



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	Minor changes 2 2024 (Electricity)
New draft determinations	Integrating price-responsive resources into the NEM
Completed rule changes	Managing ISP project uncertainty through targeted ex post reviews

The NERR

New rule change requests	Minor changes 2 2024 (Retail)
Completed rule changes	No completed rule changes

The NGR

New rule change requests	Minor changes 2 2024 (Gas)
Completed rule changes	No completed rule changes

Opportunities for stakeholders

Due by	Opportunities for submissions
12 September 2024	Integrating price-responsive resources into the NEM

Energy reform

AEMC launches review examining consumer-centric electricity pricing

The AEMC has initiated a major review to address the evolving needs of consumers in the electricity market. The review, titled 'Electricity pricing for a consumer-driven future' (the *Review*), will consider how markets and regulatory frameworks can be adapted to provide electricity pricing, products and services that support consumer needs, with a particular focus on the uptake and integration of distributed energy resources (*DER*) and consumer energy resources (*CER*).

The key areas of focus for the Review, which is required under the National CER Roadmap published on 19 July 2024 by the Energy and Climate Change Ministerial Council (the *ECMC*), will be:

- market arrangements to ensure consumers have a variety of suitable products, services and pricing options;
- the role distribution networks will play in providing the correct products, services and consumer incentives to optimise efficient cost and pricing outcomes; and
- the role of retailers and energy services providers in pricing and packaging electricity products and services to align with evolving consumer preferences.

The draft terms of reference for the Review acknowledge the obstacles to harnessing the full benefit of integrating CER into the NEM with the existing market and regulatory arrangements, which were designed in the context of one-way electricity flow and inflexible electricity demand. According to the AEMC, several studies have shown the net benefit of integration and coordination of CER to be between \$1 billion and \$6.3 billion by 2030. Additionally, the Energy Networks Australia Electricity Network Transformation Roadmap estimated that \$16 billion in network infrastructure could be saved by CER and distributed energy resources.

The Review will make short- and long-term recommendations to the ECMC, which may include amendments to the NER, NERR, and any other relevant arrangements, including shifts in the roles, responsibilities and technical requirements of retailers and distribution network service providers, and bolstered safeguards for consumers.

The AEMC is seeking stakeholder input. There is a public forum in August 2024 to introduce the Review and the stakeholder collaboration process. Submissions on the draft terms of reference will be accepted until 22 August 2024, and the AEMC expects to publish a consultation paper and the final terms of reference by November 2024.

[READ MORE HERE.](#)

National Electricity Rules and National Energy Retail Rules

Rule change requests

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

Rule name	Minor changes 2 2024 (Electricity and Retail)
Proponent	AEMC
Key dates	Initiation date : 4 July 2024 Deadline for submissions : Deadline passed (1 August 2024)
Stage	Preparation of final determination

Summary of request

This rule change request corrects minor errors in the NER, NERR and NGR, and improves the clarity of the rules for stakeholders. Specifically, the AEMC is proposing:

- to make a minor amendment to clause 3.15.6A of the NER to give effect to the intended purpose of National Electricity Amendment (Improving security frameworks for the energy transition) Rule 2024 No. 9;
- to correct a referencing error contained in the note to rule 48 of the NGR in relation to queuing requirements; and
- a minor change to the definition of 'effective date' in Schedule 3, Part 19, Division 2, Rule 3 of the NERR to amend a previous drafting error.

The AEMC intends to undertake an expedited process for this rule change request.

[READ MORE HERE.](#)

Existing rule change requests

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 : Deadline passed (18 July 2024)
Stage	Preparation of draft determination

Summary of request

This rule change request seeks to better account for demand-side factors (such as orchestrated CER and distributed resources) in the analysis underpinning the ISP. It is 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. The rule change request seeks to increase the information available to market participants to improve transparency and aid decision-making in respect of demand-side resources.

The rule change request proposes to:

- require AEMO to include a statement in the ISP about the expected development and operational behaviour of CER and distributed resources, including any assumptions or contingent factors underpinning those forecasts. This may include technical factors (eg network constraints and CER capability improvements) and non-technical factors (eg policies, market structure and consumer behaviours);
- require AEMO to develop guidelines setting out a process for gathering data from DNSP's on anticipated network constraints and electrification pathways to inform AEMO's demand-side forecasting; and
- require DNSPs to disclose the information specified in AEMO's guidelines to assist with demand-side forecasting (either by way of disclosure in the DNSP's Distribution Annual Planning Report or otherwise).

The AEMC expects to publish a draft determination on 26 September 2024.

[READ MORE HERE.](#)

Rule name	Better integrating 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 : Deadline passed (18 July 2024)
Stage	Preparation of draft determination

Summary of request

This rule change request seeks to ensure that community sentiment is given appropriate consideration in the ISP. It is 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.

