

National Electricity and Gas Rules Update 2023

November 2023 | Rule changes as at 1 December 2023



National Electricity Rules

New rule change requests	2	Improving the workability of the feedback loop; Calculation of system strength quantity
New draft determinations	1	Clarifying mandatory primary frequency response obligations for bi-directional plant
New final determinations	1	Enhancing community engagement in transmission building



National Energy Retail Rules

No new requests, draft determinations or final determinations



National Gas Rules

New draft determinations	1	Compensation and dispute resolution frameworks
--------------------------	---	--



Opportunities for stakeholders

Due by	Opportunities for submissions
18 January 2024	Calculation of system strength quantity
25 January 2024	Clarifying mandatory primary frequency response obligations for bi-directional plant; Compensation and dispute resolution frameworks



Energy reform

The AEMC's plans for using big batteries to keep the power grid stable

On 30 November 2023, the AEMC published a draft determination that proposes amendments to the NER to clarify the role of grid-scale batteries in maintaining power grid stability and managing energy security risks, as aging thermal generators continue to retire. Recognising the importance of energy storage systems to Australia's transition to net zero, the draft determination clarifies the obligations of scheduled bidirectional units (i.e. batteries with a capacity of at least 5MW) with respect to the provision of mandatory Primary Frequency Response (PFR).

The draft determination expands the mandatory PFR obligations imposed on all scheduled bidirectional units, and, more specifically, requires bidirectional units to provide PFR when:

- generating energy – commencing 3 June 2024;
- charging (except when charging to solely power auxiliary loads) – commencing 8 June 2025; and
- providing a regulation service – commencing 8 June 2025,

but not when at rest or when providing contingency services. That said, batteries that are capable of providing continuous PFR in these circumstances may choose to do so, and the draft rule is not intended to preclude this. The circumstances in paragraphs (b) and (c) above are a broadening of the requirement currently imposed on scheduled and semi-scheduled generators to provide PFR when generating energy.

The AEMC considers that the system security benefits to be gained by these amendments would outweigh the costs to battery operators in providing PFR in these additional circumstances.

The AEMC has also proposed other consequential changes, including to clarify that scheduled bidirectional units would not need to renegotiate their connection agreement when revising PFR settings, and that semi-scheduled generators and scheduled bidirectional units must not change their frequency control settings without AEMO's prior consent.

The AEMC is seeking stakeholder feedback on the draft determination until 25 January 2024.

Read more [here](#) and [here](#).

Introduction

The document lists all rule change requests for the NER and NERR (section 1) and the NGR (section 2), currently under consideration by the AEMC. The status of each proposed Rule is regularly updated on the AEMC 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 which are part of 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.

Glossary

In this document the following definitions apply:

<i>NER</i>	National Electricity Rules	<i>NEM</i>	National Electricity Market
<i>NERR</i>	National Energy Retail Rules	<i>AER</i>	Australian Energy Regulator
<i>NGR</i>	National Gas Rules	<i>DNSP</i>	Distribution Network Service Provider
<i>AEMC</i>	Australian Energy Market Commission	<i>TNSP</i>	Transmission Network Service Provider
<i>NECF</i>	National Energy Customer Framework	<i>NSP</i>	Network Service Provider
<i>AEMO</i>	Australian Energy Market Operator	<i>COAG</i>	Council of Australian Governments
<i>ESB</i>	Energy Security Board	<i>DER</i>	distributed energy resources



