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Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

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**Re: Security Framework Enhancements, and Clarity and Transparency in Security Frameworks
Rule change Consultation**

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to provide a response to the Australian Energy Market Commission (AEMC) on the Securing Frameworks Enhancements and the Clarity and Transparency in Security Frameworks Rule change consultation.

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 base-load 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.

Stanwell acknowledges the work of the AEMC in preparing this Consultation Paper and seeking the input and views of industry on the Rule change proposals.

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

Introduction

Strong governance and clear accountability are critical to delivering Essential System Services (ESS) in the quantities and timeframes needed to maintain system security as the generation mix in the energy market changes. As inverter based resources (IBR) become a larger share of supply, the current arrangements do not provide consistency, transparency, procurement decisions, or the basis on which network and non-network options are assessed.

Stanwell supports reforms that hardwire transparent standards, fit-for-purpose disclosure, and disciplined decision-making into ESS procurement. These settings are necessary to build confidence that procurement is efficient and technology-neutral, can support timely investment, and provide every opportunity to facilitate the efficient functioning of the market – ultimately benefiting consumers.

In response to the Australian Energy Market Operator's (AEMO) Rule change proposal and in consultation with both AEMO and the AEMC, the Clean Energy Council (CEC) and the Australian Energy Council (AEC) (the Market Participants) developed a complementary Rule change proposal intentionally designed to enhance the current system security procurement framework, and the changes put forward in AEMO's proposal.

The proposals are complementary and must be considered together

Both Rule change proposals address different failure points on the same investment pathway, and as such, must be considered together for a holistic end-to-end reform package to be delivered.

However, where this combined consideration approach is not the preferred method of the AEMC, the Market Participants' proposal must be prioritised to ensure that transparency and accountability are hardwired into the procurement process, rather than advocating and accepting a Rule change that prioritises streamlining reforms by reducing external scrutiny. A piecemeal approach will not deliver better outcomes for the market, but will instead prolong distorted investment incentives, and effectively lock in expensive, suboptimal procurement pathways.

Without strengthened transparency obligations and enforceable accountability, the reforms proposed by AEMO appear to create a risk that the least cost solution (including non-network solutions) may not be identified and implemented. A governance-first approach will directly address the practical issues that currently undermine market confidence in the existing procurement framework.

Valuing existing ESS is a necessary precursor to efficient new investment

Notwithstanding the important improvements proposed in this consultation, these should not be a substitute for a value signal that will incentivise new ESS and support delivery of these services at scale. If the aim is to prepare the market for the absence of thermal synchronous plant, solutions need to address appropriate market signals that will encourage and facilitate other competitive, efficient solutions.

A key barrier to efficient outcomes is the treatment of existing ESS as incidental "byproducts" of generation rather than services that warrant an explicit value.

Under the current rules non-network investors wait until the shortfall crystallises before investing to remediate that shortfall, whereas network investors are supported to act early to avoid the gap occurring. Unless an emerging services gap is identified and procured before any investment is incorporated into the "business as usual" modelling, it cannot receive revenue for providing the service.

While we do appreciate the current ESS procurement approach was intended to reduce AEMO's use of Directions and the repeated need for market intervention, it is not, and should not be considered an enduring solution. Maintaining this approach without clear governance and accountability, will continue to see inefficient ESS procurement, opaque ESS contracts, and the continued use of Directions to address ESS shortfalls. Instead, the market must be given the tools to respond with potentially more cost effective and enduring ESS supply options.

In contrast, valuing existing ESS through transparent frameworks that support technology neutral mechanisms (whether these are market-based services or well-designed contracting arrangements), would provide the investment signals needed to support least cost services and lessen the likelihood of consumers funding high-cost emergency solutions.

Clear standards and specifications are needed for verifying underlying need

The current framework places an obligation on Transmission Network Service Providers (TNSPs) to 'procure' or 'provide' specified ESS services.

