

Consultation paper

National Electricity Amendment (Dispatch limits for inverter-based resources) Rule

Proponent

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

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 to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



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Summary

- 1 The ongoing transition from large synchronous generating units to inverter-based systems will require new operational practices to ensure that the reliability and security of the power system is maintained. One such example is that a secure power system requires a minimum level of system strength in order to maintain a stable voltage waveform and to resist disturbances which may cause large voltage swings. A relevant determinant for the level of system strength is the number of inverters that are electrically connected to the power system. All else being equal, a greater number of inverters online can mean a weaker and less secure power system.
- 2 Recognising this, the Australian Energy Market Operator (AEMO) submitted a rule change request on 18 May 2026 seeking to amend the National Electricity Rules (NER) to expressly enable dispatch instructions to include a limit on the number of inverters online at a connection point.
- 3 AEMO is of the view that by formally introducing this mechanism in the NER, it would limit the number of inverters online in a direct and reliable way that reduces the risk of the power system operating outside of its security limits for an extended period of time.
- 4 The Commission has commenced its consideration of the request, and this consultation paper is the first stage.
- 5 We are seeking your feedback on how we propose to assess the request to determine if it would promote the long-term interests of consumers, the materiality of the problem, the feasibility of the proposed solution, or if there are other alternatives.

We are seeking your views on whether AEMO's management of inverter-limits could be improved

- 6 Currently, AEMO manages inverter-limits (limits on the number of inverters connected online to the power system) to manage power system security through a variety of methods. These include constraints, phone calls to entities that control inverter-based resources (IBRs) and clause 4.8.9 instructions to Network Service Providers (NSPs):
 - **Invoking network constraints** - AEMO initially implements(inverter-limits) through outage constraints in the National Electricity Market Dispatch Engine (NEMDE), which is the system that AEMO uses to run the electricity wholesale market. AEMO notes that currently, while plant operators may respond to the indirect signals received from a constraint violation, they are not obliged to respond.
 - **Manually engaging with participants** - if inverter numbers remain above the required limit, AEMO's real-time operations controllers may contact the affected participant and request that they block or disconnect inverters locally. AEMO notes that while these requests are generally successful, they are also voluntary and so are not supported by an explicit compliance and enforcement mechanism under the NER.
 - **Issuing clause 4.8.9 instructions to NSPs** - where the preceding measures do not reduce the number of inverters online in time to meet AEMO's obligation to resecure the power system, AEMO may issue a clause 4.8.9 instruction¹ to an NSP to open circuit breakers to disconnect the generating system.
- 7 Broadly, AEMO considers that these current arrangements to manage inverter-limits rely on

¹ Clause 4.8.9. of the NER enables AEMO to require a Registered Participant to do any act or thing if AEMO is satisfied that it is necessary to do so to maintain or re-establish the power system to a secure operating state, a satisfactory operating state, or a reliable operating state.

indirect and manual measures, which do not provide a sufficiently timely, efficient or enforceable mechanism for managing inverter-limits and consequently, power system security. Furthermore, it considers that the current methods for managing inverter-number limits are unsuitable for a high-IBR power system.

- 8 AEMO explains that relying on existing, voluntary manual processes to contact participants and, where necessary, escalate to NSPs to disconnect inverters under NER clause 4.8.9 instructions is disruptive to participants, resource-intensive for AEMO, and creates ongoing risks to the secure operation of the power system. For these reasons, AEMO considers that the current processes for managing inverter-limits can be improved.
- 9 To help address this issue AEMO is undertaking the 'inverter dispatch initiative', which is developing and implementing a mechanism to automate AEMO's communication of inverter-limits. However, while AEMO considers that its inverter dispatch initiative will improve the issues, it won't fully resolve the issues. This is because compliance with any inverter-limits communicated through this initiative would remain voluntary under current NER arrangements. AEMO considers that the initiative should be formalised in the NER by introducing obligations that improve power system security. Accordingly, AEMO's rule change request is intended to complement and formalise this initiative. The proponent considers that changes to the NER are required to streamline inverter-limit management for both AEMO and participants and, in doing so, support the secure operation of the power system.
- 10 See chapter 2 for more information.

We are also seeking your views on whether incorporating inverter-online limits into dispatch instructions would address the issues raised by AEMO

- 11 AEMO considers that the inverter dispatch initiative should be formalised in the NER by introducing obligations that improve power system security. This includes amendments to ensure:²
 - inverter-limit dispatch instructions are complied with
 - transparency and certainty for participants around compliance obligations
 - that the Australian Energy Regulator (AER) is able to monitor and enforce conformance
 - there is faster, automated reconnection of offline inverters once conditions allow it.
- 12 To formalise inverter-limits and address the issues articulated above, AEMO has proposed a number of amendments to the NER, including:
 - Chapter 4 of the NER to explicitly recognise limits on the number of online inverters as a valid form of dispatch instruction. Specifically, it proposes to amend the provisions governing the content of dispatch instructions so that inverter-limits are treated in a similar manner to existing dispatch outcomes. For example, active power, reactive power and transformer tap settings. See section 3.1.2 for more information.
 - Schedule 5.2 of the NER to require newly connecting facilities to possess the capability to monitor the number of online inverters, receive inverter-limit instructions communicated by AEMO and respond to those instructions through local control systems. AEMO indicates that this capability would build on existing telemetry arrangements, as affected facilities already provide information regarding inverter availability and online status. See section 3.1.2 for more information.

² AEMO, [Rule change request](#), p 8.

- Introducing definitions of “inverter” and “online inverter” into Chapter 10 to support consistent interpretation and application of the framework. See chapter 3.1.2 for more information and a description of the definitions.
- Transitional arrangements, if the rule is made, to include immediate commencement of the associated definitions and the new connection requirements for future connecting participants, together with an 18-month implementation period before the new dispatch instruction provisions apply to existing facilities. AEMO states that this approach seeks to balance the operational need for improved inverter management with the time participants may require to assess and implement necessary changes. See section 3.3 for more information.

- 13 The Commission understands that while the proponent refers to inverter-based resources throughout the rule change, the proposal is intended to apply to scheduled generators, semi-scheduled generators, and scheduled integrated resource providers that are inverter-based. It is not intended to capture non-scheduled generators or non-scheduled loads.
- 14 AEMO considers that making the changes described above and having a dispatch limits for inverters would:
 - improve system security and compliance with resecuring obligations
 - reduce reliance on clause 4.8.9 instructions
 - contribute to greater operational efficiency and reduced control-room burden
 - provide increased transparency, auditability, and enforceability.
- 15 AEMO considers that the costs of having a dispatch limit for inverters could affect AEMO, participants, and the AER to varying degrees. AEMO considers that system-related costs arising from the proposed rule would be limited as AEMO’s inverter dispatch initiative is already implementing the system functionality and capability to enable automated inverter dispatch as an element of NEM dispatch instructions.
- 16 AEMO understands that the cost of complying with inverter-limit dispatch instructions may vary in materiality across different cohorts of stakeholders. Newer and larger units are expected to be able to readily comply, as they already have local control and systems to receive dispatch instructions, while older or smaller units may require upgrades to plant controls, site automations, and operational processes.
- 17 AEMO considers that the inclusion of inverter-limits as a dispatch instruction would place inverter-limits within the existing dispatch compliance framework. As such, AEMO considers that the AER would be responsible for monitoring plant compliance under its existing role in monitoring compliance with dispatch instructions, offers and bids.
- 18 Overall, AEMO considers that the proposed rule would establish a clear, enforceable and technology-neutral framework for the management of inverter-limits, supporting the secure operation of the power system while facilitating AEMO’s transition from manual processes to an automated inverter dispatch capability.
- 19 We are seeking views on whether there are any other solutions the Commission should consider to address the issues raised by AEMO. It might be possible to address the issue being presented by the proponent without implementing the proposed solution. The Commission is interested in whether any stakeholders think any variations to what has been proposed could be a feasible alternative to solve the problem presented.
- 20 See chapter 3.1 and 3.2 for more information.