Kate Axup

Partner
Melbourne
T +61 3 9613 8449
Kate.Axup@allens.com.au



Andrew Mansour

Partner
Sydney
T +61 2 9230 4552
Andrew.Mansour@allens.com.au



Jodi Reinmuth

Partner
Perth
T +61 8 9488 3702
Jodi.Reinmuth@allens.com.au



Melissa Keane

Partner
Melbourne
+61 3 9613 8806
Melissa.Keane@allens.com.au



Karla Drinkwater

Partner
Brisbane
T +61 7 3334 3337
Karla.Drinkwater@allens.com.au



Louis Chiam

Partner
Melbourne
T +61 3 9613 8867
Louis.Chiam@allens.com.au

➤ National Electricity Rules

Rule change requests

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
New rule change requests (since last update 1 November 2023)					
Improving the workability of the feedback loop	The Honourable Chris Bowen, Minister for Climate Change and Energy	16 November 2023	Initiation	N/A	<p>This rule change request adopts the recommendations in the AEMC's final report for Stage 2 of the Transmission Planning and Investment Review, and seeks to improve AEMO's feedback loop assessment by ensuring the process is workable and remains fit for purpose.</p> <p>The feedback loop assessment acts as a consumer safeguard, and requires that, after completing a RIT-T, TNSPs seek confirmation from AEMO that their preferred RIT-T option aligns with the optimal development path (ODP) set out in the most recent Integrated System Plan (ISP), and that the costs of the preferred option do not alter the status of the actionable ISP project as part of the ODP.</p> <p>The feedback loop is assessed against the current ODP (in the most recent ISP) rather than future ODPs. This is different from the RIT-T process, which uses AEMO's Inputs, Assumptions and Scenarios Report that will underpin the future ODP in the next ISP. This creates challenges given that current and future ODPs are likely to have different underlying inputs, assumptions and scenarios.</p> <p>In light of this, the rule change request proposes to:</p> <ul style="list-style-type: none"> allow the feedback loop to use inputs that will underpin the ODP in the next ISP; allow the CPA process and feedback loop assessment to occur concurrently; and require AEMO to complete the assessment within 40 business days from the later of the request date or the date that additional information is received (with a power to extend by 60 business days if required). <p>Read more here.</p>
Calculation of system strength quantity	AEMO	9 November 2023	Consultation on draft determination	18 January 2024	This rule change request seeks to change the way the system strength quantity (SSQ) component of the system strength charge (SSC) is calculated, to foster efficient investment in system strength.

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<p>Currently, the NER requires connection applicants (for both new and altered connections) to mitigate their system strength impact, either by:</p> <ul style="list-style-type: none"> • paying an SSC to a system strength service provider (usually the local TNSP); or • self-remediation, e.g. installing a grid forming battery or synchronous condenser. <p>Under the current framework, self-remediation requires a full assessment to determine the system strength impact of the connection. If paying an SSC, the SSQ is used as a proxy for the system strength impact of the connection. During consultation on its System Strength Impact Assessment Guidelines, AEMO identified that the SSQ overstates the system strength impact, which means that the two options are not equivalent and does not allow connection applicants to make efficient decisions about which option to pursue.</p> <p>The draft rule proposes to align the two options by replacing the SSQ calculation in the NER with a methodology for calculating the SSQ, which would more accurately reflect the system strength impact of a connection and is to be developed by AEMO (with related amendments to guide AEMO's development of the methodology).</p> <p>The draft rule would also require an update to the System Strength Impact Assessment Guidelines (in consultation with stakeholders), which must be published by 30 June 2024, with the new arrangements commencing on 1 July 2024.</p> <p>The AEMC expects to publish a final determination on 29 February 2024.</p> <p>Read more here.</p>
Existing rule change requests (since last update 1 November 2023)					
Enhancing investment certainty in the R1 process	Clean Energy Council	17 August 2023	Consultation on consultation paper	Deadline passed (28 September 2023)	<p>Following the collaboration of various stakeholders (including NSPs, generators and AEMO) through the Connections Reform Initiative, the Clean Energy Council has submitted a rule change request in relation to the R1 process, being the registration and connection assessment processes that occur between the execution of a connecting generator's connection agreement and its market registration.</p> <p>Specifically, the request seeks to:</p> <ul style="list-style-type: none"> • provide increased certainty in relation to how AEMO and NSPs assess and approve detailed designs and modelling packages during the R1 process;

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> manage system security risks identified during the R1 process, by efficiently allocating risks and costs between generators and NSPs; ensure generators, NSPs and AEMO engage in a facilitated review, and robust dispute resolution processes are in place, to manage complex issues; and in response to issues identified during the R1 process, incentivise NSPs to invest in broader efficient system security solutions (where that would result in lower costs than if individual generators were to implement solutions). <p>As part of its request, the Clean Energy Council has proposed that:</p> <ul style="list-style-type: none"> project proponents should be able to receive conditional approval without resolving all issues identified during the R1 process (subject to satisfying AEMO and the NSP that there is a clear plan for the resolution of those issues); and new 'Type' categories be introduced during the R1 process (to be proposed by the applicant and agreed or rejected by the NSP in consultation with AEMO), to provide applicants with different pathways to registration based on the materiality of issues. Each of these pathways would be subject to different parameters. <p>The AEMC expects to publish a draft determination on 7 December 2023.</p> <p>Read more here.</p>
Integrating price-responsive resources into the NEM	AEMO	3 August 2023	Consultation on consultation paper	Deadline passed (14 September 2023)	<p>AEMO's rule change request is part of a series of reforms being progressed to better integrate consumer energy resources (CER) into the NEM, to enable the benefits of CER to be realised for consumers. This request proposes a voluntary mechanism, with participation encouraged through incentives, to allow energy service providers that use CER (e.g. batteries, rooftop solar, electric vehicles and home energy management systems) and other price-responsive resources to participate in NEM scheduling and dispatch processes.</p> <p>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 demand should be met and the price for energy. AEMO's view is that more efficient integration of CER into AEMO's system planning and management functions would have the following benefits:</p> <ul style="list-style-type: none"> understanding when these resources can be used to fulfil demand requirements will improve demand forecasting and decrease the level of resources that AEMO needs to dispatch to meet demand;

