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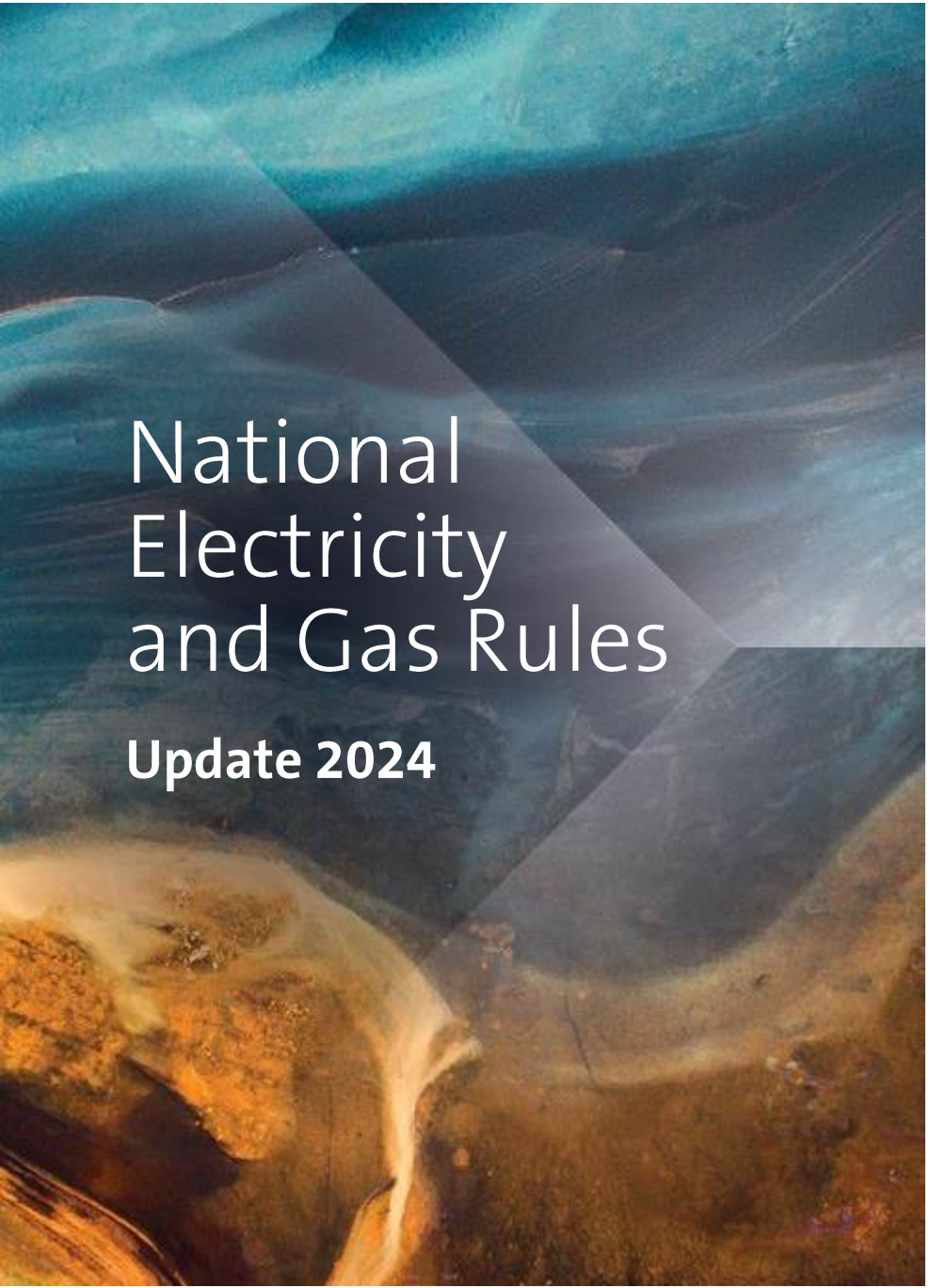

National Electricity and Gas Rules

Update 2024

Introduction

This document outlines all rule change requests for the National Electricity Rules (the ***NER***) and the National Energy Retail Rules (the ***NERR***) (in section 1) and the National Gas Rules (the ***NGR***) (in section 2) currently under consideration by the Australian Energy Market Commission (the ***AEMC***), as well as completed rule changes regarding which the final rule has not yet commenced in full. The status of each proposed rule is regularly updated on the AEMC's website and this document is amended on a monthly basis to reflect those changes.

National Energy Retail Rules

Since 1 July 2012, the AEMC has held the role of rule maker for the Australian retail energy markets. This includes the power to amend the NERR that are part of the National Energy Customer Framework (the ***NECF***). The NECF has commenced in South Australia, New South Wales, Queensland, Tasmania and the Australian Capital Territory. Victoria has implemented the NECF in so far as it applies to Chapter 5A of the NERR. Western Australia and the Northern Territory do not propose to implement the NECF. The AEMC may amend the NERR independently to, or in conjunction with, amendments to the NER.

The NER

New rule change requests	Real-time data for consumers; Including distribution network resilience in the National Electricity Rules; Rescheduling the generator compliance programs review; Allowing AEMO to accept cash as credit support
Completed rule changes	Providing flexibility in the allocation of interconnector costs

The NGR

There have been no new rule change requests, draft determinations or completed rule changes.

Opportunities for stakeholders

Due by	Opportunities for submissions
7 November 2024	Real-time data for consumers; Including distribution network resilience in the National Electricity Rules; Improving consideration of demand-side factors in the ISP; Better integrating gas and community sentiment into the ISP
21 November 2024	Allowing AEMO to accept cash as credit support

Energy reform

AEMC explores smarter data options for consumers

As Australian households and businesses increasingly adopt CER, the AEMC is investigating ways for consumers to benefit from improved access to real-time energy usage data. This data may encourage consumers to optimise their energy usage and access alternative pricing options.