Community sentiment and local concerns can have a significant impact on the cost, timing and feasibility of projects across the full spectrum of generation, transmission, storage and new technology. Failing to have sufficient regard to negative community sentiment may result in the ISP containing inaccurate cost-benefit analyses and underestimating potential roadblocks to the optimal pathway for development.

The existing regime does not explicitly require AEMO to consider local attitudes towards proposed transmission infrastructure in preparing an ISP (though such attitudes may be considered under AEMO's general discretion to consider any other matter it considers relevant). There is also no requirement for TNSPs to share information on community attitudes that they may have collected. By earlier integration of community sentiment into the consideration and analysis of projects for an ISP, AEMO will be better placed to determine the feasibility and costs of, and timeframes for, infrastructure projects. Therefore, the rule change request seeks to:

- require AEMO to consider community sentiment, specifically known community concerns and preferences around sensitive locations, in setting the parameters for the projects that may form part of the optimal development pathway in an ISP; and
- mandate that TNSPs must share any relevant community sentiment information in their possession, as part of the joint ISP planning process with AEMO. Such information may include native title information, requirements for environmental approvals, or other development planning requirements.

The AEMC expects to publish a draft determination on 26 September 2024.

[READ MORE HERE.](#)

Rule name	Better integrating gas into the ISP (Electricity)
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 rule change request seeks to require AEMO to undertake a broader consideration of gas market information and conditions in its preparation of the ISP, to better inform its recommendations on optimal electricity infrastructure development. It is 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.

Noting the significant role that gas-powered generation is likely to play in stabilising the electricity system during the energy transition, the consultation paper is seeking feedback on the manner in which AEMO can enhance the integration of gas generation, supply and infrastructure into its consideration in preparing the ISP, including in relation to the gas supply concerns and the cost of gas projects.

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). The rule change requests for both the NER and NGR seek to enable AEMO to use the gas information it has access to for the purpose of modelling a whole of energy approach in the ISP. The key changes under consideration include:

- requiring AEMO to carrying out additional analysis of future gas demand and gas pricing in the ISP, including developing projections about gas generator fuel costs and the future utilisation of gas infrastructure;
- providing AEMO with the authority to use information it obtains under the NGR to fulfil its obligations under the NER, specifically with respect to its development of the ISP; and
- amending the definition of gas development projections in the NER to clarify AEMO's obligation to consider the entirety of the gas value chain, including renewable gases and hydrogen.

The AEMC expects to publish a draft determination on 26 September 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 rule change request aims to clarify and enhance the cyber security roles and responsibilities of AEMO, to improve cyber security preparedness. With the increasing prevalence of cyber security attacks in the Australian context, the proponents identify two key shortcomings in the treatment of cyber security in the NER: it 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.

The rule change request 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 additional functions for AEMO that focus on preventing cyber incidents and preparing the industry to respond if an incident does occur, including:

- **(Incident coordination)** 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);
- **(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 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 rule change request 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 rule change request would not enable AEMO to impose new obligations on market participants.

The consultation paper seeks stakeholder feedback on the clarity and adequacy of AEMO's cyber security roles and responsibilities in the NER, the benefits and costs of explicitly defining these roles, the need for more guidance, and the potential impact of these changes on power system security.

The AEMC expects to publish a draft determination on 26 September 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 (4 July 2024)
Stage	Preparation of draft determination

Summary of request

This rule change request proposes that large-scale batteries be exempted from being liable entities under the RRO. At the moment, batteries 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, batteries may withhold the provision of system security services to avoid being liable under the RRO, which may increase system security risks.

The AEMC sought stakeholder input on the following topics:

- whether compliance with the RRO by batteries may compromise power system security performance; and
- whether bi-directional units should be exempted from the RRO (including whether this should be extended to pumped hydro).

[READ MORE HERE.](#)

Rule name	Bringing early works forward to improve transmission planning
Proponent	The Honourable Chris Bowen, Minister for Climate Change and Energy
Key dates	Initiation date: 9 May 2024 Deadline for submissions: Deadline passed (4 July 2024)
Stage	Preparation of final determination

Summary of request

This rule change request seeks to incentivise TNSPs to undertake early works on actionable ISP projects earlier in the development process, by improving the cost recovery arrangements for those early works and therefore improving investment certainty and transmission planning efficiency. The draft determination implements recommendations made in the AEMC's Transmission Planning and Investment Review Stage 3 final report. The proposed rule will:

- **(Bring forward early works CPA submissions)** allow TNSPs to submit an early works contingent project application (**CPA**) for an actionable ISP project without first completing a RIT-T and passing AEMO's feedback loop assessment (both of which are currently pre-conditions to submitting a CPA), provided the

CPA exceeds the greater of \$30 million and 5% of the TNSP's maximum allowed revenue for the first year of the relevant regulatory control period. This change is designed to provide TNSPs with earlier cost recovery certainty and to improve the quality of information available during the transmission and investment planning process, with a view to mitigating cost increases and delays later in development.