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> spot prices may be reduced through better alignment of supply and demand; integrating these resources is likely to reduce the need for expensive generation reserves to correct the market, achieving system security at a lower cost; availability of these resources could lower the cost of AEMO interventions; and with improved demand forecasting, this would also improve network planning and investment activities and reduce network costs for consumers. <p>The AEMC expects to publish a draft determination on 29 February 2024.</p> <p>Read more here.</p>
Clarifying mandatory primary frequency response obligations for bi-directional plant	AEMO	3 August 2023	Consultation on draft determination	25 January 2024	<p>AEMO's rule change request is intended to address the concern that existing mandatory primary frequency response (PFR) and PFR incentive arrangements may not be sufficient to support frequency control of the power system in the long-term.</p> <p>On 30 November 2023, the AEMC released a more preferable draft rule to amend the mandatory PFR obligations for scheduled bidirectional units (i.e. batteries with a capacity of at least 5MW). The draft rule requires scheduled bidirectional units to provide PFR when they receive a dispatch instruction to:</p> <ul style="list-style-type: none"> generate electricity; charge (except when solely powering auxiliary loads); and provide a regulation service. <p>The draft rule does not require batteries to provide PFR when idle or when enabled solely for contingency FCAS, although battery owners can choose to provide PFR in these circumstances.</p> <p>Read more here.</p>
Harmonising the national energy rules with the updated national energy objectives (electricity and retail)	Energy Senior Officials on behalf of the Ministerial Council on Energy	20 July 2023	Consultation on draft determination	Deadline passed (7 December 2023)	<p>Following the assent of the <i>Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023</i> on 21 September 2023, the national energy objectives now include an emissions reduction component, which allows emissions to be taken into account by market bodies and other market participants.</p> <p>On 26 October 2023, the AEMC published a draft determination and more preferable draft rule that seeks to harmonise the NER, NERR and NGR with the updated energy objectives. Specifically, the draft rule supports incorporating emissions reduction into the NER, NERR and NGR by:</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> ensuring the national energy objectives are applied consistently across each of the NER, NERR and NGR, noting that currently the updated objectives may not automatically flow through to all parts of the existing rules; including 'changes in Australia's greenhouse gas emissions' as a class of market benefit to be taken into account in relation to the ISP, RIT-T and RIT-D; updating the wording of the rules (e.g. the ISP public policy clause in the NER) to ensure that emissions reduction policies are properly considered; allowing network and pipeline operators to propose expenditure for activities that would contribute to meeting emissions reduction targets as part of their revenue and access arrangement proposals; and setting out two consultation processes for the AER, in order to streamline consultation on the various AER guidelines and instruments that need to be updated to reflect the amendment to the national energy objectives. <p>The AEMC expects to publish a final determination on 1 February 2024. If made, the final rule would also come into effect on 1 February 2024.</p> <p>Read more here.</p>
Accommodating financeability in the regulatory framework	The Honourable Chris Bowen, Minister for Climate Change and Energy and Energy Networks Australia	8 June 2023	Consultation on consultation paper	Deadline passed (3 August 2023)	<p>This rule change request seeks to address issues likely to arise in the future, which would affect the ability of TNSPs to efficiently raise capital to finance actionable Integrated System Plan (<i>ISP</i>) projects, and have a substantial impact on the timely and efficient delivery of major transmission projects.</p> <p>One of the key issues for actionable ISP projects is that the structure of the regulatory depreciation revenue building block (straight line depreciation less forecasted indexation of capital) means that cash flows are usually reduced early on in the life of those projects. In order to combat this challenge, and based on the AEMC's recommendation following its Transmission Planning and Investment Review, the rule change request proposes to create more flexibility in the NER revenue setting framework by allowing the depreciation profile of assets comprising actionable ISP projects to be varied, upon request by TNSPs.</p> <p>The rule change request also proposes to:</p> <ul style="list-style-type: none"> allow TNSPs to recover depreciation of biodiversity offset costs on an 'as incurred' basis, during the construction phase of an ISP project;