We are also seeking your views on implementation considerations

- 21 AEMO has proposed a number of transitional arrangements to clarify, if a rule is made, where performance standard changes may be required and, in those circumstances, to minimise regulatory burden:
- **Existing plant – minor changes** – AEMO does not expect changes to enable system integration, such as configuring site controls to disconnect inverters, would trigger reassessment under cl 5.3.9 because they do not affect the performance of the plant against existing performance standards.
 - **Existing plant - material control system changes** - AEMO considers that if a participant would need to upgrade or materially modify plant-level control systems in a way that affects performance under S5.2.5, this could trigger a cl 5.3.9 reassessment of performance standards. AEMO is of the view that triggering cl5.3.9 would require reassessment and compliance with only affected S5.2 technical requirements. AEMO has also stated that, to the extent there is participant concern regarding triggering cl 5.3.9, it could provide guidance to clarify process and assist with specific control system configurations.
- 22 If the rule is made, AEMO anticipates any updates required to its procedures to be incremental, as AEMO will be updating these procedures as part of the inverter dispatch initiative's implementation. AEMO does anticipate that several other guidelines may need to be updated. See chapter 3.4.2.
- 23 While AEMO has also stated that its operational preference is to implement the rule change at the same time the inverter dispatch initiative is completed in Q2 2027, it acknowledges that there are currently varied capabilities of existing plant to receive and comply with a dispatch instruction that includes inverter-limits. With this in mind, AEMO has proposed a staged implementation timeframe:
- **Immediate commencement:** proposed Chapter 5 changes and definitions commence to ensure that new connections (and connection applicants who have not yet negotiated their performance standard at commencement) possess capabilities to monitor telemetered inverter online counts, receive inverter counts via electricity market management system (EMMS), supervisory control and data acquisition (SCADA), or inter-control centre communications protocol (ICCP), and respond locally to the dispatch instruction to reduce the number of inverters online upon making the rule. This would provide clarity to new and connecting units and seek to work in tandem with the inverter dispatch initiative. AEMO believes this would mitigate the operational risk of increasing binding inverter dispatch limits prior to full commencement of the rule.
 - **18 month implementation period:** proposed Chapter 4 changes to provide a limit on the number of online inverters and outline the form and content of the dispatch instruction commence 18 months following publication of the final rule to allow existing plant enough time to clarify, assess, and where required, update control systems. AEMO notes that this transition period aligns with informal stakeholder feedback it received despite AEMO preferring a shorter implementation period to mitigate the ongoing and increasing risk posed by the management of inverter-limits as system security constraints.
- 24 See chapter 3.4 for more information.

We are seeking your views on compliance and enforcement

- 25 The rule change request proposes that the AER would be required to review and update their Rebidding and Technical Requirements Guideline. AEMO considers that the inclusion of inverter-

limits as a dispatch instruction would place inverter-limits within the existing dispatch compliance obligations. As such, the AER would be responsible for monitoring plant compliance under its existing role in monitoring compliance with dispatch instructions, offers and bids. See chapter 3.5 for more information.

- 26 We are seeking views on when the AER would need to have guidelines updated to align with AEMO's recommended staged implementation timeframe, as outlined above.

We consider that there are three assessment criteria that are most relevant to this rule change request

- 27 Considering the NEO³ and the issues raised in the rule change request, the Commission proposes to assess the rule change request against three assessment criteria.
- 28 Please provide feedback on our proposal to assess the request against:
- **Safety, security and reliability:** The proposal aims to uphold safety, security and reliability outcomes by improving AEMO's ability to maintain and restore a secure operating state when system strength limitations require a reduction in the number of online inverters. AEMO considers that this can be achieved by expressly enabling dispatch instructions to include inverter-limits. Our key question is: would the proposed rule change enable reliable, secure, and safe provision of energy at efficient cost to consumers over the long term?
 - **Principles of good regulatory practice:** The rule change request seeks to improve the management of inverter-limits through relatively targeted amendments to existing dispatch and compliance frameworks. AEMO considers that its proposal would establish a clearer legal and operational basis for managing inverter-limits. Our key question is: Would this promote predictability, stability, transparency in the regulatory framework for stakeholders, and would it interact constructively with other reforms underway?
 - **Implementation considerations:** The rule change request identifies that there may be implementation costs for participants, to varying degrees. At the same time, AEMO considers that the proposal largely formalises the use of information that is already being collected and communicated. . Our key questions are: Would this balance the cost and complexity of implementation and ongoing regulatory and administrative costs to all market participants, consumers and market bodies, across all potential solutions? Would the impact of this be managed/manageable across different classes of stakeholders?
- 29 See chapter 4 for more information.

Submissions are due by 24 September 2026 with other engagement opportunities available

- 30 There are multiple options to provide your feedback throughout the rule change process.
- 31 Written submissions responding to this consultation paper must be lodged with Commission by COB 24 September 2026 via the Commission's website, www.aemc.gov.au.
- 32 There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions. See the section of this paper about "How to engage with us" for further instructions and contact details for the project leader.

3 Section 7 of the NEL.

Full list of consultation questions

Question 1: What are your views on the current arrangements for managing inverter-limits? Do the current arrangements impose costs or operational challenges?

Question 2: To what extent would AEMO's inverter dispatch initiative address the issues identified in this chapter, in the absence of an explicit mechanism in the NER requiring compliance with inverter-limits?

Question 3: Would the proposed solution address the issue raised by the proponent? Do you consider that the proposed changes to the rules would solve the problem raised or are there other factors that would have a greater impact? Would the proposed changes to the rules have unintended consequences?

Question 4: What do you consider would be the costs and benefits of the proposed solution? If there are costs, would these be one off or ongoing? Is there anything the Commission could do in designing the rule that would help to minimise the costs and increase benefits?

Question 5: Do you consider any variation or alternative to the proposed solution would solve the issue raised by the proponent in a way that better contributes to the NEO?

Question 6: Do you consider that the proposed approach can be implemented efficiently and effectively? Are there any transitional arrangements, lead times, or sequencing issues that would be required to support implementation of the proposed approach? Please explain.

Question 7: Do you consider that the proposed compliance approach is the most appropriate approach to help to achieve the desired outcome and contribute to solving the issue? Would the relevant parties have appropriate incentives to comply?

Question 8: Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solutions by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and, in so doing, contributes to well-informed, high quality rule changes.

We have included questions in each chapter to guide feedback, and the full list of questions is above. However, you are welcome to provide feedback on any additional matters that may assist the Commission in making its decision.

How to make a written submission

Due date: Written submissions responding to this consultation paper must be lodged with Commission by 24 September 2026.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code ERC0453.⁴

You may, but are not required to, use the stakeholder submission form published with this consultation paper.

Tips for making submissions are available on our website.⁵

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive, defamatory, vexatious or irrelevant content, or content that is likely to infringe intellectual property rights).⁶

Other opportunities for engagement

There are other opportunities for you to engage with us, such as one-on-one discussions or bilateral industry briefings. See below for contact details

For more information, you can contact us

Please contact us with questions or feedback at any stage, noting the project code.

Email: aemc@aemc.gov.au

Telephone: (02) 8296 7800

⁴ If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission.

⁵ See: <https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/submission-tips>

⁶ Further information is available here: <https://www.aemc.gov.au/contact-us/lodge-submission>

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1 The context for this rule change request

The ongoing transition from large synchronous generating units to inverter-based systems will require new operational practices to ensure that the reliability and security of the power system is maintained.

A secure power system requires a minimum level of system strength in order to maintain a stable voltage waveform and to resist disturbances which may cause large voltage swings. A relevant determinant for the level of system strength is the number of inverters that are electrically connected to the power system. All else being equal, a greater number of inverters online can mean a weaker and less secure power system.

Recognising this, on 18 May 2026, the Australian Energy Market Commission (AEMC or the Commission) received a rule change request from the Australian Energy Market Operator (AEMO). The rule change request seeks to amend the National Electricity Rules (NER) to expressly enable dispatch instructions to include a limit on the number of inverters online at a connection point.⁷ AEMO has identified that the current process to manage inverter-limits is becoming increasingly inadequate, as inverter penetration has grown and system strength-related inverter-limits are invoked more frequently.⁸ By requesting this change AEMO, proposes to manage inverter reductions in a more direct, and reliable way that reduces the risk of extended constraint violations and power system insecurity.

This chapter provides an overview of AEMO's rule change request along with relevant context and background:

- Section 1.1 Inverter-based resources are changing the operation of the NEM
- Section 1.2 The proponent proposes to expressly enable dispatch instructions to limit the number of inverters online
- Section 1.3 AEMO has engaged with stakeholders on the inverter dispatch initiative
- Section 1.4 The Commission is progressing a number of system strength and IBR related rule changes
- Section 1.5 We have started the rule change process

1.1 Inverter-based resources are changing the operation of the NEM

The generation mix of the National Electricity Market (NEM) is changing. Retiring synchronous generation is being replaced, predominantly, by more flexible inverter-based resources (IBR), such as wind, solar, and batteries. These resources do not interact with the power system in the same way as synchronous generators, but the technical requirements to operate a safe and secure power system such as system strength, frequency, and voltage control endure.

Specifically, system strength, as one of the requirements, supports the stable operation of the power system. It provides stable voltage waveforms and fault current, helping to keep equipment connected and operating securely, while also helping power system protection devices to see system faults, such as those that may occur following a lightning strike on a power line. AEMO has determined a range of secure system configurations for the operation of synchronous generators and inverter-based resources while continuing to work on defining power system requirements so that the power systems needs can be confidently met throughout the transition.⁹

⁷ AEMO, [Rule change request](#), p 1.