The rule change request proposed by Energy Consumers Australia (***ECA***) recommends the following measures (amongst others) to support the introduction of a right for consumers and authorised representatives to access real-time data from smart meters:

- (**Definition of 'real-time'**) defining 'real-time data' as instantaneous data or data received within no more than 5 minutes (subject to review as technology improves). This proposal aligns with the market settlement period and ensures that the data is useful for informing consumer energy consumption decisions.
- (**Data sharing arrangements**) requiring all new smart meters to have locally-accessible communications ports that are unsealed and accessible to approved parties. Feedback from stakeholders has been mixed, noting the costs of upgrading existing metering infrastructure and risks surrounding the security and control of data access.
- (**Costs associated with access**) spreading the cost of providing access across all consumers through retail bills. Requiring consumers to incur direct charges for access to their real-time data may limit the benefit to those who can afford to pay for additional devices; on the other hand, those with CER and higher energy consumption will benefit more than those without, so it may be inappropriate for all consumers to bear the cost of access (especially if access to the real-time data is opt-in).
- (**Real-time data interoperability**) changes to minimum service specification requirements to permit open standards-based protocols and communications interfaces for read-only data, in light of the interoperability provisions in the EU Data Act. This will ensure real-time data is clear and readily accessible across different systems, devices and apps.
- (**Privacy and cyber security safeguards**) classifying 'real time data' as confidential information and considering whether changes are required to the NER / NERR to improve privacy and cyber security protections in respect of that data. This could include new responsibilities on authorised representatives, stringent consent requirements, password protection, competition restraints on using data in upstream and downstream services and prohibitions on customer exploitation.

The AEMC is seeking feedback from stakeholders and aims to issue a directions paper by 30 Jan 2025.

READ MORE HERE.

National Electricity Rules and National Energy Retail Rules

Rule change requests

New rule change requests (since last update, 1 October 2024)

Rule name	Real-time data for consumers
Proponent	Energy Consumers Australia
Key dates	Initiation date: 10 October 2024 Deadline for submissions: 7 November 2024
Stage	Consultation on consultation paper

Summary of request

This rule change request recommends the following measures to support the introduction of a right for consumers (and authorised representatives) to access real-time data from smart meters:

- defining 'real time' as instantaneous data or data received within no more than 300 seconds (5 minutes);
- accessing real-time data locally through smart meters by requiring that all new meters have locally-accessible communications ports that are unsealed and accessible to approved parties;
- spreading the cost of providing access across all consumers through their retail bills;
- changes to minimum service specification requirements to permit open standards-based protocols and communications interfaces for read-only data to enable interoperability; and
- classifying 'real-time data' as confidential information and considering whether changes are required to the NER / NERR to improve privacy and cyber security protections.

See the energy reform article above for more information about this rule change request.

READ MORE HERE.

Rule name	Including distribution network resilience in the National Electricity Rules
Proponent	The Honourable Lily D'Ambrosio MP, Victorian Minister for Energy and Resources
Key dates	Initiation date: 3 October 2024 Deadline for submissions: 7 November 2024

Stage	Consultation on consultation paper

Summary of request

This rule change request seeks to enhance how DNSPs and the AER account for distribution network resilience in the economic regulatory framework of the NER, with a view to enabling DNSPs to undertake efficient expenditure on network resilience measures to prepare for, manage and recover from long-duration outages.

The rule change request was introduced in response to the increasing frequency of severe weather events which are, in turn, increasing the likelihood of widespread long-duration outages. Currently, there is no formal framework for distribution network resilience expenditure, which is usually recovered as an ex post cost pass through after a long-duration event. The proponent considers that the regulatory arrangements may not sufficiently prioritise consumer outcomes in long-duration outages.

As such, this rule change proposes to:

- include resilience as an expenditure factor in the NER, meaning that DNSPs can plan their resilience expenditure and the AER must have regard to resilience when determining whether to accept a DNSP's forecast capex and opex for a regulatory control period; and
- require the AER to develop and publish binding distribution network resilience guidelines that address how DNSPs may propose, and how the AER may assess, expenditure for improving network resilience.

This proposal seeks to ensure DNSPs and the AER compare the value and costs of ex ante expenditure to proactively address the risk of severe weather (and other adverse events) with ex post cost pass through to consumers to repair networks and restore power after an outage.

The AEMC expects to publish a draft determination on 13 February 2025.

READ MORE HERE.

Rule name	**Rescheduling the generator compliance programs review**
Proponent	Reliability Panel
Key dates	Initiation date: 3 October 2024 Deadline for submissions: 1 November 2024
Stage	Consultation on consultation paper

Summary of request

This rule change request seeks to delay the AER's 5-yearly review of the template for generator compliance programs by 12 months to allow the Reliability Panel to efficiently consider potential changes to the technical access standards in the NER. These changes flow from two pending access standard rule changes, being:

- (**Improving the NEM access standards – Package 1**) substantive changes to access standards for generators, integrated resource systems, synchronous condensers and high-voltage direct current links; and
- (**Improving the NEM access standards – Package 2**) amendments to the obligations that apply to loads.

The revised timing will ensure that the Reliability Panel's review of the template can occur following a decision on Package 1, and with sufficient information about Package 2, to avoid unnecessary consultation with stakeholders.

As the AEMC considers this request to be non-controversial, the rule change request process will be expedited and a final determination is expected on 28 November 2024.

READ MORE HERE.

Rule name	Allowing AEMO to accept cash as credit support
Proponent	Delta Electricity
Key dates	Initiation date: 1 October 2024 Deadline for submissions: 21 November 2024
Stage	Consultation on consultation paper

Summary of request

This rule change request seeks for cash to be allowed as credit support under the prudential requirements of the NER. The current rules require market participants to provide bank guarantees or letters of credit to AEMO. The proponent argues that the current rules may result in profitable and solvent participants being unable to provide acceptable forms of credit support because financial institutions may not be willing to enter into financing arrangements with businesses involved with fossil fuels (due to those institutions' evolving environmental, social and governance (***ESG***) policies). The proponent, which operates the Vales Point coal fired power station in NSW, notes that it has been unable to obtain finance from 13 possible lenders, including all Big-4 Australian banks, due to their ESG policies.

The AEMC is seeking stakeholder feedback on the potential benefits and costs of the proposal. The benefits identified by the AEMC include:

- **(market stability**) by offering a flexible option for credit support, the proposal may pre-empt similar issues for other participants, preventing sudden exits of profitable and solvent entities from the market; and
- **(reduced administrative burden)** cash security avoids the administrative difficulties of obtaining, maintaining and calling upon a bank guarantee,

while the risks include:

- **(insolvency risks**) if a market participant provides cash as security and then becomes insolvent, there is a risk that the cash could be clawed back by liquidators as an unfair preference. This could materially impact AEMO's financial position; and
- **(impact on emissions)** providing enhanced flexibility may delay emissions reductions associated with the exit of fossil fuel based operators from the NEM.

The AEMC is also seeking feedback on several proposals that may serve to mitigate these risks, including:

- **(socialising clawback costs**) implementing rules to facilitate the recovery of costs from participants if a clawback occurs due to insolvency;
- **(guidance on cash acceptance conditions)** publishing guidance which sets limits on the amount of cash that can be provided or establishes criteria that participants must meet to use cash as credit support; and

- **(registering a security interest)** allowing AEMO to register a security interest over cash deposits under the Personal Property Securities Act (PPSA), providing some protection against insolvency-related clawbacks.

