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Minimum system load governance and market arrangements — Consultation paper 9 July 2026

EnergyAustralia is one of Australia's largest energy companies with around 2.2 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We welcome the opportunity to provide feedback on the AEMC's consultation on the Minimum System Load (MSL) framework, the floor price proposal and the MSL reserve service proposal.

We agree with the principal view presented by the Clean Energy Council (CEC) that market-based arrangements should generally be preferred to operational intervention where they can deliver efficient outcomes. Well-designed markets, such as the FCAS market have provided important revenue streams for fast-responding technologies and have helped demonstrate the value of flexible resources in supporting secure power system operation.

EnergyAustralia considers that priority should be given to establishing a clear, rules-based MSL governance framework, including transparent definitions, declaration processes, reporting obligations and fit-for-purpose compensation arrangements. As the governance structure is strengthened, the AEMC can in part be guided by the existing LOR framework.

Given ongoing reforms relating to CER orchestration, visibility, flexible demand and distribution system operations, the AEMC should prioritise relatively low-cost governance reforms until the effectiveness of those reforms becomes clearer and ahead of implementing more complex market redesign. The design of a new ancillary market warrants a balanced approach as it includes eligibility, procurement, dispatch, settlement, cost recovery and interaction with existing market arrangements considerations.

Furthermore, the CER Taskforce proposes formal Distribution System Operator responsibilities for MSL curtailment. A national CER consistency framework, including PV backstop performance, is being designed in parallel. Both interact with MSL escalation. Our view is that the AEMC should consider the sequencing of these frameworks to avoid two separate processes setting escalation triggers and creating unintended contradictions.

Changes in the market are evolving rapidly

Since the CEC rule change request was lodged, the scale of flexible demand and storage growth has changed significantly:

- Growth in household batteries under the Commonwealth Cheaper Home Batteries Program represents around 11.2 GWh of storage capacity by mid-2026
- Electric vehicles (EV) accounted for more than 23% of new vehicle sales in Australia by June 2026
- Large new loads such as data centres are becoming an increasingly important consideration with 11 large-scale data centre projects totalling approximately 5.4 GW of maximum demand progressing through the transmission connection process at the end of the March 2026 quarter.

These resources have the potential to absorb excess generation during low-demand periods and help manage the operational conditions that give rise to MSL events.

EnergyAustralia does not suggest these developments will eliminate the need for an MSL framework. They increase uncertainty regarding the scale, location and duration of future MSL challenges. The market is changing quickly, and the future MSL challenge may look different from the operational issues AEMO is experiencing today.

At the same time, AEMO's approach to managing MSL has also evolved. In 2024, AEMO relied on directions and short-term notices in Victoria and South Australia. By late 2025, AEMO had signed Type 1 contracts with battery operators, shifted from load reserves to load response services and extended tenders to New South Wales and Queensland. This supports the view that a NEM-wide framework is appropriate.

The conditions that give rise to MSL are also creating commercial incentives for investment in the resources capable of responding to it. Batteries, flexible loads, EV charging and large electrified demand all have the potential to absorb excess energy during low-demand periods. The key challenge may increasingly be how these resources are made visible, coordinated and appropriately compensated.

Formalising the MSL framework

We support the development of a formal MSL framework within the rules. The MSL notice framework has allowed AEMO to respond to the issue but, it also means participants do not have the same degree of rules-based certainty that applies to other system conditions. A formal framework would provide participants with greater clarity regarding:

- definitions of MSL conditions
- transparent declaration processes

- consistent governance arrangements
- improved information on AEMO's decision-making
- intervention principles
- appropriate compensation arrangements during intervention.

EnergyAustralia sees value in clearer principles governing intervention. Participants should have a transparent understanding of when AEMO may issue operational notices or take more direct action, such as directing units, using contracted services or activating other emergency arrangements. This would not remove AEMO's operational discretion, but it would provide more confidence that interventions will be targeted, proportionate and based on clear criteria.

On definitions specifically, we see merit in an outcome-based formulation for MSL conditions, similar in structure to the existing definition of LOR conditions, which anchors to the probability of load shedding rather than to a specific operational measure. Therefore, an equivalent formulation for MSL could be framed around the probability of unscheduled generation shedding, with calculation of thresholds set in AEMO guidelines.

EnergyAustralia also supports clearer reporting obligations following MSL events, including information on why an intervention was required, what alternatives were considered, which resources were affected, and how compensation and cost recovery were determined.

We note that AEMO's Transition Plan for System Security (TPSS) current extends to the MSL remit and provides a longer-term view of MSL conditions. However, this sits outside the rules. The AEMC could consider requiring AEMO's MSL guidelines to draw on the TPSS outlook.

Compensation is the most significant gap

In our view, the most significant gap is the absence of a fit-for-purpose compensation framework. For example, a battery directed to charge or preserve headroom during an MSL event may lose the opportunity to optimise across energy and FCAS markets. Similarly, a thermal unit that remains online to support system security may be exposed to negative prices or operational constraints during low-demand periods. In both cases, participants may be materially affected by actions taken to maintain system security, but the current framework does not provide sufficient clarity on how those impacts should be assessed or compensated.