⁸ AEMO, [Rule change request](#), p 4.

⁹ AEMO, [System security planning](#).

The increasing role of inverter-based generation and storage in the power system, and the growing need for AEMO to manage system strength-related operational limits efficiently and consistently, may require new mechanisms and practices to support the operation of the system. This includes the management and communication of system strength related inverter-limits.

Maintaining power system security is one of AEMO's core functions. AEMO has a number of ways in which they are able to do this, including through the use of constraints.¹⁰ To form constraints, network service providers (NSPs) provide AEMO with limits advice; this can include advice on the limit on the number of inverters that can be online under certain power system conditions.¹¹

When system strength is limited, the relevant security metric for AEMO is often the number of inverters electrically connected to the grid, rather than a dispatchable energy metric.¹² When too many inverters are connected in an area with limited system strength:¹³

- voltage control can become unstable
- inverters can interact with each other and with network equipment in unexpected ways
- oscillations may develop between inverter control systems
- following a disturbance (for example, a fault or line outage), some inverters may lose synchronism or trip
- protection systems may not perform as intended
- a larger disturbance can result in widespread disconnection of inverter-based generation.

Currently, if there are too many inverters connected to the grid, AEMO's control room must manually phone multiple affected plant operators to request a reduction in the number of inverters online to return the power system to a secure operating state within 30 minutes. In response, inverter operators need to take actions to reduce the number of inverters online, under time pressure.¹⁴ As outlined in chapter 2, this approach to managing inverter-limits, while generally successful, is not supported by an explicit enforcement mechanism under the NER, therefore a participant's response is currently voluntary. If a participant does not respond to this request, AEMO may issue a clause 4.8.9 instruction to a NSP to open circuit breakers to disconnect the inverter.

1.2 The proponent proposes to expressly enable dispatch instructions to limit the number of inverters online at a connection point

The rule change request seeks to expressly enable NEM dispatch instructions to include a limit on the number of inverters online at a connection point.¹⁵

Currently, as mentioned above, AEMO manages inverter-limits through a combination of network constraints, manual communications with plant operators and, where necessary, clause 4.8.9 instructions to NSPs to disconnect facilities.¹⁶ According to AEMO, these arrangements, apart from not being supported by an explicit enforcement mechanism under the NER, can be labour-intensive, slow, and difficult to scale as inverter-based resources become more prevalent.¹⁷

¹⁰ A constraint is an instruction embedded in the market dispatch engine (NEMDE) that limits how generators, loads or interconnectors can operate so that the power system remains secure. AEMO uses constraints to ensure the system operates within technical limits such as transmission line ratings, voltage limits, stability limits and system strength requirement.

¹¹ AEMO, [limits advice](#).

¹² AEMO, [Rule change request](#), p 5.

¹³ AEMO, [System strength in the NEM explained](#), March 2020.

¹⁴ AEMO, [Rule change request](#), p 5.

¹⁵ AEMO, Electricity Rule Change Proposal, [Inverter Dispatch](#) (Rule change request), May 2026.

¹⁶ AEMO, [Rule change request](#), p 4.

AEMO considers that reliance on manual coordination may create operational risks, particularly when rapid action is required to return the power system to a secure operating state. AEMO notes that inverter-related constraint violations have occurred on numerous occasions in recent years.¹⁸ These violations put the safety, security, and reliability of the power system at risk.

For these reasons, AEMO is implementing the inverter dispatch initiative, a mechanism to automate AEMO's communication of inverter-limits.¹⁹ Currently, AEMO does not have the power to enforce compliance, as such, the initiative remains voluntary.

AEMO considers through the rule change proposal, that the initiative should be formalised by introducing obligations into the NER to improve power system security by ensuring:²⁰

- inverter-limit dispatch instructions are complied with
- transparency and certainty for participants around compliance obligations
- that the Australian Energy Regulator (AER) is able to monitor and enforce conformance
- there is faster, automated reconnection of offline inverters once conditions allow it.

AEMO proposes to formalise the obligations into the NER by:²¹

- amending chapter 4 of the NER to explicitly recognise limits on the number of online inverters as a valid form of dispatch instruction. Specifically, it proposes to amend the provisions governing the content of dispatch instructions so that inverter-limits are treated in a similar manner to existing dispatch outcomes such as active power, reactive power and transformer tap settings. See section 3.1.2 for more information.
- amending schedule 5.2 of the NER to require newly connecting facilities to possess the capability to monitor the number of online inverters, receive inverter-limit instructions communicated by AEMO, and respond to those instructions through local control systems. AEMO indicates that this capability would build on existing telemetry arrangements, as affected facilities already provide information regarding inverter availability and online status. See section 3.1.2 for more information.
- introducing new definitions of "inverter" and "online inverter" to support consistent interpretation and application of the framework. See chapter 3.1.2 for more information.
- introducing transitional arrangements, if the rule is made, to include immediate commencement of the associated definitions and the new connection requirements for future connecting participants, together with a 18-month implementation period before the new dispatch instruction provisions apply to existing facilities. AEMO states that this approach seeks to balance the operational need for improved inverter management with the time participants may require to assess and implement necessary changes. See section 3.3 for more information.

Overall, AEMO considers that the proposed rule would establish a clear, enforceable and technology-neutral framework for the management of inverter-limits, supporting the secure operation of the power system while facilitating AEMO's transition from manual processes to an automated inverter dispatch capability.

See chapter 3 for more information on the proposed rule.

17 AEMO, [Rule change request](#), p 4.

18 AEMO, [Rule change request](#), p 4 -5; 7.

19 AEMO, [Rule change request](#), p 6.

20 AEMO, [Rule change request](#), p 8.

21 AEMO, [Rule change request](#), p 10-12.

1.3 AEMO has engaged with stakeholders on the inverter dispatch initiative

The rule change request is closely linked to AEMO's broader inverter dispatch initiative²², which is introducing systems and processes to automate the communication of inverter-limits to affected facilities.

Under that initiative, AEMO intends to provide inverter-limit signals through existing market and operational communication channels, allowing facilities to automatically reduce the number of online inverters where required. However, AEMO notes that participation in this automated process would remain voluntary under the current Rules without changes. A key objective of the proposed rule change is therefore to provide a clear regulatory basis for inverter-limit instructions and establish an associated compliance framework.²³ See sections 1.3, 2.3, 3.1.1, and appendix A for more information on the initiative.

In implementing this initiative, AEMO has engaged with stakeholders and received feedback from a variety of industry stakeholders including market participants, owners and operators of IBR, third party service and software providers, original equipment manufacturers (OEMs) and NSPs.²⁴ Feedback received by AEMO includes:

- acknowledging that the current manual approach is labour-intensive and inconsistent which could risk power system security²⁵
- recognising the need for increased automation and improved clarity in how inverter-limits are communicated and managed²⁶
- in principle support for this rule change to ensure clarity and compliance by expressly enabling inverter-limits within a dispatch instruction²⁷
- requests for clarification and further detail including:²⁸
 - real-time operational requirements for AEMO and participants
 - considerations for grid-forming (GFM) battery energy storage systems (BESS) and hybrid plant
 - engagement with third party providers to support inverter-limits
 - timing around the proposed rule change and implementation timeline.

Additionally, AEMO has indicated that it intends to keep stakeholders up to date on the inverter dispatch initiative through a variety of mechanisms including the NEM Reform Program.²⁹

1.4 The Commission is progressing a number of system strength and IBR-related rule changes

This rule change is one of a number of rule changes currently with or being progressed by the Commission related to system security and the need to evolve our framework to better accommodate the increasing amount of inverter based resources in the system.

The rule changes include:

22 AEMO, [Inverter Dispatch](#).

23 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 6.

24 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 10.

25 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 11.

26 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 11.

27 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 11.

28 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 11.

29 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 10.

- **Improving the NEM access standard - Package 2:** on 12 March 2026 the Commission published a draft determination and draft rule. The draft rule, which is a more preferable draft rule, would update and improve the NEM access standards with a focus on managing the system security impacts of large inverter-based loads.³⁰
- **Security framework enhancements:** on 12 March 2026 the Commission published a consultation paper seeking stakeholder views on two rule change requests which have since been consolidated into one. The rule change raises problems with the ability of the current security frameworks to effectively and efficiently deliver a secure system.³¹
- **Operational integration and visibility of large inverter-based loads:** on 21 July 2026, the Commission received this rule change request from AEMO. The rule change seeks to improve and clarify regulations for large inverter-based loads to enable more uniform and predictable integration into the NEM. The Commission has not yet initiated this request.³²

The Commission has also recently made recommendations to Energy Ministers regarding data centres. Energy Ministers, with Queensland and Northern Territory opposing, agreed to develop rule change requests for future consideration. Future work on this also relates to how we best accommodate the inverter-based resource of data centres into the NEM.