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> require the AER to clarify the treatment of depreciation for different asset classes (including biodiversity offsets); and introduce a financeability formula that must be adopted by the AER when assessing the ability of a TNSP to finance an ISP project. <p>The AEMC expects to publish a draft determination on 14 December 2023.</p> <p>The AEMC is holding a virtual public forum on 15 December 2023 to present the draft determination (register here).</p> <p>Read more here.</p>
Concessional Finance for Transmission Network Service Providers	The Honourable Chris Bowen, Minister for Climate Change and Energy	8 June 2023	Consultation on consultation paper	Deadline passed (14 July 2023)	<p>This rule change request proposes to amend the NER to include a method for sharing the benefits of concessional financing of transmission infrastructure between consumers and TNSPs. The regulatory framework does not currently recognise or facilitate the pass through of concessional finance benefits to consumers (those benefits currently flow to TNSPs).</p> <p>This rule change has been proposed in the context of the Commonwealth Government's \$20 billion Rewiring the Nation Fund and in response to the AEMC's Stage 3 Draft Report of the Transmission Planning Investment Review.</p> <p>Specifically, the proposed rule seeks to:</p> <ul style="list-style-type: none"> oblige TNSPs to notify the AER of the existence of concessional financing arrangements, and provide the AER with information about the benefits that the TNSP and Government Funding Body have decided to pass onto consumers; require the AER to seek and consider submissions from the Government Funding Body on whether it intended for some or all of the concessional finance benefit to be passed onto consumers; enable the AER to allow an agreed amount or proportion of benefit to be passed onto consumers; and permit the AER to treat the consumer benefits of concessional finance as a capital contribution through a revenue adjustment or by adjusting the regulatory asset base (to be determined through negotiation between the TNSP and Government Funding Body). <p>The AEMC expects to publish a draft determination on 14 December 2023.</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<p>The AEMC is holding a virtual public forum on 15 December 2023 to present the draft determination (register here).</p> <p>Read more here.</p>
Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap	Reliability Panel	11 May 2023	Consultation on draft determination	Deadline passed (26 October 2023)	<p>This rule change request seeks to implement the Reliability Panel's final recommendations on market price settings as part of its 2022 Reliability Standard and Settings Review.</p> <p>On 14 September 2023, the AEMC published a draft determination and more preferable draft rule to amend the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) as follows:</p> <ul style="list-style-type: none"> the APC will be maintained at its current level of \$600/MWh for the period 1 July 2025 to 30 June 2028; the MPC will progressively increase from \$18,600/MWh on 1 July 2025 to \$22,800/MWh on 1 July 2027; and the CPT will progressively increase from \$1,674,000/MWh (or 7.5 hours at the MPC) on 1 July 2025 to \$2,325,600/MWh (or 8.5 hours at the MPC) on 1 July 2027. <p>The changes proposed to the MPC and CPT are consistent with the final recommendations of the Reliability Panel. However, the draft rule retains the current APC level of \$600/MWh rather than adopting the Reliability Panel's recommendation of \$500/MWh.</p> <p>Read more here.</p>
Efficient provision of inertia	Australian Energy Council	2 March 2023	Consultation on consultation paper	Deadline passed (31 March 2023)	<p>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.</p> <p>The AEC's proposed design, which largely aligns with the design of existing FCAS markets, has the following features:</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> • 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. <p>In the consultation paper, the AEMC proposes alternative options to the AEC's proposed design, which are as follows:</p> <ul style="list-style-type: none"> • (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. • Maintain the existing framework until further technical work is undertaken, to better understand the long-term requirements of the power system with respect to inertia. <p>The AEMC has announced that it is currently considering improvements to the existing inertia framework through the <i>Operational security mechanism</i> rule change (now called <i>Improving security frameworks for the energy transition</i>). The AEMC will therefore focus on completing the <i>Improving security frameworks for the energy transition</i> rule change before considering more complex options under this rule change.</p> <p>The AEMC expects to publish a draft determination on 29 February 2024.</p> <p>Read more here.</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
Unlocking CER benefits through flexible trading (electricity and retail)	AEMO	8 December 2022	Preparation of draft determination	Deadline passed (14 September 2023)	<p>This rule change request builds on the ESB's post-2025 market design recommendations, and proposes new arrangements to promote a flexible trading market for consumer energy resources (CER), such as rooftop solar, batteries and electric vehicle chargers. Specifically, AEMO seeks to encourage consumers to optimise the value of their CER by allowing them to contract on different terms (including price) with multiple financially responsible market participants (FRMP) 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).</p> <p>While it is currently possible for consumers to contract their CER on an individual basis by establishing multiple connection points, AEMO's view is that existing network policies and the time, costs and impracticality of establishing new connections for CER operate as a significant disincentive for consumers to deal with their CER in this way.</p> <p>To facilitate the flexible trading market, AEMO proposes that new 'secondary settlement points' be created for CER behind consumers' current meters, so that CER can be separately identified and metered. Consumers could choose from a variety of options regarding their secondary settlement points, such as to have one secondary settlement point for all flexible CER devices (with its residual electrical load measured by the primary settlement point) or to have individual secondary settlement points for each CER device. In turn, this would give consumers the flexibility to take up different service and price offerings with one or more FRMP for their different settlement points, and unlock greater value from their CER as a result.</p> <p>AEMO has also proposed a new category of metering installation ('minor energy flow meters') to be used at secondary settlement points. AEMO considers that current metering requirements may be cost prohibitive and unnecessarily complex if applied to secondary settlement points.</p> <p>On 3 August 2023, the AEMC published a directions paper that responds to stakeholder feedback on the consultation paper and outlines the AEMC's initial positions on the rule change request in three key areas:</p> <ul style="list-style-type: none"> • optimising the value of CER flexibility (i.e. identifying CER separately and managing CER on a flexible basis);