- **(Provide guidance as to the scope of early works)** introduce guidance to assist TNSPs in preparing, and the AER in assessing, an early works CPA, including (1) inserting a definition of 'early works', and (2) introducing two new principles that the AER will be required to consider when assessing an early works CPA. 'Early works' will include activities undertaken in respect of an actionable ISP project prior to construction of the preferred option, which improve the accuracy of cost estimates for the project and facilitate the project being delivered within the timeframes in the most recent ISP. The draft determination offers stakeholder engagement, corridor assessment, equipment and asset procurement, planning approval preparation and easement acquisition as examples of early works. The guiding principles ensure that consumers benefit from a TNSP undertaking early works prior to completing a RIT-T by assessing whether the early works could be deployed for a different ISP candidate option or sold or utilised to support other projects.
- **(AEMO power to specify early works / preparatory activities)** empower AEMO to specify early works for an actionable ISP project and preparatory activities for a future ISP project, which a TNSP must carry out.

The AEMC expects to publish a final determination on 5 September 2024, with the new arrangements to apply to all actionable ISP projects in the 2024 ISP.

[READ MORE HERE.](#)

Rule name	Providing flexibility in the allocation of interconnector costs
Proponent	The Honourable Chris Bowen MP; The Honourable Lily D'Ambrosio MP; The Honourable Nick Duigan MLC
Key dates	Initiation date: 14 March 2024 Deadline for submissions: Deadline passed (1 August 2024)
Stage	Preparation of final determination

Summary of request

The AEMC has published a more preferable draft rule that addresses barriers in the existing regulatory framework that may prevent the development of interconnectors with net market benefits. The draft rule currently applies to both private and government interconnectors that, as at 12 September 2024, are yet to be constructed, are being materially upgraded or have been converted from a market network service to a regulated asset.

The draft 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.

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). The agreements would override existing rules that would otherwise determine the cost allocation; otherwise, the existing rules will continue to apply where there is no inter-governmental agreement in place.

The draft rule would not impact a TNSP's total regulated revenue but would 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. The proposed methodology must be submitted to

the AER 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 draft rule does not propose to change how settlement residue auction proceeds are distributed.

[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 directions paper in August 2024 seeking stakeholder feedback and 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 (4 April 2024)
Stage	Preparation of draft determination

Summary of request

This rule change request seeks to amend the NER 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 10 business days.

GloBird Energy considers that a shorter 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, 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 expects to publish a draft determination in August 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 : 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.

The AEMC will host a virtual public forum on 27 August 2024 to provide an overview of the draft determination and draft rule, and expects to publish a final determination on 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.](#)

Rule name	Unlocking CER benefits through flexible trading (Electricity and Retail)
Proponent	AEMO
Key dates	Initiation date: 8 December 2022 Deadline for submissions: Deadline passed (11 April 2024)
Stage	Preparation of final determination

Summary of request

This rule change request builds on the Energy Security Board's post-2025 market design recommendations, and proposes new arrangements to promote a flexible trading market for 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 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).

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 operate as a significant disincentive for consumers to do so. On 29 February 2024, the AEMC published a draft determination and more preferable draft rule, which seeks to improve the ability to flexibly trade CER by:

- 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.

As a result, the draft rule creates opportunities for flexible CER to be deployed in the power system and, in turn, allows households and businesses that own CER assets to realise value from those assets. The AEMC expects to publish a final determination in August 2024.

[READ MORE HERE.](#)

Completed rule changes

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

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.](#)

Other rules not yet commenced

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 July 2024)

Rule name	Minor changes 2 2024 (Gas)
Proponent	AEMC
Key dates	Initiation date: 4 July 2024 Deadline for submissions: Deadline passed (1 August 2024)
Stage	Preparation of final determination

[Summary of request](#)

Please refer to the summary of this rule change request (above) in relation to the NER and NERR.

[READ MORE HERE.](#)

Existing rule change requests

Rule name	Better integrating gas 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: Deadline passed (18 July 2024)
Stage	Preparation of draft determination

[Summary of request](#)

Please refer to the summary of this rule change request (above) in relation to the NER.

[READ MORE HERE.](#)

Completed rule changes

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

There have been no final rule determinations 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

Contacts



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
T +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



Danielle Jones
Partner, Sydney
T +61 2 9230 4309
Danielle.Jones@allens.com.au



Skye Kirby
Managing Associate, Melbourne
T +61 3 9613 8883
Skye.Kirby@allens.com.au

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.