The Commission will consider the interactions between these rule changes as they progress.

1.5 We have started the rule change process

This paper is the first stage of our consultation process.

A standard rule change request includes the following formal stages:

- a proponent submits a rule change request
- the Commission commences the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

Information on how to provide your submission and other opportunities for engagement is set out at the front of this document.

You can find more information on the rule change process on our website.³³

To make a decision on this proposal, we seek stakeholder feedback on how we propose to assess the request, the stated problem and the proposed solutions.

30 Project page, [Improving the NEM access standards -Package 2](#).

31 Project page, [Security framework enhancements](#).

32 Project page, [Operational integration and visibility of large inverter-based loads](#).

33 See our website: <https://www.aemc.gov.au/our-work/changing-energy-rules>.

2 The problem raised in the rule change request

In the rule change request, AEMO identified that the current processes to manage inverter-limits, as described in section 1.1 and section 2.1 below, are becoming increasingly inadequate as IBR penetration has grown and system strength-related inverter-limits are invoked more frequently.³⁴ AEMO considers that the current arrangements to manage inverter-limits rely on indirect and manual measures, which do not provide a sufficiently timely, efficient or enforceable mechanism for managing inverter-limits and consequently, power system security.³⁵ The problems described in this chapter specifically concern scheduled generators, semi-scheduled generators, and scheduled integrated resource providers that are inverter-based.

This chapter provides additional background on the current NER arrangements, along with the issues raised in the rule change request:

- Section 2.1 – AEMO currently manages inverter-limits through constraints, phone calls to entities that control IBRs and clause 4.8.9 instructions to NSPs
- Section 2.2 – Issue 1 – AEMO considers that the current processes for managing inverter-limits can be improved
- Section 2.3 – Issue 2 – AEMO considers that its inverter dispatch initiative will improve, but not fully resolve, the identified issues
- Section 2.4 – Broader issues related to system strength are being considered in other processes.

2.1 AEMO currently manages inverter-limits through constraints, phone calls to entities that control IBRs and clause 4.8.9 instructions to NSPs

Under clause 4.2.6 of the NER, AEMO must operate the power system in a secure operating state.

³⁶ Following a contingency event (credible or non-credible), it must return the system to a secure operating state as soon as practicable and within 30 minutes.³⁷

Currently, as part of its suite of tools that it uses to operate the system, AEMO routinely receives advice from NSPs that outlines how many inverters can be online under certain network conditions and outages (limits advice).³⁸ AEMO implements this advice and enforces inverter-limits through a series of escalating operational measures:

- **Invoking network constraints** - AEMO initially implements NSP limits advice through outage constraints³⁹ in the National Electricity Market Dispatch Engine (NEMDE). Where Supervisory Control and Data Acquisition (SCADA) telemetry indicates that system strength may be affected by the number of inverters online, the relevant constraints may bind or be violated. NEMDE may set a target of 0 MW for particular dispatchable unit identifiers (DUIDs). However, the system security risk can persist until the telemetered inverter count falls to or below the number advised by NSPs. This is because the condition that impacts system security is the number of inverters online, not the unit's energy output.⁴⁰ AEMO notes that currently, while

³⁴ AEMO, [Rule change request](#), p 4.

³⁵ AEMO, [Rule change request](#), p 1.

³⁶ Clause 4.2.4 of the NER states that the power system is defined to be in a secure operating state if, in AEMO's reasonable opinion, the power system is in a satisfactory operating state and that the power system will return to a satisfactory operating state following the occurrence of any credible contingency event or protected event in accordance with the power system security standards.

³⁷ NER, clause 4.2.6(b)(1).

³⁸ AEMO, [Limits Advice Guidelines](#), February 2025; AEMO, [Rule change request](#), p 6.

³⁹ To manage power flows on the power system during system normal or outage conditions, AEMO invokes constraint sets within the market systems. See AEMO, [Network Outages](#).

plant operators may respond to the indirect signals received from a constraint violation, they are not obligated to respond by disconnecting the inverter. This is because clauses 4.9.2 and 4.9.5 in the NER do not include inverter-limits in dispatch instructions.

- **Manually engaging with participants** - if inverter numbers remain above the limit required for system security, AEMO's real-time operations controllers may contact the affected participant and request that they block or disconnect inverters locally.⁴¹ AEMO notes that while this approach to managing inverter-limits is generally successful, a participant's response is currently voluntary and it is not supported by an explicit enforcement mechanism under the NER.⁴²
- **Issuing clause 4.8.9 instructions to NSPs** - where the preceding measures do not reduce the number of inverters online in time to meet AEMO's obligation to resecure the power system,⁴³ AEMO may issue a clause 4.8.9 instruction⁴⁴ to an NSP to open circuit breakers to disconnect the generating system, thereby restoring system security.⁴⁵

As outlined in section 1.3, AEMO is progressing its inverter dispatch initiative.⁴⁶ While AEMO expects that the initiative will improve AEMO's ability to monitor adherence to inverter-limits, it notes that compliance with inverter-limits through the initiative would remain voluntary under current NER arrangements. Accordingly, AEMO's rule change request is intended to complement this initiative. Appendix A provides a further description of AEMO's initiative and section 2.3 provides further detail on the interactions between this initiative and AEMO's rule change request.

2.2 Issue 1 – AEMO considers that the current processes for managing inverter-limits can be improved

The proponent considers that the current methods for managing the impact of inverter numbers on system strength are unsuitable for a power system with a high number of inverters. AEMO explains that relying on existing manual processes to contact participants and, where necessary, escalate to NSPs to disconnect inverters under NER clause 4.8.9 is disruptive to participants, resource-intensive for AEMO, and creates ongoing risks to the secure operation of the power system.⁴⁷ More specifically, AEMO has identified that the current approach has:⁴⁸

- created challenges for AEMO in maintaining a secure power system and returning the system to a secure operating state when managing system strength limits
- contributed to instances where the power system is at risk of not being in a secure operating state for more than 30 minutes
- increased the volume of manual activity for AEMO and registered participants due to the requirement for multiple phone calls between AEMO and registered participants as more IBR enters the power system.

40 Disconnecting an inverter is distinct from dispatching a plant to 0 MW. While a plant dispatched to 0 MW may cease active power production and consumption, it can remain connected to the power system and therefore provide reactive power, which contributes to the system strength conditions.

41 'Blocking' an inverter means that the inverter's electronic controls are set such that it produces no active or reactive power, thereby having no system strength implications despite being connected to the grid. Disconnecting an inverter involves opening the circuit breaker to isolate it from the power system. These actions have the same impact on system strength.

42 AEMO, [Rule change request](#), p 6.

43 NER, clause 4.2.6(b)(1).

44 Clause 4.8.9. of the NER enables AEMO to require a Registered Participant to do any act or thing, other than actions contemplated under a direction pursuant to clause 4.8.9(a1)(1)[in relation to a non-scheduled resource such as a network service which is not classified as a scheduled network service], that AEMO is satisfied is necessary to maintain or re-establish the power system to a secure operating state, a satisfactory operating state, or a reliable operating state and/or for reasons of public safety or the security of the electricity system.

45 AEMO, [Rule change request](#), p 6.

46 AEMO, [Inverter Dispatch](#).

47 AEMO, [Rule change request](#), p 7.

48 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 6.

For these reasons, AEMO considers that changes to the NER are required to improve the management of online inverter numbers for both AEMO and participants and, in doing so, support the secure operation of the power system.

2.2.1 **AEMO considers that the current arrangements have material operational and system security impacts**

AEMO states that it has experienced multiple instances where the power system was at risk of remaining in an insecure operating state for more than 30 minutes due to the number of inverters online.⁴⁹ It also considers that the challenges associated with managing inverter numbers are likely to increase as IBR penetration in the power system continues to grow.⁵⁰

AEMO has analysed the frequency of inverter-related constraint violations in the NEM. As shown in Figure 2.1, there were 473 intervals with constraint violations in 2024 and 526 intervals in 2025. AEMO considers that these results demonstrate the growing operational significance of inverter-limits and the need for reform to the current NER arrangements. As the proportion of IBR in the power system increases, it is expected that the frequency with which inverter-limits are required will also increase, thereby making the current approach progressively less sustainable.⁵¹

The Commission understands that issues with the number of inverters online are becoming increasingly prevalent in areas with low system strength and that the need to restrict the number of inverters online may increase as additional projects, such as utility-scale solar, wind and battery farms, connect to the power system. However, the Commission also notes that changes to the network, such as Project Energy Connect (PEC), may alleviate some of these concerns.

49 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 6.

50 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 6.

51 AEMO, [Rule change request](#), p 13.

Figure 2.1: Number and length of inverter constraint violations in 2025 (top) and 2024 (bottom)



Source: AEMO, Rule change request, p 8.

