



20 August 2026

Australian Energy Market Commission

Sydney NSW 2000

Submitted via <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Mr Hiron

Minimum System Load (MSL) framework and floor price proposal

Hydro Tasmania welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) *MSL framework and floor price proposal* Consultation Paper. Hydro Tasmania is Australia's largest generator of renewable energy and has been an active contributor to the AEMC's security reforms and to successive Reliability Standard and Settings Reviews (RSSR).

Proposal 1: MSL Governance Framework

Hydro Tasmania supports introducing an explicit MSL governance framework into the National Electricity Rules (NER).

An explicit framework will:

- Improve transparency, governance and accountability in how MSL conditions are identified and managed in the National Electricity Market (NEM).
- Provide clearer definitions and consistent terminology for MSL.
- Clarify AEMO's roles, responsibility and reporting obligations.

We agree with the Commission that the existing Lack of Reserve (LOR) framework is a sensible starting point for designing this approach. On terminology, we do not have a strong preference on whether "minimum system load" events are renamed to "lack of load reserve." However, we note that "minimum system load" has been widely used for several years and is likely to persist in industry usage regardless of formal rule changes (similar to how "FCAS" remains common shorthand despite not appearing in the NER).

Proposal 2: aligning the Market Floor Price (MFP) to MSL 3 events

We consider the effectiveness of proposal 2 to be limited by the current level of the MFP and therefore do not support it in its current form. A materially lower MFP than the current -\$1,000/MWh, potentially in the order of -\$20,000/MWh, would strengthen the price signal during periods of very low demand, providing stronger incentives for dispatchable generation to reduce output, cycle or shut down. This is particularly relevant for coal generation, where the costs associated with cycling can create a strong incentive to remain online even when demand is very low. A stronger negative price signal could therefore support more efficient operational outcomes and, over time, provide clearer investment and retirement signals.

There is also a risk that proposal 2 would be ineffective during prolonged MSL events. For example, where an event lasts several hours and batteries discharge early, the framework may fail to incentivise resources capable of sustained output. A materially lower MFP, however, would adjust the incentive framework to help manage a prolonged MSL event.

Proposal 3: new MSL ancillary service

We do not support establishing a new MSL market ancillary service. While in principle we support market-based solutions to solve market-based problems, we do not consider the case for a new market has been established. As the Commission notes, the outlook for MSL conditions in the NEM remains highly uncertain. The wholesale load profile is



evolving rapidly, driven by factors such as data centre growth, increasing uptake of home batteries, and continued expansion of solar PV. It is therefore unclear whether MSL events will persist as a long-term feature of the system.

However, the absence of a clear case for a new market does not justify reliance on transitional services as an enduring solution. As highlighted in the Clean Energy Council's rule change, transitional services are, by definition, temporary. Once AEMO has completed the testing for the "trough filling load response," it should transition to a more durable framework, whether through an alternative non-market ancillary service, existing FCAS arrangements, or a RERT-like mechanism.

Please contact Shannon Byron at shannon.byron@hydro.com.au if you wish to discuss.

Yours sincerely

A handwritten signature in blue ink that reads "John Cooper".

John Cooper
Manager Policy & Regulation