QLD that, by virtue of the current feed-in-tariff arrangements, are not exposed to the wholesale (negative) prices and as such do not face the same incentive to switch off in response to price signals.

We look forward to engaging further on this Rule Change. If you would like to discuss any aspects of this submission further, please contact me at Rachel.rundle@ekuenergy.com.

Kind regards,
Rachel Rundle
Director of Policy