The Commission recognises that in a high-IBR system, effective management of inverter-limits is critical to maintaining system security, particularly in areas where system strength is low. Currently, there are broader reforms underway to improve how power system security issues are planned for and managed. These issues include system strength, the connections process for and management of large IBR load. This work should be considered alongside any reforms related to the management of inverter-limits. For example, the [Security framework enhancements rule change](#) is exploring enhancements to the planning frameworks for system strength.⁵² In addition, the [Access Standards - Package 1](#) and [Package 2](#) rule changes have considered the technical requirements of IBR, with package 2 having a focus on large loads.⁵³ Within this context, the Commission is seeking stakeholder feedback on the effectiveness of the current processes for managing inverter-limits and on the operational challenges in the future.

52 AEMC, [Security frameworks enhancements – Consultation paper](#), 12 March 2026.

53 AEMC, [Improving the NEM access standards – Package 1](#); AEMC, [Improving the NEM access standards – Package 2](#).

Question 1: What are your views on the current arrangements for managing inverter-limits? Do the current arrangements impose costs or operational challenges?

2.3 Issue 2 – AEMO considers that its inverter dispatch initiative will improve, but not fully resolve, the identified issues

In the rule change request, AEMO explains that its inverter dispatch initiative, which is progressing in parallel with this rule change, is expected to improve how inverter-limits are communicated to registered participants.⁵⁴ This initiative would automate the way AEMO communicates inverter-limits to IBR by sending automated instructions via both:

- EMMS (market data model pathways) for all participants
- SCADA/ICCP for participants who prefer operational signalling channels.

AEMO expects that many registered participants will voluntarily respond to this new system upon its implementation, thereby improving the efficiency and timeliness of inverter management.⁵⁵ However, AEMO also notes that without an accompanying amendment to the NER, compliance with inverter-limits will remain voluntary. The proposed rule would complement and support the inverter dispatch initiative by providing AEMO and market participants with a clear, enforceable and timely mechanism to ensure the number of inverters online does not exceed system strength-related limits.

The Commission is therefore seeking stakeholder feedback on the extent to which the inverter dispatch initiative is expected to address the issues identified by AEMO and whether any material concerns would remain in the absence of the proposed rule.

Question 2: To what extent would AEMO's inverter dispatch initiative address the issues identified in this chapter, in the absence of an explicit mechanism in the NER requiring compliance with inverter-limits?

⁵⁴ AEMO, [Rule change request](#), p 4.

⁵⁵ AEMO, [Rule change request](#), p 7.

3 The proposed solution and implementation considerations

This chapter seeks feedback on the proposed solution and implementation matters raised in the rule change request:

- Section 3.1 - We are seeking feedback on whether incorporating online inverter-limits into dispatch instructions addresses the issues raised by the proponent
- Section 3.2 - We are seeking feedback on the overarching costs and benefits of dispatch instructions to limit online inverters
- Section 3.3 - We are seeking feedback on implementation considerations
- Section 3.4 - We are seeking feedback on compliance and enforcement
- Section 3.5 - We are interested to know if there are any other solutions the Commission should consider.

3.1 We are seeking views on whether incorporating limits on online inverters into dispatch instructions addresses the issues raised by the proponent

The proponent proposes to allow AEMO to issue dispatch instructions limiting the number of inverters that are online at a connection point (see table 3.1 below) to create a direct, formal dispatch pathway for managing the number of inverters online.⁵⁶ This would alleviate AEMO's reliance on manual approaches and clause 4.8.9 instructions to NSPs as outlined in section 2.1.

3.1.1 AEMO proposes that the rule change is required as the inverter dispatch initiative would not resolve the issue alone

As outlined in section 2.3, AEMO's inverter dispatch initiative would improve, but not fully resolve, manual communication of limits on online inverters.. As such, AEMO believes that it is necessary to amend the NER to include inverter online limits in dispatch instructions to require participants to comply and to ensure AEMO advances as soon as possible from using manual approaches with IBR operators and clause 4.8.9 instructions to NSPs.⁵⁷

Additionally, AEMO outlines that the proposed rules would ensure:⁵⁸

- AEMO is able to issue inverter-limits dispatch instructions to relevant participants (which they must comply with)
- faster, automated reconnection of offline inverters once conditions allow it
- improved transparency and certainty for participants regarding compliance obligations
- the AER is able to monitor and enforce compliance, see section 3.4 below
- rapid action to meet AEMO's resecuring requirements under NER clause 4.2.6(b)(1).

AEMO has also indicated that its operational preference is to implement the rule change as soon as the inverter dispatch initiative is completed in Q2 2027.⁵⁹ However, as described in section 3.2.2 below, AEMO acknowledges that there are varied capabilities of existing plant to receive and

⁵⁶ AEMO, [Rule change request](#), pp 8 - 10.

⁵⁷ AEMO, [Rule change request](#), p 8.

⁵⁸ AEMO, [Rule change request](#), p 8.

⁵⁹ AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, pp 31 - 33.

comply with a dispatch instruction that includes inverter-limits.⁶⁰ See section 3.4 for more information on AEMO's proposed implementation timeframe.

3.1.2 AEMO proposes a number of amendments to the NER

To introduce obligations regarding limits on online inverters into the NER, AEMO has proposed a number of amendments to the NER, which are outlined in table 3.1 below.

While the proponent refers generally to inverter-based resources in many sections of the rule change request, the proposed rule changes would apply only to scheduled generators, semi-scheduled generators, and scheduled integrated resource providers (that are inverter based).⁶¹ As such, the proposed change would not capture non-scheduled generators or loads that are not part of scheduled bi-directional units.

Table 3.1: Proposed NER amendments

Proposed NER provision	Proposed amendment	Rationale
4.9.2(a)(3)	Insert a new subparagraph as follows: (3) a limit on the number of <i>online inverters</i> , where <i>AEMO</i> considers it necessary, to maintain <i>power system security</i> .	AEMO states this amendment would explicitly empower AEMO to issue dispatch instructions specifying the maximum number of inverters that may be online at a connection point.
4.9.5(a)(2)	Replace this subparagraph with the following: (2) the desired outcome of the <i>dispatch instruction</i> (if applicable) such as <i>active power</i> , <i>reactive power</i> , <i>transformer tap</i> , maximum number of <i>online inverters</i> or other outcome;	AEMO states that as this clause prescribes the form and content of a dispatch instruction, adding <i>number of online inverters</i> to this list would ensure an instruction has the same authority, clarity, and compliance expectation as existing outcomes such as MW targets, voltage set points, and reactive power requirements.
S5.2.6.1(b1)(1)(iii)	Insert a new subparagraph (iii) after S5.2.6.1(b1)(1)(ii) as follows: (iii) the number of <i>online inverters</i> .	AEMO states that this amendment would ensure that new connections (and connection applicants who have not yet negotiated their performance standards at commencement) possess the capability to: monitor telemetered inverter online counts

⁶⁰ AEMO, [Rule change request](#), p 7.

⁶¹ This is because the request proposes that a new form of dispatch instruction be included in clause 4.9.2(a), which applies only to these categories of participants. AEMO, rule change request, p 10.

Proposed NER provision	Proposed amendment	Rationale
		- receive inverter counts via EMMS, SCADA or ICCP - respond locally to the dispatch instruction to reduce the number of inverters online.
Chapter 10	Insert new definitions of “inverter” and “online inverter” in Chapter 10 as follows: <i>Inverter:</i> means an electronic device or circuit that converts direct current into alternating current at the desired voltage and frequency <i>Online Inverter:</i> means an inverter that is connected and in a state enabled to provide <i>active power or reactive power</i>.	AEMO states that the lack of a definition of inverter in Chapter 10 may cause interpretive ambiguity. AEMO states that the proposed definition provides clarity and aligns with standard industry usage for wind, solar, and battery energy storage systems. It clarifies that the rule applies to individual inverters that may be part of an inverter based resource. AEMO notes that the term “inverter” is already used in other parts of the NER in its plain English meaning. AEMO proposed “Online Inverter” to recognise that an inverter may be dispatched offline in either of two ways: - It may be disconnected by a circuit breaker as already defined in the NER - Its electronic controls may be set such that it produces no active power or reactive power and therefore has no system strength implications despite remaining electrically connected to the grid. This is commonly referred to as “blocking”. AEMO expects most compliance will be via blocking.

Source: AEMO, rule change request, p 10-11.