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none"> trading CER with multiple energy service providers; and in relation to street lighting and other street furniture, opportunities to improve metering and efficiency of public spaces. <p>The AEMC expects to publish a draft determination on 29 February 2024.</p> <p>Read more here.</p>
Improving security frameworks for the energy transition	Hydro Tasmania Delta Electricity	2 July 2020	Consultation on directions paper	Deadline passed (28 September 2023)	<p>Hydro Tasmania's rule change request seeks to create a market for 'synchronous services', including inertia, voltage control and fault level/system strength, and to integrate the dispatch of a 'synchronous service' with the existing energy and FCAS spot markets. It proposes to do this by changing the formulation of the constraints that are applied to the NEM dispatch engine, in order to allow the dispatch engine to find the lowest overall cost combination of synchronous services and non-synchronous generation.</p> <p>Delta Electricity's rule change request seeks to introduce an ex-ante, day ahead capacity commitment mechanism that would operate outside of the spot market, and would involve payments to generators to provide access to operational reserves and other required system security or reliability services. The proposed capacity commitment mechanism would provide a payment to keep non-peaking dispatchable generators online at their minimum safe operating level should they be needed for system security and reliability purposes based on AEMO forecasts during the pre-dispatch process.</p> <p>On 21 September 2022, the AEMC published a draft determination and a more preferable draft rule. The draft rule proposed to establish an operational security mechanism (OSM) to enable the procurement, scheduling and dispatch of essential security services that are not already procured through a market, to occur alongside existing energy and FCAS markets. It was intended that the OSM would reduce reliance on AEMO's directions power, and allow that power to be used only as a backstop arrangement.</p> <p>However, on 24 August 2023, following its 25 May 2023 announcement that it would not implement an OSM and would instead adopt a different approach to that proposed in the draft determination, the AEMC published a directions paper outlining its new proposed system improvements. The paper proposes more immediate, simple and</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<p>flexible solutions to providing security services that build on existing frameworks, including to:</p> <ul style="list-style-type: none"> align the current inertia and system strength arrangements, by introducing a NEM-wide inertia floor, aligning procurement timeframes and removing restrictions on the procurement of synthetic inertia; allow the procurement of inertia network services and system strength through the network support and control ancillary services framework; create a new transitional non-market ancillary services framework for AEMO to procure security services that cannot otherwise be procured through existing frameworks; improve transparency in respect of directions, through information in market notices and detailed quarterly reporting; and amend direction compensation arrangements to reflect a benchmark-based framework (rather than the 90th percentile energy price). This framework will be similar to that used during periods of market suspension, and ensure compensation is based on predetermined values that reflect a short-run marginal cost for the relevant technology type. <p>The AEMC expects to publish a final determination on 28 March 2024.</p> <p>Read more here.</p>
Enhancing reserve information	Iberdrola Australia Limited Delta Electricity	2 July 2020	Preparation of draft determination	Deadline passed (31 August 2023)	<p>Iberdrola's rule change request seeks to introduce a dynamic operating reserve market to operate alongside the existing NEM spot and FCAS markets to help respond to unexpected changes in supply and demand. Iberdrola argues that the current NEM design no longer offers sufficient incentives to deliver enough or the right type of reserves to respond to today's contingencies.</p> <p>The proposed operating reserve market comprises a dispatchable, raise-only service procured similar to contingency FCAS services in real-time and co-optimised with the other energy market services.</p> <p>Delta Electricity's rule change request seeks to introduce a 30-minute raise and lower 'ramping' service using the existing framework for FCAS market design to respond to changes in output from variable renewable electricity generators. Delta Electricity suggests a ramping service would address the price volatility that exists when</p>

Rule name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<p>dispatchable generators ramp through their energy bid stacks in response to predictable, daily, high rates of change from solar ramping up and down.</p> <p>However, in its directions paper published on 3 August 2023, the AEMC has proposed not to recommend the implementation of an operating reserve market, following stakeholder feedback on the consultation paper. The AEMC considers that the current arrangements are appropriate to meet reserve needs on an ongoing basis and that introducing an operating reserve market would create additional costs for consumers. The AEMC is instead considering whether to pursue incremental improvements to:</p> <ul style="list-style-type: none">• develop and publish more information to the market; and• procure FCAS at the regional level. <p>The AEMC expects to publish a draft determination on 21 December 2023.</p> <p>Read more here and here.</p>

Completed rule changes

Rule name	Commencement date	Amending rule	Date of final determination	Details
Final rule determinations (since last update 1 November 2023)				
Enhancing community engagement in transmission building	5 December 2023	NER 2023 No. 5	9 November 2023	<p>This final rule enhances the engagement between TNSPs and communities, in order to build and maintain social licence, by establishing a framework for clear and consistent engagement during the planning phase for major transmission projects.</p> <p>The final rule:</p> <ul style="list-style-type: none"> clarifies that TNSPs must, as part of preparatory activities, engage with various stakeholders (including local landowners, council, community members and environmental groups and traditional owners) who are reasonably expected to be affected by the development of actionable and future ISP projects and projects within renewable energy zones; clarifies that these stakeholders are considered to be interested parties in respect of the RIT-T, with the effect that these stakeholders must be consulted; and establishes community engagement expectations for TNSPs. <p>The final rule does not apply to RIT-T projects that are not ISP projects or projects that are not under the national REZ design framework.</p> <p>Read more here.</p>
Other rules not yet commenced				
Efficient reactive current access standards for inverter-based resources	27 April 2023 (Schedules 1 and 3) 3 June 2024 (Schedule 2)	NER 2023 No. 1	20 April 2023	<p>This final rule revises the existing minimum reactive current capability access standard, by reducing the reactive current capability that must be provided by inverter-based resources in response to a fault.</p> <p>The final rule:</p> <ul style="list-style-type: none"> lowers the reactive current capability requirement to a level that is greater than zero; requires that reactive current responses commence within 40 milliseconds of a fault; lengthens the rise time requirement from 40 to 80 milliseconds; and removes the settling time requirement.