The AEMC has proposed an expedited rule-making process for this rule change request due to the potential impact on market security if Delta is unable to continue operating in the NEM due to a credit support failure. Stakeholder submissions are due by 21 November 2024.

READ MORE HERE.

Existing rule change requests

Rule name	Improving the cost recovery arrangements for non-network options
Proponent	Transgrid
Key dates	Initiation date: 22 August 2024 Deadline for submissions: Deadline passed (19 September 2024)
Stage	Consultation on consultation paper

Summary of request

This rule change request seeks to address issues with the cost recovery framework for non-network options (***NNOs***) that are restricting the delivery of NNOs as an alternative to network augmentation that may lower costs for consumers. Currently, NNO costs are classed as 'ongoing operating expenditure' that is excluded from the AER's base-step-trend opex approach, with costs recovered by direct pass-through to consumers rather than being incorporated into a TNSP's efficient operating expenditure for a regulatory control period).

The rule change request identifies three key improvements:

- **(Initial cost recovery uncertainty)** allowing TNSPs to secure cost recovery approval from the AER before, rather than after, the TNSP enters into an agreement with an NNO provider (if NNO expenditure is not included in a TNSP's revenue proposal). This aims to reduce cost recovery uncertainty in comparison to other network options;
- **(Ongoing cost recovery uncertainty)** developing a methodology, to be approved by the AER, that clarifies how payments may be adjusted over time to align with the commercial arrangements between a TNSP and a NNO provider, for example in relation to early termination payments. Currently, although the AER is obliged to approve NNO opex if ongoing payment is required as between the TNSP and the NNO provider, there is little guidance as to whether the AER will approve cost recovery in future regulatory periods where there may be variations in NNO costs; and
- **(Cost recovery timing)** updating a TNSP's network support payment allowance concurrently with the AER's approval of NNO expenditure or, if it is anticipated that NNO costs will change from the amount allowed for in the AER's determination, on application by a TNSP at any time within a regulatory control period. This aims to address lengthy delays between TNSPs incurring and recovering NNO-related costs.

Transgrid submitted that the expedited rule change process should apply to the rule change request, however the AEMC did not consider rule change was urgent because the issues raised do not pose an imminent risk to the effective operation of the NEM or the safety, security or reliability of the national electricity system.

The AEMC expects to publish a draft determination for the rule change on 28 November 2024.

READ MORE HERE.

Rule name	Inter-regional settlement residue arrangements for transmission loops
Proponent	AEMO
Key dates	Initiation date: 8 August 2024 Deadline for submissions: Deadline passed (5 September 2024)
Stage	Consultation on consultation paper

Summary of request

This rule change request is the result of AEMO's market integration activities for Project EnergyConnect (***PEC***), a new interconnector linking New South Wales and South Australia which will create the first 'inter-regional transmission loop' in the NEM. Inter-regional settlements residue (***IRSR***) refers to the surplus or deficit in settlement outcomes when electricity flows across jurisdictions with different pricing. IRSR is expected to occur more frequently for PEC as a result of how energy flows in a transmission loop as opposed to **a** standard radial interconnector.

The existing framework for IRSR allocates negative IRSR to the importing region, which AEMO seeks to limit by applying constraints referred to as 'clamping'. AEMO considers that this approach is unsuitable for inter-regional transmission loops where negative IRSR would be disproportionately and unfairly allocated to certain jurisdictions, which doesn't reflect the broader benefits of the loop flow.

In order to help optimise the benefits of PEC for all customers, the rule change request proposes to allocate IRSR depending on the net overall IRSR on the loop such that:

- when the net IRSR is positive, AEMO will not apply clamping constraints; and
- when the net IRSR is negative, AEMO will apply the current approach, meaning that individual connectors would be clamped upon reaching a certain threshold in order to manage negative IRSR (which would flow to the importing TNSP).

The AEMC expects to publish a draft determination for the rule change on 12 December 2024.

READ MORE HERE.

Rule name	Improving consideration of demand-side factors in the ISP
Proponent	The Honourable Chris Bowen, Minister for Climate Change and Energy
Key dates	Initiation date: 20 June 2024 Deadline for submissions: 7 November 2024
Stage	Preparation of final determination

Summary of request

This draft determination seeks to better account for demand-side factors (such as orchestrated CER and distributed resources) in the analysis underpinning the ISP. The draft determination follows one of three rule change requests introduced in June 2024 to enhance the robustness of the ISP's analysis and forecasting to support the energy transition.

The existing rules do not require AEMO to identify and describe the range of actions that are required to facilitate the uptake and availability of CER and distributed resources to a level that meets AEMO's demand-side assumptions in the ISP. Consultation on the proposed rule change demonstrated almost universal support by stakeholders. A key through-line of stakeholder feedback was that the ISP should provide a more holistic and whole-of-system view of the efficient development of the power system and should be able to consider a broad range of information available to it.

The draft rule strengthens and deepens AEMO's analysis of demand-side factors in the ISP by:

- requiring AEMO to publish a demand-side factors statement explaining how it expects the demand side of the market to develop and how demand-side factors affect the efficient development of the power system;
- requiring AEMO to develop information guidelines for gathering data from DNSP's and to publish that information in the ISP database; and
- requiring DNSPs to comply with the information guidelines and publish the information provided in their Distribution Annual Planning Report.

In line with stakeholder feedback, the draft rule differs from the rule change request by expanding the contents of the demand-side factors statement and granting AEMO greater flexibility to determine the data requirements for the information guidelines.

The AEMC published its draft determination on 26 September 2024 and expects to publish a final determination on 19 December 2024. The AEMC is seeking stakeholder feedback on its draft determination until 7 November 2024.

READ MORE HERE.

Rule name	Better integrating gas and community sentiment into the ISP
Proponent	The Honourable Chris Bowen, Minister for Climate Change and Energy
Key dates	Initiation date: 20 June 2024 Deadline for submissions: 7 November 2024
Stage	Preparation of final determination

Summary of request

This draft determination consolidates two rule change requests introduced in June 2024 by the Minister for Energy and Climate Change:

- better integrating gas into the ISP; and
- better integrating community sentiment into the ISP.

These rule change requests sought to enhance the robustness of the ISP's analysis and forecasting to support the energy transition.