The Commission notes that the proposed clause 4.9.2(a)(3) amendment, to include a new kind of dispatch instruction on inverter-limits, would apply to both dispatch instructions for central dispatch and where necessary to give effect to directions or instructions.⁶² However, it is the Commission's understanding that, if the proposed rule changes are made, AEMO is unlikely to need, and does not intend, to issue directions that limit inverter numbers unless absolutely necessary. This is because AEMO considers that the appropriate back up mechanism to limit inverters for system security purposes, where the participant does not comply with a dispatch instruction, would be to use a clause 4.8.9 instruction to NSPs, as AEMO currently does, to disconnect the facility. The Commission understands that AEMO considers that, if the proposed rule were to come into effect, a back-up mechanism to limit inverters would be rarely used.

The proponent also notes that the proposed clause S5.2.6.1(b1)(1)(iii) to insert "number of *online inverters*" as a listed quantity would update the connection requirements that plant would need to possess. However, AEMO is of the view that this would not require existing plant to re-negotiate performance standards unless a material change is proposed that would affect existing NER clause S5.2.5 standards.⁶³ See section 3.4.1.

Question 3: Would the proposed solution address the issue raised by the proponent? Do you consider that the proposed changes to the rules would solve the problem raised or are there other factors that would have a greater impact? Would the proposed changes to the rules have unintended consequences?

3.2 We are seeking views about the overarching costs and benefits of dispatch instructions to limit online inverters

3.2.1 We are seeking views about the benefits of dispatch instructions to limit online inverters

According to the proponent, the benefits of having a dispatch instruction to limit online inverters are that it would:⁶⁴

- improve system security and compliance with resecuring obligations
- reduce reliance on clause 4.8.9 instructions to NSPs
- contribute to greater operational efficiency and reduced control-room burden
- provide increased transparency, auditability, and enforceability.

We are interested in stakeholder views about these benefits which are discussed further below. In particular, we are interested in views on how these proposed benefits could be impacted as power system requirements are further defined and understood such that power system needs can be confidently met with system services (rather than mandatory limits on online inverters).

Improved system security and compliance with resecuring obligations

AEMO considers that the primary benefit of the proposed rule is the improvement in AEMO's ability to maintain and restore the power system to a secure operating state following a contingency (credible or non-credible) event, as soon as practicable and within 30 minutes (the

⁶² Clause 4.9.2(a) states that "where AEMO has the power to direct or to instruct a Scheduled Generator, Semi-Scheduled Generator or Scheduled Integrated Resource Provider either under Chapter 3 or this Chapter [Chapter 4, including clause 4.8.9 directions], then for the purpose of giving effect to that direction or instruction, AEMO may at any time give an instruction...(a dispatch instruction)...".

⁶³ AEMO, [Rule change request](#), p 9.

⁶⁴ AEMO, [Rule change request](#), p 14.

resecuring requirement).⁶⁵ AEMO considers that existing delays in manually communicating the need to reduce inverter numbers, because of unclear compliance obligations, increase the risk of extended periods outside secure operating bounds, particularly in high-IBR regions or low-demand conditions.⁶⁶

Reduction in reliance on clause 4.8.9 instructions

AEMO states that under current arrangements, if inverter reductions do not occur promptly following constraint violation, AEMO must escalate to clause 4.8.9 instructions to NSPs to disconnect plant at the breaker. AEMO outlines that participants consistently regard clause 4.8.9 instructions as a high-impact action, both operationally and commercially. AEMO aims to avoid using these instructions wherever possible. By allowing AEMO to issue dispatch instructions to limit inverter numbers, the proposed rule change would further reduce AEMO's reliance on instructions.⁶⁷

Greater operational efficiency and reduced control-room burden

AEMO notes that the present framework requires AEMO real-time operations controllers to coordinate manual phone calls to multiple participants. As IBR penetration grows, AEMO considers this manual workload may become unsustainable. As such, AEMO requests a formal mechanism, as proposed in the rule change, to ensure that participants would reduce the number of online inverters when needed (in response to inverter-limit dispatch instructions). AEMO considers that this would also improve operational resilience for AEMO and participants.⁶⁸

Increased transparency, auditability, and enforceability

AEMO states that including inverter-limits in dispatch instructions aligns the NER with participant and AEMO operations while making it clear that participants must comply. AEMO believes this would enhance confidence in the dispatch process and provides a consistent regulatory foundation as IBR penetration rises while ensuring consistency and improved predictability for newly connecting plant.

3.2.2 We are seeking views about the overarching costs of dispatch limits for inverters

According to AEMO, the costs of having a dispatch limit for inverters could affect AEMO, participants, and the AER to varying degrees.

We are interested in stakeholder views about these costs which are discussed below. In particular, we are interested in views on how these proposed costs could be impacted as power system requirements are further defined and understood such that power systems needs can be confidently met with system services.

Additional system related costs are not expected to be imposed on AEMO

Since AEMO's inverter dispatch initiative is implementing the system functionality and capability to enable automated inverter dispatch as an element of NEM dispatch instructions, outside this initiative's implementation, AEMO does not anticipate this rule change request would result in any additional system related costs for itself.⁶⁹

⁶⁵ Consistent with NER clause 4.2.6(b)(1).

⁶⁶ AEMO, [Rule change request](#), p 14.

⁶⁷ AEMO, [Rule change request](#), p 14.

⁶⁸ AEMO, [Rule change request](#), p 14.

⁶⁹ AEMO, [Rule change request](#), p 14.

Participants who require upgrades would incur costs

AEMO notes that participants who have plant that would require upgrades to meet the proposed requirements would incur costs, namely for control system and telemetry changes, and software changes to allow rebidding and availability practices to align with inverter-limit instructions.⁷⁰

Based on prior consultation, AEMO understands that the cost of complying with inverter-limit dispatch instructions may vary in materiality across different cohorts of stakeholders. According to AEMO:⁷¹

- **Newer and larger units** – can readily comply, already have local control and systems to receive dispatch instructions. These plant operators have indicated to AEMO that they are likely to voluntarily take up the automated inverter dispatch process once implemented as it is preferable to the manual alternatives. Therefore, they would be able to comply with the rule change without additional costs. AEMO also understands from stakeholders that newly connecting units are likely to have the control systems required to automate receipt and compliance of inverter-limits.
- **Older or smaller units** – may require upgrades to plant controls, site automations, and operational processes. Some stakeholders have suggested to AEMO that there may be extensive upgrades required and may require a longer implementation period to ensure compliance requirements are clarified and appropriately assessed for existing plant.

More broadly, for existing plant, AEMO is of the view that costs broadly fall into two categories:⁷²

1. **Systems integration only changes (expected majority of existing plant):** most existing inverter facilities, particularly newer connecting plant, should already remotely control inverters, so the requirement is integrating the AEMO input with the remote control system. AEMO considers that these costs would be modest relative to overall plant operations and would likely avoid renegotiation of performance standards.
2. **Material control-system changes (expected minority of plant):** AEMO understands that a small number of plant may require more substantial modifications to control systems that affect performance standards. These participants may have more significant costs as they implement the required modification to control systems to comply with the new dispatch requirements.

We are interested in stakeholder views on what the costs would be - both one-off implementation costs, as well as ongoing costs. We are also interested in how these would vary across types of participants.

Question 4: What do you consider would be the costs and benefits of the proposed solution? If there are costs, would these be one off or ongoing? Is there anything the Commission could do in designing the rule that would help to minimise the costs and increase benefits?

⁷⁰ AEMO, [Rule change request](#), p 14-15.

⁷¹ AEMO, [Rule change request](#), p 7.

⁷² AEMO, [Rule change request](#), p 15.

3.3 We are interested to know if there are any other solutions the Commission should consider

Stakeholders should consider the problem and solution presented by the proponent by thinking about the system and regulatory failure incorporating limits on online inverters into dispatch instructions is proposing to address. Stakeholders should also consider the potential impacts of longer-term solutions to underlying system strength challenges being considered.

It might be possible to address the issue being presented by the proponent without implementing the proposed solution. The Commission is interested in whether any stakeholders think any variations to what has been proposed could be a feasible alternative to solve the problem presented.

Question 5: Do you consider any variation or alternative to the proposed solution would solve the issue raised by the proponent in a way that better contributes to the NEO?

3.4 We are seeking views on implementation considerations

3.4.1 AEMO proposes a number of transitional rules

As noted above, AEMO understands that some plant may require upgrades to plant control systems in order to comply with the automated dispatch instructions. As such, AEMO has proposed a number of transitional arrangements, if the rule is made, outlined below, to clarify where performance standard changes may be required and, in those circumstances, to minimise regulatory burden.⁷³

Commencement of amendment to S5.2.6.1

AEMO proposes that the implementation approach for the proposed amendments to S5.2.6.1 of the NER align with the approach set out in clauses 11.[XXX].3 and 11.[XXX].4 of the Draft National Electricity Amendment (Improving the NEM access standards – Package 2) Rule 2026.⁷⁴ This final date will be decided under the final determination and final rule of this mentioned rule change request.