Rule name	Commencement date	Amending rule	Date of final determination	Details
				<p>To aid faster connection negotiations between connecting generators, NSPs and AEMO, the final rule also clarifies matters regarding active power recovery and the voltage requirements for reactive current responses.</p> <p>In addition, the final rule includes a new definition of 'maximum continuous current', which provides for maximum continuous current to be determined either at the connection point (based on the reactive current capability agreed through NER S5.2.5.1) or at the unit terminals, or a point between the unit terminals and the connection point (where the derating level will be agreed with AEMO and the NSP).</p> <p>Read more here.</p>
Amending the administered price cap	17 November 2022 (Schedule 3) 1 December 2022 (Schedule 1) 1 July 2025 (Schedule 2)	NER 2022 No. 11	17 November 2022	<p>This final rule increases the administered price cap (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 Cumulative Price Threshold (CPT), currently \$1,398,100.</p> <p>The AEMC did not make any transitional changes to the CPT as part of this final rule.</p> <p>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.</p> <p>Read more here.</p>
Primary frequency response incentive arrangements	8 September 2022 (Clause 7, Schedules 1, 3 and 4)	NER 2022 No. 8	8 September 2022	<p>This final rule amends the NER to value the provision of primary frequency response (PFR) by participants in the NEM pursuant to the mandatory PFR requirement, and also to encourage the voluntary provision of additional PFR.</p>

Rule name	Commencement date	Amending rule	Date of final determination	Details
	8 June 2025 (Schedule 2)			<p>Key features of the final rule include:</p> <ul style="list-style-type: none"> • 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. <p>Read more here.</p>
Enhancing information on generator availability in MT PASA	18 August 2022 (Schedule 4) 9 October 2023 (Schedule 1) 3 June 2024 (Schedule 2) 31 July 2025 (Schedule 3)	NER 2022 No. 7	18 August 2022	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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.

Rule name	Commencement date	Amending rule	Date of final determination	Details
				<p>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.</p> <p>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.</p> <p>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 <i>Integrating energy storage systems into the NEM</i> rule in June 2024.</p> <p>Read more here.</p>
AER reporting on market outcomes	19 May 2022 (Schedule 3) 29 September 2022 (Schedule 1) 3 June 2024 (Schedule 2)	NER 2022 No. 5	19 May 2022	<p>This final rule replaces the current prescriptive requirements in the NER with respect to reporting on significant price variations, with a principles-based approach to reporting supported by an AER guideline.</p> <p>Specifically, the final rule:</p> <ul style="list-style-type: none"> removes the current reporting triggers of: <ul style="list-style-type: none"> significant price variations; the 30-minute price exceeding \$5,000/MWh; ACCC/AEMC requests regarding particular market outcomes; and market ancillary service prices significantly exceeding the spot price; replaces those triggers with a general requirement to report on 'significant price outcomes in the spot market and any other market specified in the significant price reporting guidelines' on a quarterly basis; and imposes a requirement on the AER to develop and publish significant price reporting guidelines for monitoring and reporting on significant price outcomes, which includes the criteria for determining significant price outcomes. <p>Read more here.</p>
Updating Short Term PASA	19 May 2022 (Schedule 3)	NER 2022 No. 4	5 May 2022	<p>This final rule amends the requirements for AEMO and market participants in relation to short-term projected assessment of system adequacy (ST PASA).</p>

Rule name	Commencement date	Amending rule	Date of final determination	Details
	3 June 2024 (Schedule 2) 31 July 2025 (Schedule 1)			<p>In particular, the final rule:</p> <ul style="list-style-type: none"> 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 which 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. <p>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.</p> <p>Read more here.</p>
Enhancing operational resilience in relation to indistinct events	10 March 2022 (Schedule 3) 9 March 2023 (Schedule 1) 3 June 2024 (Schedule 2)	NER 2022 No. 1	3 March 2022	<p>This final rule expands the existing contingency event framework under the NER to cover 'indistinct events' (ie events that can impact several components of the power system in an unpredictable and uncertain way), to allow AEMO to more effectively and proactively manage these types of events.</p> <p>In particular, the final rule:</p> <ul style="list-style-type: none"> expands the definition of 'contingency event' in clause 4.2.3(a) of the NER to capture all 'plant' (ie all equipment involved in the generation, transmission or distribution of electrical energy), as well as sudden and unplanned changes to the energy output, consumption or flows of this equipment; expands the scope of the reclassification criteria in clause 4.2.3B of the NER, to include information about the measures AEMO may implement to maintain power system security as a result of reclassification decisions; establishes a new principle that AEMO must, where practicable, make decisions about reclassification and implement measures to manage contingency events in a way that is predictable and consistent with the reclassification criteria; and