While AEMO does incorporate data relating to gas-powered generation in its ISP analysis, the NER does not expressly require AEMO to have regard to the required capital expenditure or overall feasibility of gas-powered generation projects (including any gas supply constraints that might affect these projects) in undertaking that analysis. Equally, the NER does not expressly require AEMO to consider the sentiment of local communities towards transmission projects as part of the ISP, and TNSPs are not obliged to share any information about community sentiment that they may have collected.

The AEMC notes that there was broad support from stakeholders regarding the proposed gas rule change, which underscored the importance of modelling accurate gas assumptions into the ISP. Gas market participants expressed a desire to utilise existing information collected under the NGR to minimise additional reporting, but also emphasised the importance of maintaining confidentiality. Although there was considerable support for community sentiment to be considered in the ISP, stakeholders expressed mixed views on whether a rule change was required to achieve this.

As such, the draft determination seeks to introduce new requirements on AEMO to include gas development projections in the ISP and to explain (1) the inputs, assumptions and scenarios underpinning those projections and (2) how those projections differ from existing gas publications (where applicable). These projections may relate to price, availability, demand and the capacity and utilisation of gas facilities. The draft determination proposes to amend the NGR to allow AEMO to use information collected under the NGR for its national transmission planner function.

The draft determination does not propose changes in relation to integrating community sentiment into the ISP because the AEMC considers that the NER is already sufficiently flexible to enable this (for example, under clause 5.22.10(a)(5) of the NER).

The AEMC published its draft determination on 26 September 2024 and expects to publish a final determination on 19 December 2024. The AEMC is seeking stakeholder feedback on its draft determination until 7 November 2024.

READ MORE HERE.

Rule name	Cyber security roles and responsibilities
Proponent	The Honourable Chris Bowen, Minister for Climate Change and Energy
Key dates	Initiation date: 20 June 2024 Deadline for submissions: Deadline passed (18 July 2024)
Stage	Preparation of draft determination

Summary of request

This draft determination aims to clarify and enhance the cyber security roles and responsibilities of AEMO to improve cyber security preparedness. The AEMC agreed with the two shortcomings of the existing rules identified by the proponents of the rule change request: the NER does not explicitly consider cyber security as it relates to power system security and it does not clearly define AEMO's role in bolstering cyber security.

Stakeholders expressed support for increased clarity on AEMO's roles and responsibilities pertaining to cyber security, but expressed concern regarding the cost of the proposed changes, duplication of roles between AEMO and other agencies and the lack of detail in the proposal. The AEMC considered these issues but formed the view that the increased costs are justified by the importance of managing cyber risks, AEMO's role is not duplicative and the draft determination provides enough additional clarity about AEMO's roles.

The draft determination proposes that cyber security be explicitly included in the NER as an aspect of AEMO's mandate to improve power system security. It also proposes four new functions for AEMO that focus on preventing cyber incidents and preparing the industry to respond if an incident does occur, including:

- (**Cyber security incident coordinator**) planning and coordinating a NEM-wide response to any cyber incidents impacting the energy sector. This includes developing and implementing the Australian Energy Sector Cyber Incident Response Plan (AESCIRP), and undertaking testing and scenario training to increase preparedness;

- (**Supporting cyber preparedness**) updating and maintaining the Australian Energy Sector Cyber Security Framework (AESCSF), organising testing and training exercises, and providing industry guidance and advice;
- (**Examining cyber risks**) as system operator, providing cyber security research and advice to governments upon request, alongside other cyber security bodies; and
- (**Distributing information**) circulating critical cyber security information among market participants, including warnings of vulnerabilities, AESCSF assessment conclusions, post-incident reports and preventative patches.

To allow AEMO to perform these additional functions and recover its costs, the draft determination seeks to increase the total amount of participant fees by 2 per cent each year. AEMO would be immune from liability for the delivery of these services.

The AEMC published its draft determination on 26 September 2024 and expects to publish a final determination on 12 December 2024. The AEMC are seeking feedback on the draft determination by 7 November 2024.

READ MORE HERE.

Rule name	RRO exemption for scheduled bi-directional units
Proponent	Tesla; Neoen; Iberdrola
Key dates	Initiation date: 30 May 2024 Deadline for submissions: Deadline Passed (10 October 2024)
Stage	Consultation on draft determination

Summary of request

This draft determination proposes that large-scale batteries and pumped hydro energy storage be exempted from being liable entities under the RRO. At the moment, storage assets with an annual electricity consumption of more than 10GWh/year are liable entities under the RRO. The RRO requires liable entities to enter into 'qualifying contracts' to cover their share of the peak demand forecast for their region during the relevant reliability gap period.

The proponents argue that the current rule creates a perverse incentive to avoid consuming energy to provide FCAS and other system security services during a gap period, because consuming energy may attract penalties and Procurer of Last Resort costs under the RRO. As a result, storage assets may withhold the provision of system security services to avoid being liable under the RRO, which may increase system security risks. In preparing the draft rule, the AEMC incorporated stakeholder feedback to expand the application of the rule to pumped hydro energy storage assets (rather than only applying to battery storage systems).

The AEMC considers that the draft determination will:

- (**Improve security**) allow energy storage assets to prioritise security services without the risk of triggering RRO penalties. The exemption for pumped hydro energy storage unlocks additional capacity for grid-supporting services during periods with reliability gaps;

- (**Increase FCAS market health**) reduce the risk of inflating FCAS prices during reliability gap periods, which in turn prevents the increase in other market costs including RRO penalty risks, the cost to hedge against those risks, or the costs of AEMO issuing compensable directions where there is a risk to power system security; and
- (**Provide a simple and cheap solution to the security problem**) implement a simple solution to this issue which can be implemented in advance of the next potential contract position day, being 1 December 2024, without the impractical implementation process for alternative solutions which require nuanced exemption of FCAS load from the RRO.

The AEMC published its draft determination on 22 August 2024.

READ MORE HERE.

Rule name	Accelerating smart meter deployment
Proponent	SA Power Networks; Intellihub; Alinta
Key dates	Initiation date: 14 March 2024 Deadline for submissions: Deadline passed (30 May 2024)
Stage	Preparation of final determination

Summary of request

This rule change request seeks to expedite the deployment of smart meters to all customers in the NEM by 2030 and improve the metering framework. Under the fast-track rule change process, the AEMC published a draft determination and draft rule on 4 April 2024.