AGL's Torrens Island battery is an example where a storage system was directed to remain synchronised and follow AEMO's dispatch targets for MSL management, losing the opportunity to charge during its lowest-cost windows¹. The compensation framework, developed with conventional generation in mind, proved difficult to apply to a storage asset with different operating economics. We consider the underlying problem is the lack of a distinct category for 'MSL directions' in the NER. Currently, compensation eligibility criteria or an assessment methodology specific to MSL is lacking, including recognition of opportunity cost such as foregone energy and FCAS co-optimisation value, battery degradation and warranty considerations, alongside direct costs.

¹ [AGL's Torrens Island BESS hit by a second AEMO direction - Energy-Storage.News](#)

The Improving Compensation Frameworks rule change has indicated that MSL-related compensation is not in scope. As a result, there is a risk that participants affected by MSL-related interventions have no clear avenue to recover costs. We see scope for the AEMC to coordinate on these two reforms.

ST PASA changes need to be justified

Codifying declaration and escalation principles would also satisfy the objective behind the proposed ST PASA reporting changes, since participants would have the forward visibility they need without a separate forecasting obligation. Given the ongoing changes as part of the ST PASA Replacement Project, we do not see value in extending forward visibility for MSL conditions. Under this project, it is expected that in time, the methodology will extend to load forecasting. AEMO has not yet decided whether the pre-dispatch and ST PASA processes will remain separate or be combined. Layering a new change while the new platform is being tested could result in unintended consequences.

The changes proposed so far would make the existing framework more predictable and help participants understand how AEMO will identify, communicate and manage low-demand conditions. They would also address the current gap in the treatment of MSL-related interventions and the cost to market participants.

Treatment of the Market Floor Price during MSL3 conditions

EnergyAustralia previously supported a clear signal where MSL conditions present a genuine risk to secure operation, subject to consideration of unintended consequences.

During MSL conditions, the operational objective is different to that of LOR. AEMO may need additional controllable demand and reduced generation output, while still requiring some thermal or synchronous units to remain online to provide essential system services. On balance, we consider that it is acceptable to link MSL3 conditions to the market floor price since at those times the market would likely already be under strong negative prices. Consequently, the Reliability Panel's proposal would reinforce rather than fundamentally alter prevailing market signals.

Intervention pricing

The current drafting in Clause 3.9.3(b1) describes the services that trigger intervention pricing in terms consistent with a direction for the provision of energy and does not clearly extend to a direction for the consumption of energy, which is the relevant action during an MSL event. We support the AEMC clarifying that intervention pricing extends symmetrically to directions that increase demand, consistent with its existing treatment of directions to increase generation or to provide market ancillary services.

We do not, however, see a case yet for embedding MSL thresholds directly into the NEM dispatch engine, given that the technical drivers of those thresholds that includes system strength, inertia and minimum stable operating levels, are still evolving as the generation mix changes.

Alternative reforms proposed

EnergyAustralia recognises that the consultation paper identifies a range of other possible reform options. Of these, we see greater potential in RERT-style arrangements for MSL reserves and with limited applicability the expansion of the Wholesale Demand Response Mechanism (WDRM).

A targeted MSL reserve arrangement, similar in concept to RERT, could allow AEMO to procure resources capable of increasing demand, preserving charging headroom or otherwise supporting secure operation during forecast MSL events. This may be particularly useful if MSL events remain relatively infrequent but become deeper when they occur. To be effective, any RERT-style MSL reserve should have MSL-specific procurement triggers, technology-neutral eligibility, transparent activation principles and clear cost recovery.

A two-way mechanism could recognise that flexible demand is valuable not only when the system needs reduced consumption during scarcity, but also when the system needs increased consumption during low-demand periods. However, this would require careful design, including baselining increased consumption, integrating with dispatch and settlement, and aligning with IPRR, flexible trading and retailer-led orchestration. Its effectiveness would also depend on voluntary customer and aggregator uptake, technology capability and commercial incentives.

We consider that changes existing Transitional Service contracts would likely provide limited value given the time limitation of those contracts. We encourage the AEMC to test whether extending the tenor of existing transitional services framework beyond 1 December 2029 could deliver durable arrangements and avoid duplication of mechanisms.

Reconfiguring FCAS for MSL would likely require substantial changes to product design, dispatch, settlement and cost recovery, while still leaving the issue unaddressed. FCAS is designed to manage frequency control through dedicated markets, whereas MSL is primarily a low-demand and system security issue.

Our position is that the need for a rules-based MSL framework takes priority. Once those foundations are in place, targeted tools such as RERT-style MSL reserves, extended Type 1 contract arrangements or commercial arrangements under the WDRM can be used where they provide additional demonstratable operational value.

If you would like to discuss this submission, please contact me on (03) 9060 0713 or email at Ana.Spataru@energyaustralia.com.au.

Regards

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