16 July 2026

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted via AEMC portal at www.aemc.gov.au

Reference ERC0359

Dear Ms Collyer

Re: Stanwell response to the National Electricity Amendment (Improving Contingency FCAS arrangements) Rule

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation on the *National Electricity Amendment (Improving Contingency FCAS Arrangements) Rule*.

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is also being applied to the rollout of renewable energy.

Stanwell is developing a pipeline of renewable energy and energy storage projects throughout Queensland, whilst maintaining a reliable supply of baseload power from two of the most efficient and reliable coal-fired power stations in Australia – the Tarong Power Station near Kingaroy, and Stanwell Power Station near Rockhampton.

This response contains the views of Stanwell only and should not be construed as indicative or representative of the views of the Queensland Government.

Introduction

Stanwell appreciates the AEMC engaging with the market on this issue. We agree with the AEMC's proposal not to introduce changes to the existing cost recovery process and agree that any expected benefit associated with the introduction of runway pricing would be unlikely to outweigh cost.

However, the "reasonable endeavours" discretion requires further clarity to understand the bounds and considerations that AEMO will apply in the exercise this discretion. Additional transparency will provide participants with assurance and certainty on the when and why of its application.

The Rule also proposes that additional reporting obligations would be placed on AEMO. Any further reporting requirements must demonstrate added value to the market, should not impose additional costs or burden on participants, and should in the first instance, use information currently available to AEMO.

The intended application of the "reasonable endeavours" discretion appears flawed

The use of the "reasonable endeavours" discretion implies that the default position is that AEMO will co-optimise the largest contingency regardless of whether it can demonstrate it is either reasonable or unreasonable – effectively committing AEMO to a cost with no identified benefit. Here it is important to reiterate that it is unclear how AEMO will determine whether the co-optimisation intervention should or should not be undertaken.[1]

Instead, the logic that should be applied and reflected in the Final Rule is: do not intervene if there is a reasonable likelihood that the costs will outweigh the benefits of the intervention.[2]

Clarity and certainty is needed before the "reasonable endeavours" discretion is exercised.

Similarly, the Draft Determination does not clarify what is to be taken into account in a decision to exercise the discretionary power of "reasonable endeavours" that enables AEMO to co-optimise the size of the largest credible contingency event in central dispatch.[3] It seems unreasonable to justify the use of this discretion when a net market benefit is uncertain, highly infrequent, or difficult to quantify in real time.

Without clearer drafting or supporting guidance, "reasonable endeavours" may be understood as a broad discretion rather than a disciplined decision-making threshold. If the intent of the Draft Determination is that AEMO apply a judgement on whether co-optimisation is appropriate in particular circumstances, then the Rule should identify the relevant considerations for that judgement.

In exercising this discretion, AEMO must be compelled to consider whether co-optimisation will promote the value of spot market trading, maintain power system security, minimise implementation risk, avoid unnecessary market distortion, and then only proceed where the expected benefits clearly outweigh the costs. These considerations should be transparent to market participants and reflected either in the Rule itself or in the mandatory content of the Constraint Formulation Guidelines.[4]

If, however, the drafting creates uncertainty about whether AEMO must actively pursue co-optimisation whenever technically feasible, then a review of the Rule drafting may be necessary before a final determination is made. This would avoid a situation where the operational implementation of the Rule depends on interpretive guidance rather than clear requirements within the Rule itself.

Any reports must be fit for purpose and provided in real-time

Real-time reporting would enable participants to understand when contingency co-optimisation has affected dispatch outcomes, the extent to which the largest credible contingency has been adjusted, whether any resulting FCAS cost reduction has been achieved, and identify whether there are any material impacts for the market and ultimately consumers.

This information would help participants distinguish between ordinary dispatch outcomes and outcomes affected by co-optimisation. Additionally, it would support more informed bidding and risk management decisions, and improve confidence that any application of the co-optimisation mechanism is utilised only where it produces demonstrable benefits. It would also assist the AEMC, AER and market participants assess whether the Rule is operating as intended and whether further refinement is required.

[1] See Stanwell Corporation Limited response to the Australian Energy Market Commission consultation on the National Electricity Amendment (Optimising contingency size in dispatch and Allocating contingency costs) Rule 18 December 2025.
[2] See Stanwell Corporation Limited response to the Australian Energy Market Commission consultation on the National Electricity Amendment (Optimising contingency size in dispatch and Allocating contingency costs) Rule 18 December 2025.
[3] The Australian Energy Market Commission *National Electricity Amendment (Improving Contingency FCAS Arrangements) Rule,* 4 June 2026.
[4] See the Australian Energy Market Operator *Constrain Formulation Guidelines* 2 December 2025.

Conclusion

Stanwell supports the AEMC's proposals not to implement runway pricing. However, the draft proposal does not provide sufficient certainty on two aspects: first, the use of the reasonable endeavours discretion, and second, the new reporting obligations for the Market Operator.

The Final Determination must ensure AEMO's reasonable endeavours obligation is not an open-ended requirement to maximise the use of contingency co-optimisation. Rather, this discretion should be applied as a proportionate obligation, having regard to whether the intervention is likely to deliver a net market benefit, whether the costs and risks of implementation are justified, and whether the dispatch outcomes remain consistent with efficient energy and FCAS market signals.

Stanwell supports transparency where it improves market understanding and confidence. However, reporting should not impose unnecessary costs or operational burdens that are disproportionate to the value of the information produced. To this end, the final Rule should ensure that any reporting obligation is targeted, capable of being produced using information already available to AEMO (say for example through dispatch systems), and designed having regard to the costs and benefits directly associated with producing the report.

Stanwell welcomes the opportunity to discuss further any of the issues raised in this submission. Please direct any enquiries to Lya McTaggart via email at lya.mctaggart@stanwell.com

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