The draft rule would introduce two core reforms, implementing recommendations from the AEMC's Review of the Regulatory Framework for Metering Services:

- **(Accelerated deployment of smart meters)** The AEMC considers the deployment of smart meters is a cost-effective decarbonisation strategy, which also reduces the costs of meter reads and metering installations borne by consumers. To achieve the AEMC's objective of universal uptake of smart meters by 2030, the AEMC will implement transitional rules during an 'acceleration phase' from 2025 to 2030, which implements the Legacy Meter Replacement Plan framework.
- **(Access to power quality data)** This second component involves an expansion of consumer data access and control requirements in the NER and NERR with the aim of saving energy, improving network safety and increasing hosting capacity.

The draft rule also proposes four supporting reforms. The AEMC expects to publish a final determination on 28 November 2024.

READ MORE HERE.

Rule name	Shortening the settlement cycle
Proponent	GloBird Energy Pty Ltd

Key dates	Initiation date: 22 February 2024 Deadline for submissions: Deadline Passed (3 October 2024)
Stage	Consultation on draft determination

Summary of request

This draft determination proposes to shorten the settlement cycle (the period during which AEMO and market participants settle transactions for the relevant billing period) from 20 business days after the end of a billing period, to 11 business days. This differs from the proponent's original rule change request which sought to shorten the settlement cycle to 10 business days. The additional day proposed under the draft determination follows input from AEMO which considered that there would be significant administrative pressures for AEMO if it were required to issue draft and final statements on the same day.

The AEMC considers that shortening the settlement cycle will:

- lower credit support requirements for market participants, and therefore the costs imposed on market participants pursuant to the prudential regime;
- reduce the impact of call notices from AEMO, by potentially decreasing the working capital held by market participants to respond to call notices; and
- have flow-on benefits for:
  - retailers (particularly smaller retailers that typically have less access to capital and higher financing costs), by freeing up working capital, supporting investment in service offering improvements, minimising barriers to enter the market and lowering the risk of retailer failure; and
  - consumers, through access to better service offerings, increased competition and a lower risk of customer disruption as a result of retailer failures.

The AEMC published its draft determination on 8 August 2024. Due to the volume of stakeholder feedback, the AEMC has extended the time for its final determination to 12 December 2024.

READ MORE HERE.

Rule name	**Integrating price-responsive resources into the NEM**
Proponent	AEMO
Key dates	Initiation date: 3 August 2023 Deadline for submissions: Deadline Passed (12 September 2024)
Stage	Consultation on draft determination

Summary of request

This rule change request is part of a series of reforms being progressed to better integrate CER into the NEM and enable the benefits of CER to be realised for consumers. On 25 July 2024, the AEMC published a draft determination and more preferable draft rule, which:

- establishes a framework for voluntary scheduled resources (***VSR***) to participate in central dispatch processes (known as 'dispatch mode'), which may be on an individual or aggregate basis;

- creates a time-limited incentive mechanism to encourage VSR participation wherein AEMO will run tenders to pay eligible participants to enter into dispatch processes for the first five years after the scheme is established; and
- imposes new monitoring and reporting obligations to allow AEMO and the AER to evaluate the flow-on consequences of price-responsive CER for AEMO's short-term demand forecasts.

Currently, these types of resources are not fully integrated into the NEM's planning and operation functions, and are therefore not adequately accounted for when determining the level of energy demand, how the demand should be met and the price for energy. These features allow energy service providers that use CER (eg batteries, rooftop solar, electric vehicles and home energy management systems) and other price-responsive resources to participate in NEM scheduling and dispatch processes.

The AEMC's view is that more efficient integration of CER would result in $834 million in cost savings. The draft determination more specifically:

- improves AEMO's demand forecasting and, as a result, decreases the level of resources that it needs to dispatch to meet demand, and improves network planning and investment activities, reducing network costs for consumers;
- reduces spot prices through better alignment of supply and demand;
- reduces the need for expensive generation reserves to correct the market, achieving system security at a lower cost; and
- lowers the cost of AEMO interventions.

Due to the volume of stakeholder feedback, the AEMC has extended the anticipated date for its final determination to 19 December 2024.

READ MORE HERE.

Rule name	Efficient provision of inertia
Proponent	Australian Energy Council
Key dates	Initiation date: 2 March 2023 Deadline for submissions: Deadline passed (31 March 2023)
Stage	Preparation of directions paper

Summary of request

The AEC's rule change request proposes to introduce an inertia spot market in the NEM. This reform is intended to support the energy transition and address the challenge of declining system inertia, caused in part by the retirement of synchronous coal- and gas-fired generators and the prevalence of inverter-based resources in the NEM. The AEC's view is that the existing framework for managing and procuring system inertia is inefficient and no longer fit for purpose.

The AEC's proposed design, which largely aligns with the design of existing FCAS markets, has the following features:

- a centrally priced and cleared spot market for inertia, with inertia offered through competitive bids;
- the volume of demand for inertia would be determined by AEMO on a dynamic basis, based on the variable needs of the power system;

- the market would clear at the bid price of the marginal participant, and all dispatched inertia providers would receive the same price; and
- AEMO would prepare forecasts for price and inertia demand, to assist inertia spot market participants to make decisions about their bidding behaviour.

In the consultation paper, the AEMC proposes alternative options to the AEC's proposed design, which are as follows:

- (**market-based mechanism**) introduce an ahead or close to real-time market, through which AEMO would seek competitive bids to provide inertia in the lead-up to dispatch;
- (**market-based mechanism**) pay inertia providers to relieve inertia constraints, based on a 'marginal value of inertia';
- (**market-based mechanism**) implement a rate of change of frequency (***RoCoF***) control service market, which would operate in a similar way to Western Australia's wholesale electricity market RoCoF control service;
- (**structured procurement option**) adjust the operation of the current TNSP procurement framework to address identified issues;
- (**structured procurement option**) require AEMO to procure inertia through short- or long-term bilateral forward contracts; and
- maintain the existing framework until further technical work is undertaken, to better understand the long-term requirements of the power system regarding inertia.

The AEMC has announced that it is currently considering improvements to the existing inertia framework through *the Improving security frameworks for the energy transition* rule change. The AEMC will therefore focus on completing the *Improving security frameworks for the energy transition* rule change before considering more complex options under this rule change.

The AEMC expects to publish a directions paper by November 2024 and a draft determination by 27 June 2025.

READ MORE HERE.

Completed rule changes

Final rule determinations (since last update, 1 October 2024)

Rule name	Providing flexibility in the allocation of interconnector costs
Amending rule	NER 2024 No. 18
Date of final determination	3 October 2024
Commencement Date	10 October 2024 (Schedule 3) 3 July 2025 (Schedules 1 and 2)

Summary of request

The AEMC published a final determination and more preferable final rule that addresses barriers in the existing regulatory framework that may prevent the development of interconnectors with net market benefits. The final rule applies to both private and government interconnectors that, as at 3 October 2024, are yet to be constructed, are being materially upgraded or have been converted from a market network service to a regulated asset.