Rule name	Commencement date	Amending rule	Date of final determination	Details
				<ul style="list-style-type: none"> introduces new reporting requirements that require AEMO to consider improvements to the reclassification criteria through its regular reporting activities, and publish specific reports when it is not practicable for AEMO to act consistently with the reclassification criteria. <p>Read more here.</p>
Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation	1 May 2022 (Schedule 1) 3 June 2024 (Schedule 2)	NER 2021 No. 16	23 December 2021	<p>This final rule removes unaccounted for energy (UFE) from the calculation of liable load under the Retailer Reliability Obligation (RRO).</p> <p>UFE refers to all residual electricity losses in a local area that remain after calculating the sum of all recorded load, generation and distribution loss factors. UFE must be settled and paid for by market participants. Historically, UFE was billed to the incumbent local retailer on the basis that they accounted for a clear majority of the energy consumed by customers within the area. However, given the increase in retail competition, this framework is no longer fit for purpose.</p> <p>The final rule replaces the term 'adjusted gross energy' (AGE) with a new term, 'adjusted metered energy' (AME), for the purpose of calculating liable load in the RRO. AME, as compared to AGE, does not include an allocation of UFE.</p> <p>Read more here.</p>
Integrating energy storage systems into the NEM	9 December 2021 (Schedule 7) 3 June 2024 (Schedules 1 to 6)	NER 2021 No. 13	2 December 2021	<p>This final rule introduces a new participant registration category, the Integrated Resource Provider (IRP), which will become available in June 2024. Storage and hybrid facilities that provide bi-directional energy flows will be allowed to register and participate under this single IRP registration category, rather than under two different categories as was previously the case.</p> <p>Changes to the recovery of non-energy costs have also been made through the introduction of two new data streams (ie adjusted sent out energy and adjusted consumed energy) to calculate the recovery of non-energy costs based on a participant's gross energy flows, rather than the participant's registration category. This new approach to non-energy cost recovery incentivises participants to manage their demand for these services and takes an important step towards an efficient two-sided market.</p> <p>The final rule also maintains the existing framework to allow storage connected to the transmission network to elect whether to connect under a negotiated agreement at a</p>

Rule name	Commencement date	Amending rule	Date of final determination	Details
				<p>negotiated price, or the prescribed service and corresponding prescribed transmission use of system (TUOS) charge. The AEMC is of the view that storage participants should not automatically pay network charges, including the prescribed TUOS charge. TNSPs will still be required to negotiate price and service levels consistent with those that have been negotiated for other transmission customers receiving the same service. In the case of storage participants, this could be zero, given many storage participants in the market have negotiated very low or zero network charges with their TNSPs.</p> <p>It is important to note that the final rule is not intended to affect existing connection agreements, including charging arrangements and existing performance standards.</p> <p>This final rule has also been amended by the <i>Implementing integrated energy storage systems</i> rule (which is not included in this table as its commencement date has now passed). The key amendments are as follows:</p> <ul style="list-style-type: none"> • Clarifying that generating systems will be able to participate in aggregated dispatch conformance from 3 June 2024. • Removing the option for participants with semi-scheduled generating units and bidirectional units to submit fast start inflexibility profiles. • Changing the non-energy cost recovery rule implementation date to 2 June 2024 (currently 3 June 2024) to align with the commencement of the NEM billing week. • Changing the classification of market connection points for consistency with other changes. • Specifying the circumstances in which AEMO must approve a person's application to classify an ancillary service unit. • Clarifying that the reference to Integrated Resource Provider in clause 3.6.3(b1) of the NER includes the specific role that the IRP may be acting in (ie small resource aggregator), and amending clause 3.15.10C(a)(4) of the NER to refer to 'Cost Recovery Market Participant'. • Narrowing AEMO's ability to grant exemptions to metering providers, from the requirements in relation to data storage. <p>Read more here and here.</p>

➤ National Gas Rules

Rule change requests

Rule Name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
New rule change requests (since last update 1 November 2023)					
There have been no new rule change requests since the last update.					
Existing rule change requests (as at last update 1 November 2023)					
Harmonising the national energy rules with the updated national energy objectives (gas)	Energy Senior Officials on behalf of the Ministerial Council on Energy	20 July 2023	Consultation on draft determination	Deadline passed (7 December 2023)	This has been combined with the corresponding NER and NERR rule changes – see table above.
Compensation and dispute resolution frameworks	Energy Ministers Sub-Group	22 June 2023	Consultation on draft determination	25 January 2024	<p>This rule change request seeks to consider options for improving the existing compensation framework that applies in the east coast gas system, in relation to AEMO directions to support security and reliability.</p> <p>The compensation framework that currently applies for the east coast gas system is based on the framework for the Victorian Declared Wholesale Gas Market (DWGM). However, given the east coast gas system covers a broader range of entities than the DWGM, the compensation framework that applies should similarly reflect a wider range of scenarios for potential claims following intervention by AEMO.</p> <p>On 30 November 2023, the AEMC published a draft determination and draft rule, which:</p> <ul style="list-style-type: none"> establishes a new framework for the assessment of compensation claims, and separates the current dispute resolution procedures from those relating to the determination of compensation claims; enhances reliability and adequacy of supply, by refining the framework for compensation following AEMO directions in the east coast gas system, including by: <ul style="list-style-type: none"> restricting the costs that are eligible for compensation to direct costs only;