Those draft clauses adopted a staged commencement framework under which, at a broad level, Connection Applicants that had not yet received an offer to connect would be subject to the new access standards and those that had already received an offer to connect would be subject to the old access standards.⁷⁵

Relationship with 5.3.9 – alteration of schedule 5.2 plant

Under clause 5.3.9 of the NER, only certain modifications to a schedule 5.2 plant require a formal assessment where they may affect performance against existing performance standards:⁷⁶

⁷³ AEMO, [Rule change request](#), p 11.

⁷⁴ Improving NEM access standards, [draft rule](#).

⁷⁵ AEMO, [Rule change request](#), p 12.

⁷⁶ If clause 5.3.9(a) criteria are met.

AEMO is of the view,⁷⁷ as outlined in section 3.2.2 above, that changes to enable system integration⁷⁸ would not trigger reassessment under clause 5.3.9. This is because these changes do not affect the performance of the plant against existing performance standards.

However, as outlined in section 3.2.2 above, AEMO considers that if a participant would need to upgrade or materially modify plant-level control systems in a way that would affect performance under S5.2.5, this could trigger a cl 5.3.9 reassessment of performance standards. AEMO is of the view that triggering cl 5.3.9 would only require reassessment and compliance with the affected S5.2 technical requirements. AEMO has also stated that, to the extent there is participant concern regarding triggering cl 5.3.9, it could provide guidance to clarify the process and assist with specific control system configurations.

AEMO notes that providing guidance to existing plant, that assessments required under cl 5.3.9 will be limited to compliance required to meet dispatch inverter-limits, balances the need to formalise this rule while avoiding unnecessary compliance processes.⁷⁹

We are interested in views on whether stakeholders consider, in complying with this proposal, they would be making minor changes or materially modifying plant-level control systems in a way that would affect performance standards. We are also interested in understanding what guidance participants would require from either AEMO or the Commission to clarify this process.

3.4.2 AEMO would make targeted procedural updates

AEMO anticipates any updates required to its procedures from this rule proposal to be incremental, as AEMO intends to update these procedures as part of the inverter dispatch initiative's implementation.⁸⁰

AEMO outlines that the inverter dispatch initiative requires it to update the dispatch procedure SO_OP_3705⁸¹ and pre-dispatch procedure SO_OP_3704.⁸²

Further, AEMO outlines that its Primary Frequency Response Requirements (PFRR)⁸³ would require an update to recognise compliance with inverter dispatch in section 6.6 Standing Variations, which exempts the requirement to provide Primary Frequency Response (PFR) when an affected unit is subject to certain factors. AEMO notes that this matter was identified by stakeholders engaging with the inverter dispatch initiative's implementation and consultation.⁸⁴

3.4.3 AEMO proposes staged commencement dates

AEMO has also stated that its operational preference is to implement the rule change at the same time the inverter dispatch initiative is completed, currently scheduled for Q2 2027.⁸⁵ However, as described in Section 3.2.2 above, there are currently varied capabilities of existing plant to receive and comply with a dispatch instruction that includes inverter-limits. Acknowledging this, AEMO has proposed a staged implementation timeframe:⁸⁶

77 AEMO, [Rule change request](#), p 9.

78 Such as configuring site controls to ingest EMMS and/or SCADA inverter dispatch instructions from AEMO to then disconnect inverters.

79 AEMO, [Rule change request](#), p 12.

80 AEMO, [Rule change request](#), p 14.

81 AEMO, Dispatch procedure, [SO_OP_3705](#).

82 AEMO, Pre-dispatch procedure, [SO_OP_3704](#).

83 AEMO, [Primary Frequency Response Requirements](#).

84 AEMO, [Rule change request](#), pp 9 -10.

85 AEMO, [Rule change request](#), p 9.

86 AEMO, [Rule change request](#), p 12.

- **Immediate commencement:** that the change to clause S5.2.6.1(b1) and associated definitions commence upon making the rule. This would provide clarity to new and connecting units and seek to work in tandem with the inverter dispatch initiative. AEMO believes this would mitigate the operational risk of increasing binding inverter dispatch limits prior to full commencement of the rule.
- **18 month implementation period:** AEMO proposes the changes to chapter 4 involving dispatch instructions on inverter numbers commence 18 months following publication of the final rule to allow existing plant enough time to clarify, assess, and where required, update control systems. AEMO notes that this transition period aligns with stakeholder feedback it received despite AEMO preferring a shorter implementation period to mitigate the ongoing and increasing risk posed by the management of inverter-limits as system security constraints.

Despite the longer commencement period, AEMO considers that it is important that operational and compliance documents, including the AER's Rebidding and Technical Parameters Guideline, are updated as soon as possible following the publication of the final rule. See section 3.4 below. AEMO states that this would provide clarity on expectations and guidance relating to inverter-limit compliance.⁸⁷

Question 6: Do you consider that the proposed approach can be implemented efficiently and effectively? Are there any transitional arrangements, lead times, or sequencing issues that would be required to support implementation of the proposed approach? Please explain.

3.5 We are seeking views on compliance and enforcement

The rule change request proposes that the AER would be required to review and update its Rebidding and Technical Requirements Guideline.⁸⁸

AEMO considers that the inclusion of inverter-limits as a dispatch instruction would place inverter-limits within the existing dispatch compliance obligations under clause 4.9.8 which contain civil penalty provisions. As such, AEMO considers that the AER would be responsible for monitoring plant compliance under its existing role in monitoring compliance with dispatch instructions, offers and bids.⁸⁹

AEMO notes that the AER's Rebidding and Technical Parameters Guideline⁹⁰ is the primary instrument that sets out how the AER translates NER obligations into enforceable participant behaviours during dispatch and bidding. As such, AEMO considers the AER would need to update this Guideline to:

- clarify how participants must comply with inverter-limit dispatch instructions
- confirm how local control logic, ramp-rate settings, and availability declarations interact with an inverter-limit dispatch instruction
- advise participants on the practical approach to enforcement and compliance the AER will look to apply.

⁸⁷ AEMO, [Rule change request](#), p 12.

⁸⁸ AEMO, [Rule change request](#), p 14.

⁸⁹ AER, [Compliance Bulletin](#), July 2016.

⁹⁰ AEMO, [Technical Rebidding and Technical Parameters Guideline](#).

AEMO considers that this would ensure participants have a clear and predictable compliance framework once the amended rule commences to inform their implementation requirements.

Question 7: Do you consider that the proposed compliance approach is the most appropriate approach to help to achieve the desired outcome and contribute to solving the issue? Would the relevant parties have appropriate incentives to comply?

4 Making our decision

When considering a rule change proposal, the Commission considers a range of factors.

This chapter outlines:

- issues the Commission must take into account
- the proposed assessment framework
- decisions the Commission can make
- rule-making for the Northern Territory.

We would like your feedback on the proposed assessment framework.

4.1 The Commission must act in the long-term interests of consumers

The Commission is bound by the National Electricity Law (NEL) to only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective.⁹¹

The NEO is:⁹²

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO.⁹³

4.2 We propose to assess the rule change using these three criteria

4.2.1 Our methods to analyse the proposed rule

Considering the NEO and the issues raised in the rule change request, the Commission proposes to assess this rule change request against the set of criteria outlined below. These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request. We consider these impacts within the framework of the NEO.

The Commission’s regulatory impact analysis may use qualitative and/or quantitative methodologies. The depth of analysis will be commensurate with the potential impacts of the proposed rule change. We may refine these methodologies as this rule change progresses, including in response to stakeholder submissions.

91 Section 88 of the NEL.

92 Section 7 of the NEL.

93 Section 32A(5) of the NEL.

Consistent with good regulatory practice, we also assess other viable policy options - including not making the proposed rule (a business-as-usual scenario) and making a more preferable rule - using the same set of assessment criteria and impact analysis methodology where feasible.