The final rule seeks to improve flexibility in the allocation of costs for interconnector projects between NEM jurisdictions by allowing jurisdictions (through their relevant Minister) to enter into inter-governmental agreements specifying an agreed cost allocation (being a 'interconnector cost allocation agreement').

The agreements, which must be submitted to the AER for review by a specified deadline and must meet defined implementation criteria, will specify the allocation of project costs to each jurisdiction over an agreed timeframe (as well as how this allocation may change over the life of the asset). Where an agreement is in place, the agreement will override the relevant elements of existing rules that would otherwise determine the cost allocation. The final rule specified a slightly expanded list of implementation criteria, clarified the roles and responsibilities of involved parties and provided more detail around the timing for submissions.

The final rule will not impact a TNSP's total regulated revenue but will allow for a specified amount of that total revenue to be collected through a TNSP in the counterparty government's NEM region. Once a TNSP receives an inter-governmental agreement, it will be required to amend its pricing methodology to give effect to the agreement through adjustments to the annual aggregate revenue requirement (AARR) component. At the same time the agreement is submitted to the AER, TNSPs must also submit their proposed methodology for approval. Jurisdictions will be able to submit agreements to TNSPs prior to a regulatory control period for incorporation in their revenue determination process for that regulatory control period, or during an existing regulatory control period. The final rule does not change how settlement residue auction proceeds are distributed.

Under the final rule, the AER is required to review and update any relevant guidelines (including the Pricing Methodology Guidelines) as necessary to reflect the final requirements of the rule by 3 July 2025.

READ MORE HERE.

Other rules not yet commenced

Rule name	Unlocking CER benefits through flexible trading (Electricity and Retail)
Amending rule	NER 2024 No. 15; NERR 2024 No. 4
Date of final determination	15 August 2024
Commencement Date	29 August 2024 (NER Schedules 1 and 6; NERR Schedule 3) 31 May 2025 (NER Schedule 2) 1 November 2026 (NER Schedules 3, 4 and 5; NERR Schedules 1 and 2)

Summary of request

These rule changes introduce new arrangements to promote a flexible trading market for CER, such as rooftop solar, batteries and electric vehicle chargers. Consumers can optimise the value of their CER by contracting on different terms (including price) with multiple financially responsible market participants for different components of their load, rather than having their CER connected at one connection point with one associated meter (as per the existing model). The rule change request was developed as part of the Energy Security Board's CER implementation plan.

The rules have three key elements:

- enabling large customers to select multiple energy service providers for their premises, without using the embedded network framework or establishing multiple connection points to the distribution network in order to obtain a second National Metering Identifier;
- allowing consumers, and retailers and aggregators acting as agents for consumers, to identify and manage their flexible CER separately from other 'passive' or inflexible consumer loads (such as lights and fridges), including by enabling the establishment of secondary settlement points without requiring a second physical connection to the distribution network; and
- creating two new meter types with lower minimum specifications to enable in-built measurement capability in technology (such as EV chargers) to be used for settlement and billing, instead of requiring additional meters.

READ MORE HERE.

Rule name	Managing ISP project uncertainty through targeted ex post reviews
Amending rule	NER 2024 No. 14
Date of final determination	1 August 2024
Commencement date	5 September 2024 (Schedule 3)

	4 September 2025 (Schedules 1 and 2)

Summary of request

Implementing findings from the Transmission Planning and Investment Review Stage 3 final report, this rule will permit the AER to undertake discrete ex post reviews of a TNSP's capital expenditure for specific ISP and non-ISP projects. Under the current framework, such a review only assesses a TNSP's total capital expenditure across all of its projects (rather than on a project-by-project basis).

The final rule aims to promote efficient project delivery by empowering the AER to assess the overall efficiency of capex incurred by TNSPs for specific large energy transmission projects and resolving uncertainty around the treatment of non-ISP capex under the ex post review mechanism. Under the final rule, an ex post review will be triggered:

- for a substantially completed ISP project / project stage (a 'reviewable ISP project'), when incurred capex exceeds the project's forecast capex (ie the 'ISP overspending requirement' has been met); and
- for a non-ISP project, when incurred capex exceeds the forecast capex for all non-ISP projects during the applicable review period (ie the 'overspending requirement' has been met).

Where a TNSP overspends the project's forecast capex allowance, the AER may exclude this amount from a TNSP's regulated asset base to the extent the AER determines the overspend does not meet the prudency and efficiency criteria for capital expenditure in the NER.

This rule gives the AER more flexibility to assess capex efficiency across the 'ISP project review period', being all years in which capex is incurred for a particular ISP project, including where capex is incurred over multiple regulatory control periods. The rule does not change the timing of when an ex post review occurs or the AER's process for conducting an ex post review.

The AEMC has also included transitional provisions that allow the AER to adjust a TNSP's future revenue allowance to offset the impact of penalties received under the existing capital expenditure sharing scheme (***CESS***), so as to prevent TNSPs from being penalised twice where an overspend is assessed as inefficient. The CESS will continue to operate in conjunction with the new targeted ex post review regime.

READ MORE HERE.

Rule name	**Improving security frameworks for the energy transition**
Amending rule	NER 2024 No. 9
Date of final determination	28 March 2024
Commencement date	4 April 2024 (Schedule 9) 3 June 2024 (Schedule 1) 4 July 2024 (Schedule 2) 1 December 2024 (Schedules 3, 4, 6 and 7) 2 December 2025 (Schedules 5 and 8)

Details

In order to ensure the sufficient provision of system security services throughout the energy transition, this final rule seeks to enhance the existing procurement arrangements for these services and arm AEMO with additional tools to effectively manage system security issues. In turn, this will also reduce AEMO's reliance on market interventions to achieve system security outcomes and send better signals to participants to provide these types of services over the long term.

Specifically, the final rule:

- aligns the procurement timeframes under the current inertia and system strength frameworks;
- amends the network support and control ancillary services framework to remove the exclusion to procuring inertia network services and system strength;
- updates the procedures for TNSPs to recover their costs of non-network security options, including by introducing an annual process for forecasting and recovery of these costs;
- establishes a new transitional framework under which AEMO can procure necessary non-market ancillary services, and also trial new sources of security services;
- allows AEMO to enable (or schedule) security services on a NEM-wide basis;
- enhances transparency in relation to directions to market participants, by amending market notice requirements and the timing for AEMO to provide post-event directions reports, and requiring the publication of a breakdown of compensation paid to directed and affected participants; and
- requires AEMO to publish a new annual report (the 'transition plan for system security'), setting out the actions it will take to manage system security through the transition to a zero-emissions power system.