Rule Name	Proponent	Initiation date	Stage	Deadline for submissions	Summary of request
					<ul style="list-style-type: none">○ introducing new civil penalty provisions to support appropriate behaviour in response to an AEMO direction; and○ increasing the minimum threshold for compensation claims to \$50,000 and not allowing different entities to join claims; and• makes other consequential changes to rules relating to the DWGM and Short Term Trading Market (to ensure the new compensation framework is applicable to relevant claims). <p>The AEMC expects to publish a final determination on 7 March 2024. If made, the final rule would come into effect on 27 June 2024.</p> <p>Read more here.</p>

Completed rule changes

Rule name	Commencement date	Amending rule	Date of final determination	Details
Final rule determinations (since last update 1 November 2023)				
There have been no new final determinations since the last update.				
Other rules not yet commenced				
DWGM interim LNG storage measures	15 December 2022 (Schedules 1 and 2) 2 July 2026 (Schedule 3)	NGR 2022 No. 4	15 December 2022	<p>This final rule gives AEMO broader powers to address threats to system security and reliability of supply in the Victorian Declared Wholesale Gas Market (DWGM) between 2023 and 2025, in light of the recent decline in the amount of LNG held in storage and the contracted capacity at the Dandenong LNG storage facility.</p> <p>Under the final rule, AEMO will act as:</p> <ol style="list-style-type: none"> Buyer of last resort: <ul style="list-style-type: none"> 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. Supplier of last resort: <ul style="list-style-type: none"> 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).

Rule name	Commencement date	Amending rule	Date of final determination	Details
				<p>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.</p> <p>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.</p> <p>Read more here.</p>
DWGM distribution connected facilities	<p>22 September 2022 (Schedule 5)</p> <p>1 January 2023 (Schedule 4)</p> <p>1 May 2024 (Schedules 1, 2 and 3)</p>	NGR 2022 No. 3	8 September 2022	<p>This final rule allows distribution connected facilities (including hydrogen, biomethane and other renewable gas facilities) to register and participate in the DWGM from 1 May 2024, rather than only facilities connected to the declared transmission system.</p> <p>The final rule provides for:</p> <ul style="list-style-type: none"> • a new registration category for distribution connected facilities and a new market participant category for blend processing operators; • storage facilities to be able to bid for injections and withdrawals, and to be treated in the same way as transmission connected facilities; • distribution connected facilities to bid through the DWGM, and be scheduled on an equivalent basis to transmission connected facilities; • the classification of facilities that withdraw and almost immediately reinject gas back into the DWGM (eg, blend processing facilities) as net bidding facilities. These facilities will bid and be scheduled for the net quantity of gas that the facility supplies; • distributors to assess facility constraints on their networks and develop methodologies to manage these; • the allocation of capacity certificates and the transfer of title for gas injected into a declared distribution system; and • the extension of the pipeline interconnection principles, as well as other existing rules and requirements, to cover distribution connected facilities. <p>Read more here.</p>

Disclaimer

The content of this document is intended only to provide a summary and general overview on matters of interest. It is not intended to be comprehensive nor does it constitute legal advice. We attempt to ensure the content is current, but we do not guarantee its currency. You should seek legal or other professional advice before acting or relying on any of the content.

Allens is not responsible to you or anyone else for any loss suffered in connection with the use of this document.

Allens makes no warranties or representations about this document or any of its content. We exclude, to the maximum extent permitted by law, any liability which may arise as a result of the content of this document.

Where liability cannot be excluded, any liability incurred by us in relation to the content of this document is limited as provided under the *Competition and Consumer Act 2010* (Cth) (Schedule 2, s 64A). We will never be liable for any indirect, incidental, special or consequential loss arising out of the use of this document, including loss of business profits.

Unless otherwise indicated, Allens owns the copyright in the content of this document. Some of the copyright in the content may be owned by someone else and is included on our website under a licence or agreement.

You may only use the content of this document for non-commercial or personal use unless you have prior written approval from us. You may print out any content of this document for personal use. All other use, copying or reproduction of this document or any part of it is prohibited (except to the extent permitted by law). None of the content or any part of it may be reproduced on any internet website.

If you seek to reproduce or otherwise use the content in any way it is your responsibility to obtain approval for such use where necessary.