4.2.2 Assessment criteria and rationale

The proposed assessment criteria and rationale for each are as follows:

- **Safety, security and reliability –**
 - We selected this criterion because the rule change request aims to uphold safety, security and reliability outcomes by improving AEMO’s ability to maintain and restore a secure operating state when a reduction in the number of online inverters is required. AEMO considers that this can be achieved by expressly enabling dispatch instructions to include inverter-limits.
 - The rule change request proposes that creating a direct and enforceable mechanism for AEMO, as opposed to the manual and voluntary process AEMO currently relies on to manage the number of online inverters, would improve power system security outcomes. Specifically, it would reduce the risk of prolonged breaches of inverter-related constraints and periods where the power system is operating outside secure limits. The proposal states that this would lower the risk that delays or communication failures compromise power system security.
 - This assessment criterion will be used to assess how any changes made to AEMO’s dispatch process would support AEMO’s ability to ensure the power system remains, or is rapidly returned to, a secure operating state in line with system strength-related limits.
- **Principles of good regulatory practice –**
 - We have selected this criterion as the rule change seeks to improve the management of inverter-limits through relatively targeted amendments to the existing dispatch and compliance frameworks. AEMO considers that explicitly allowing inverter-limits to form part of a dispatch instruction would establish a clearer legal and operational basis for managing inverter-limits. In turn, this would provide greater certainty for AEMO in maintaining power system security, participants in meeting their obligations, the AER in undertaking compliance monitoring and enforcement and new entrants regarding future connection requirements. Relative to the current arrangements, the Commission will assess whether the proposed rule:
 - improves the simplicity and transparency of arrangements for communicating and managing inverter-limits. In particular, we will consider AEMO’s view that the proposal builds on existing frameworks and concepts that participants already understand, including dispatch instructions, performance standards and compliance obligations.
 - provides a more predictable and stable framework for managing inverter-limits. This includes considering whether the proposed rule establishes a consistent mechanism for communicating, implementing and complying with inverter-limits.
 - effectively interacts with related reforms. As discussed in section 2.3, AEMO considers that the proposed rule would complement its inverter dispatch initiative. The Commission will therefore consider the interaction between the proposed rule, the inverter dispatch initiative and any other relevant reforms.
- **Implementation considerations –**
 - This assessment criterion was chosen due to the practical considerations associated with enabling dispatch instructions to include inverter-limits. The proposal states that

implementation costs and complexity should be limited because it builds on existing systems, processes and data requirements. Furthermore, the proposal largely formalises the use of information that is already being collected and communicated. At the same time, AEMO acknowledges that implementation costs are not expected to be uniform.

- This assessment criterion will also be used to assess how any changes made to the rules would reduce timing uncertainty in both regulatory and operational timeframes by providing a clear and known framework for inverter-limit dispatch, establishing clear compliance obligations, enabling AER monitoring and enforcement and clarifying expectations for new and future connections.

Question 8: Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

4.3 We have three options when making our decision

After using the assessment framework to consider the rule change request, the Commission may decide:

- to make the rule as proposed by the proponent⁹⁴
- to make a rule that is different to the proposed rule (a more preferable rule), as discussed below, or
- not to make a rule.

The Commission may make a more preferable rule (which may be materially different to the proposed rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NEO.⁹⁵

4.4 The proposed rule would not apply in the Northern Territory

Parts of the NER, as amended from time to time, apply in the Northern Territory, subject to modifications set out in regulations made under the Northern Territory legislation adopting the NEL.⁹⁶ Under those regulations, only certain parts of the NER have been adopted in the Northern Territory. The proposed rule amends portions of chapters 5 and 10 of the NER, which apply in the Northern Territory. However, the primary changes made by the proposed rule are to chapter 4 of the NER, which does not apply in the Northern Territory.⁹⁷ Consequently, the Commission will propose to consider any proposed rule as a differential rule that disapplies any final rule for the Northern Territory.

⁹⁴ The proponent describes and sets out its proposed rule in section 5 of the rule change request.

⁹⁵ Section 91A of the NEL.

⁹⁶ National Electricity (Northern Territory) (National Uniform Legislation) Act 2015 (**NT Act**). The regulations under the NT Act are the National Electricity (Northern Territory) (National Uniform Legislation) (Modification) Regulations 2016.

⁹⁷ Under the NT Act and its regulations, only certain parts of the NER have been adopted in the Northern Territory. The version of the NER that applies in the Northern Territory is available on the AEMC website at: <https://energy-rules.aemc.gov.au/ntner>.

A AEMO is progressing its inverter dispatch initiative

In November 2025, AEMO launched the inverter dispatch initiative to address the growing need to manage inverter-limits to maintain power system security as the NEM transitions to a grid with higher IBR penetration.⁹⁸ The initiative is intended to streamline inverter management by automating the communication of inverter-limits and reducing reliance on manual processes.

A.1 The inverter dispatch initiative is designed to streamline inverter management

The inverter dispatch initiative is intended to establish a more efficient and consistent process for communicating and managing inverter-limits. The initiative is designed to:⁹⁹

- remove the need for AEMO's real-time operations controllers to conduct manual phone calls to transmission connected inverters to manage power system security
- provide inverter operators with the ability to automatically receive inverter-limits, and the optionality to implement an automated means for response to those inverter limitations.
- improve consistency and efficiency in the management of inverter-based resources across the NEM
- reduce operational workload and operational risks for both AEMO and market participants
- support the management of a power system with increasing levels of inverter-based resources.

Under the initiative, AEMO would communicate inverter-limits electronically to affected participants through existing market and operational systems. Participants would receive inverter-limit information through:¹⁰⁰

- EMMS pathways
- SCADA/ICCP operational communication channels.

Inverter-limits would be provided across 5-minute and 30-minute pre-dispatch horizons. AEMO explains that this approach is intended to provide participants with real-time and forward-looking information regarding inverter-limits via dispatch reports.¹⁰¹ It would allow participants to use their own plant control systems and operational processes to respond more efficiently than under existing annual arrangements.

The initiative is also intended to improve AEMO's ability to monitor compliance with inverter-limits. AEMO notes that participating facilities would provide inverter telemetry information, allowing AEMO to monitor the number of online inverters against the applicable limit.

A.2 The inverter dispatch initiative will be implemented in stages

AEMO outlines that the initiative will be implemented progressively, with full implementation expected in mid-2027. To support implementation planning and stakeholder engagement, AEMO published a draft High Level Implementation Assessment (HLIA) in December 2025 and a final

⁹⁸ AEMO, [Inverter Dispatch](#), 2026.

⁹⁹ AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 8.

¹⁰⁰ AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 14.

¹⁰¹ AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 14.

HLIA in May 2026.¹⁰² The HLIA outlines the proposed implementation approach, expected system impacts and participant readiness requirements.

As an interim measure, AEMO introduced an early version of the inverter dispatch initiative in March 2026 for participants who were able to receive and process inverter-limit information ahead of the broader implementation.¹⁰³ AEMO explains that this interim solution allows participants to receive inverter-limit signals through existing Market and SCADA systems and provides an opportunity for participants and AEMO to gain operational experience with automated inverter-limit communication before the full implementation of the initiative.¹⁰⁴

AEMO has indicated that many newer and larger inverter facilities already have the capability to respond to inverter-limit signals and are expected to voluntarily participate in the initiative. However, AEMO also notes that some existing facilities, particularly smaller or legacy assets, may require upgrades to plant control systems, automation systems or operational processes before they can fully respond to automated inverter-limit instructions.¹⁰⁵

A.3 AEMO's rule change request is intended to support the inverter dispatch initiative

AEMO is progressing the inverter dispatch initiative in parallel with this rule change request. While the initiative is intended to automate the communication of inverter-limits and improve AEMO's ability to monitor adherence to those limits, AEMO notes that compliance with inverter-limit signals communicated through the initiative would remain voluntary under the current NER arrangements.¹⁰⁶

As outlined in chapter 1, AEMO expects that many inverter facilities, particularly newer and larger facilities with existing control and automation capabilities, will voluntarily respond to inverter-limit signals communicated through the initiative. However, AEMO considers that the absence of an explicit mechanism in the NER to include inverter-number limits in dispatch instructions creates uncertainty regarding participant obligations and AEMO's ability to require timely compliance where necessary to maintain power system security.¹⁰⁷

Accordingly, AEMO's rule change request is intended to complement the inverter dispatch initiative by expressly enabling dispatch instructions to include inverter-number limits. AEMO considers that this would provide a clear and enforceable framework for managing inverter-limits, support monitoring and compliance activities and provide greater clarity to participants regarding their obligations when inverter-limits are required.¹⁰⁸

102 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(DRAFT\)](#), 19 December 2025; AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026.

103 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 10.

104 AEMO, Inverter Management System (Inverter Dispatch), [High Level Implementation Assessment \(FINAL\)](#), 15 May 2026, p 10

105 AEMO, [Rule change request](#), p 8.

106 AEMO, [Rule change request](#), p 4.

107 AEMO, [Rule change request](#), p 7.

108 AEMO, [Rule change request](#), p 14.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BESS	Battery energy storage system
Commission	See AEMC
DUID	Dispatchable unit identifier
EMMS	Electricity market management system
GFM	Grid-forming
HLIA	High-level Impact Assessment
IBR	Inverter-based resource
ICCP	Inter-control centre communications protocol
NEL	National Electricity Law
NEM	National Electricity Market
NEMDE	National Electricity Market Dispatch Engine
NEO	National Electricity Objective
NER	National Electricity Rules
NSP	Network Service Provider
NT Act	National Electricity (Northern Territory) (National Uniform Legislation) Act 2015
OEM	Original equipment manufacturer
PEC	Project Energy Connect
PFR	Primary frequency response
PFRR	Primary frequency response requirements
Proponent	The proponent of the rule change request
SCADA	Supervisory Control and Data Acquisition