READ MORE HERE.

Rule name	Enhancing reserve information (formerly Operating reserves)
Amending rule	NER 2024 No. 6
Date of final determination	21 March 2024
Commencement date	1 July 2025 (Schedule 1) 1 July 2027 (Schedule 2)

Details

While the original rule change requests from Iberdrola and Delta Electricity sought to leverage the existing FCAS framework and introduce an operating reserve market or services specific to the provision of reserves to respond to unexpected changes in supply and demand, the AEMC's final determination resolved to not implement an operating reserve market. The key reason for this is that the AEMC considers an operating reserve market would not offer any significant improvements compared to the current arrangements, and would materially increase market costs.

Instead, the final rule improves the existing arrangements and increases transparency around energy availability in the NEM, to facilitate efficient responses from market participants to unexpected fluctuations in supply and demand, when reserves are required. Specifically, the final rule requires AEMO to publish energy availability information in the operational timeframe, including:

- (**state of charge**) the energy availability of batteries, aggregated by region, in close to real time and also on the following trading day by dispatchable unit identifier; and
- (**daily energy constraints**) the combined energy constraints of other scheduled plant types (hydro, gas and coal), aggregated by region and published on a daily basis.

The final rule also requires storage participants to provide their maximum storage capacity to AEMO in their bid and offer validation data.

READ MORE HERE.

Rule name	Clarifying mandatory primary frequency response obligations for bidirectional plant
Amending rule	NER 2024 No. 3
Date of final determination	7 March 2024
Commencement date	3 June 2024 (Schedule 1) 8 June 2025 (Schedule 2)

Details

This final rule seeks to address the concern that existing mandatory PFR and PFR incentive arrangements may not be sufficient to encourage the provision of frequency control services to the power system in a consistent and predictable way over the long term. Specifically, this final rule requires scheduled bidirectional units (ie, batteries with a capacity of 5MW or greater) to provide mandatory PFR when they receive a dispatch instruction to:

- generate electricity (from 3 June 2024 onwards);
- charge (except when solely powering auxiliary loads) (from 8 June 2025 onwards); and
- provide a regulation service (from 8 June 2025 onwards).

The rule does not require batteries to provide PFR when idle or when enabled solely for contingency FCAS, although battery owners may elect to provide PFR in these circumstances in order to receive frequency performance payments. It is also important to note that the new rule will not apply to pumped hydro projects, given that they will not be classified as bidirectional units under the 'Integrating energy storage systems into the NEM' rule.

In addition to the key changes outlined above, the final rule also implements a number of minor changes, including to clarify that:

- battery operators will not be required to renegotiate their connection arrangements when revising PFR settings to comply with this final rule; and
- semi-scheduled generators and scheduled bidirectional units must obtain AEMO's consent before making any changes to frequency control settings.

READ MORE HERE.

Rule name	Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap
Amending rule	NER 2023 No. 6
Date of final determination	7 December 2023
Commencement date	1 July 2025 (Schedule 1) 1 July 2026 (Schedule 2) 1 July 2027 (Schedule 3)

Details

This final rule amends the market price cap (***MPC***), cumulative price threshold (***CPT***) and administered price cap (***APC***) from 1 July 2025 to 30 June 2028, as follows:

Market price setting	1 July 2025	1 July 2026	1 July 2027
MPC	$18,600/MWh	$20,700/MWh	$22,800/MWh
CPT	$1,674,000/MWh	$1,987,200/MWh	$2,325,600/MWh
CPT hours at MPC	7.5	8	8.5
APC	$600/MWh	$600/MWh	$600/MWh

The AEMC considered that existing market price settings were too low to support sufficient investment in generation, demand response and storage, to address shortages in supply and periods of high prices, and maintain the reliability of the system.

READ MORE HERE.

Rule name	Amending the administered price cap
Amending rule	NER 2022 No. 11
Date of final determination	17 November 2022
Commencement date	17 November 2022 (Schedule 3) 1 December 2022 (Schedule 1) 1 July 2025 (Schedule 2)

Details

This final rule increases the **APC** under the NER from $300/MWh to $600/MWh, with effect until 30 June 2025. The APC is the maximum spot price paid to generators in the NEM during an administered price period (***APP***). The APC is designed to limit market participants' financial exposure to spot prices during extended periods of significant price volatility, while also providing adequate spot market revenue to generators to cover their short-term costs and encourage continued dispatch into the market. An APP is triggered when the sum of spot prices in the preceding seven-day period exceeds the **CPT**, currently $1,398,100.

The AEMC did not make any transitional changes to the CPT as part of this final rule.

As part of its 2022 Reliability Standard and Settings Review, the Reliability Panel recommended that, for the period from 1 July 2025 to 30 June 2028, the APC be increased to $500/MWh and the CPT be increased in three progressive annual adjustments to reach $2,193,000 by the end of that period. This final rule will apply on a transitional basis, with any change to the longer-term settings of the APC and CPT to be considered once a rule change request is made to implement the Reliability Panel's recommendations.

READ MORE HERE.

Rule name	Primary frequency response incentive arrangements
Amending rule	NER 2022 No. 8
Date of final determination	8 September 2022
Commencement date	8 September 2022 (Clause 7, Schedules 1, 3 and 4) 8 June 2025 (Schedule 2)

Details

This final rule amends the NER to value the provision of **PFR** by participants in the NEM under the mandatory PFR requirement, and also to encourage the voluntary provision of additional PFR.

Key features of the final rule include:

- **frequency performance payments:** a new two-sided frequency performance payments process, whereby market participants who achieve positive contribution factors (ie, behaviour that assists in controlling system frequency) will receive performance payments, and the costs of those performance payments will be borne by market participants with negative contribution factors (ie, behaviour that contributes to deviations in system frequency). This new payments process expands on the existing 'causer pays' arrangements for the allocation of FCAS costs and will commence on 8 June 2025. AEMO will also be required to develop a new frequency contribution factors procedure setting out the process for calculating contribution factors, and must publish the first procedure by 8 June 2023;
- **continuation of mandatory PFR:** confirmation that the requirement for scheduled and semi-scheduled generators to automatically respond to fluctuations in power system frequency (ie, the mandatory PFR requirement) will continue beyond 4 June 2023, on the basis that these arrangements send a clear signal to

market entrants that they are required to provide PFR and, since their implementation, have been an effective mechanism to improve frequency performance; and

- **reporting:** requirements for AEMO (from 8 September 2022) and the AER (from 8 June 2025) to report on levels of aggregate frequency responsiveness and the costs of frequency performance payments respectively. This change is designed to provide relevant information to market participants and to enable stakeholders to assess the effectiveness of the arrangements for frequency control moving forward.

READ MORE HERE.

Rule name	Enhancing information on generator availability in MT PASA
Amending rule	NER 2022 No. 7
Date of final determination	18 August 2022
Commencement date	18 August 2022 (Schedule 4) 9 October 2023 (Schedule 1) 3 June 2024 (Schedule 2) 31 July 2025 (Schedule 3)

Details

This final rule enhances the adequacy and transparency of information regarding unit availability in the medium-term projected assessment of system adequacy (***MT PASA***), which scheduled generators are required to provide to AEMO.

In addition to the current requirement for generators to indicate their daily MW availability over the medium term (between seven days and 36 months), the final rule requires scheduled generators to provide a generating unit's:

- **unit state** in the form of standardised **reason codes** that explain the availability status of the unit; and
- **unit recall time** (for certain reason codes only), being the expected time to return the unit to full availability under normal conditions after a period of unavailability.

This additional information will be collected for the same 36-month period for MT PASA, and published as part of the existing MT PASA process. AEMO will develop standardised reason codes that differentiate between economic reasons for unavailability, such as low wholesale prices making continued operation uncommercial, and physical reasons, such as planned maintenance.

Requirements for the collection and publication of reason codes and recall times are defined in AEMO's reliability standard implementation guideline and MT PASA process description.

The substantive provisions of the final rule come into effect on 9 October 2023, and the requirements will also apply to scheduled bidirectional units on commencement of the *Integrating energy storage systems into the NEM* rule in June 2024.

READ MORE HERE.

Rule name	Updating Short Term PASA
Amending rule	NER 2022 No. 4
Date of final determination	5 May 2022
Commencement date	19 May 2022 (Schedule 3) 3 June 2024 (Schedule 2) 31 July 2025 (Schedule 1)

Details

This final rule amends the requirements for AEMO and market participants in relation to short-term projected assessment of system adequacy (***ST PASA***).

In particular, the final rule:

- introduces a principles-based framework, directly linked to the PASA objective in clause 3.7.1(b) of the NER, to provide greater flexibility to AEMO and market participants to update ST PASA as the market continues to develop;
- requires AEMO to develop and publish ST PASA procedures, which must be developed and amended in accordance with the NER consultation procedures;
- amends the timeframe that ST PASA covers to each 30-minute period (or such shorter period as determined by AEMO) in at least the seven trading days from and including the day of publication; and
- requires AEMO to publish generation availability information on a dispatchable unit identifier basis, to improve the transparency of information available to market participants.

AEMO is required to publish the ST PASA procedures by 30 April 2025, to give stakeholders three months to comply with these procedures before the changes are implemented on 31 July 2025.

READ MORE HERE.

National Gas Rules

Rule change requests

New rule change requests (since last update, 1 October 2024)

There have been no new rule change requests since the last update.

Existing rule change requests

Rule name	Better integrating gas and community sentiment into the ISP (Gas)
Proponent	The Honourable Chris Bowen, Minister for Climate Change and Energy
Key dates	Initiation date: 20 June 2024 Deadline for submissions: 7 November 2024
Stage	Preparation of final determination

Summary of request

Please refer to the summary of this draft determination (above) in relation to the NER.

READ MORE HERE.

Completed rule changes

Final rule determinations (since last update, 1 October 2024)

There have been no new completed rule changes since the last update.

Other rules not yet commenced

Rule name	DWGM interim LNG storage measures
Amending rule	NGR 2022 No. 4
Date of final determination	15 December 2022
Commencement date	15 December 2022 (Schedules 1 and 2) 2 July 2026 (Schedule 3)

Details

This final rule gives AEMO broader powers to address threats to system security and reliability of supply in the DWGM between 2023 and 2025, in light of the recent decline in the amount of liquefied natural gas (***LNG***) held in storage and the contracted capacity at the Dandenong LNG storage facility.

Under the final rule, AEMO will act as:

1. **Buyer of last resort:**
   - AEMO must contract any storage capacity at the Dandenong LNG storage facility that is uncontracted by 1 March each year. AEMO may also procure any additional uncontracted storage capacity for winter that becomes available after 1 March each year.
   - AEMO must aim to achieve the highest level of contracted capacity reasonably possible by the beginning of winter, or a lower amount as determined by AEMO and approved by the Victorian Minister.
   - AEMO must relinquish contracted capacity if APA (as the LNG storage provider) requests it to do so in order to meet a request from a market participant, and may transfer LNG stock to a market participant if that participant has acquired relinquished capacity.
2. **Supplier of last resort:**
   - AEMO may inject gas from its LNG reserve into the DWGM where it reasonably considers that a threat to system security is unlikely to subside without its intervention.
   - AEMO may also dispose of LNG stock where it is obliged to do so under a contractual or regulatory obligation (using a bid price of $0/GJ).
   - AEMO's LNG reserve gas may only be included in a pricing schedule and an operating schedule after all available market participants' bids have been scheduled, and AEMO's injection bids from LNG reserve must be at a price equal to the value of lost load (ie, $800/GJ).

The final rule also sets out processes for AEMO to recover its costs as buyer and supplier of last resort, and establishes a new cost-recovery proceeds distribution process. It also outlines the contractual arrangements between AEMO and APA (the owner and operator of the Dandenong LNG Facility) to facilitate AEMO's two roles.

The rule applies as an interim measure between 2023 and 2025 while the Energy Ministers develop broader reforms to system security and reliability in the DWGM.

READ MORE HERE.

Glossary

In this document, the following definitions apply:

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APC	administered price cap
APP	administered price period
CER	consumer energy resources
CPT	cumulative price threshold
DER	distributed energy resources
DNSP	distribution network service provider
DWGM	declared wholesale gas market
ESB	Energy Security Board
FCAS	frequency control ancillary services
FRMP	financially responsible market participant
IRP	Integrated Resource Provider
ISP	Integrated System Plan
LNG	liquefied natural gas
MPC	market price cap
NECF	National Energy Customer Framework
NER	National Electricity Rules
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NEM	National Electricity Market
NGR	National Gas Rules
NSP	network service provider
PFR	primary frequency response
RIT-T	Regulatory Investment Test for Transmission
RRO	Retailer Reliability Obligation
TNSP	transmission network service provider
TUOS	transmission use of system

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