The proposal from AEMO to adjust the procurement and Regulatory Investment Test for Transmission (RIT-T) timeframes for ESS does not provide assurance that standards and specifications are in place to identify each service, including for example, what constitutes *minimum* versus *efficient* system strength.

Clear specifications and the timely release of this information to the market are critical to enable efficient procurement and investment. In their absence, procurement may not be optimised to deliver customer value.

Without accountability and transparency, the market cannot verify the underlying need, compare alternative solutions on a like-for-like basis, or scrutinise whether procurement decisions are efficient and cost effective. Consistent information disclosure reduces uncertainty, and should ultimately support non-network solutions at lower cost.

On this point, we note that consistent, NEM-wide standardised procurement processes should be embedded in the Transition Plan for System Security (TPSS) to help move procurement away from last minute interventions toward a more orderly procurement process. This would see deliverable plans with clear triggers and accountabilities fully developed well ahead of identified security needs. In turn, this will lead to clearer investment signals for the services needed, and strengthened accountability and delivery requirements.

Massaging the RIT-T process does not address the root cause of procurement difficulty

The RIT-T is a fundamental design of the market, but is structured to deliver outcomes that commercially favour stand-alone system strength solutions that can be assigned a dollar value (e.g. synchronous condensers). For these developments, regulated revenues generally flow once an investment is rolled into a TNSPs regulated asset base (RAB) typically following completion of the RIT-T.

Under this approach, the pathways for non-network solutions are effectively subordinate to, and must compete with, the RIT-T framework, which in turn heightens governance and conflict of interest risks (whether actual or perceived) as the party administering the procurement, and in some cases the development process, is the entity likely to benefit from outcomes that increase the RAB.

The proposal put forward by AEMO facilitates a preferred option through the RIT-T process and rolling the resulting investment into the RAB. This framework secures a relatively certain revenue stream not available to non-TNSP proponents, and it creates a dynamic that can bias decision-making toward regulated cost recovery solutions, often excluding other options that could be delivered sooner and at a lower whole-of-system cost.

While streamlining the RIT-T framework for system security investments does have merit and may lead to more efficient outcomes, any adjustments must have an accountability framework to maintain cost discipline – specifically to minimise costs to consumers, and provide clear price signals to incentivise non-network solutions where efficient.

The governance framework as proposed in the Market Participants' proposal will instill the safeguards needed to avoid carve outs for urgent investments, prevent access to early works funding without clear guidelines and oversight,¹ and level the playing field to enable all proponents to price for the same identified and defined need.

Independent oversight of the procurement process would help to alleviate the concerns raised with the current process, whether this be the Reliability Panel or a new entity established for this purpose, who will oversee delivery and performance including establishing progress milestones, commissioning evidence, reviewing post implementation performance, and assessing remediation.

Extending Notice of Closure obligations is not a procurement cure for essential system services

At first glance extending the Notice of Closure obligations may be viewed as a simple approach to align the new multi-year system security procurement schedule, i.e. the three year ahead binding requirement for TNSPs to ensure adequate services have been contracted.²

However, it also places greater restrictions on incumbent generators, and does not address or solve the issues previously raised in the *Valuing existing ESS is a necessary precursor to efficient new investment* portion of this response – specifically, that whether announced closure of an incumbent generator is five or three and a half years ahead of time, and is sufficiently material to trigger a procurement under the current procurement rules, the market should be given line of sight of the identified potential shortfall *prior* to an updated notice being lodged.

The service being provided should be valued at all times, not only when it is removed. Extending the period during which it can remain unvalued does not fix the underlying problem. For example, it is notable that Liddell gave more than five years notice of closure while Eraring has been extended to effectively give more than five years notice of closure, yet Transgrid do not appear to have contracted services, and have instead requested billions of dollars for synchronous condensers.³

These provisions do not of themselves define the services that must be maintained, or whether an incumbent generator is providing them, nor do they resolve the practical constraints that drive procurement outcomes. Effective procurement requires governance and market design settings that translate forward-looking information into actionable, bankable procurement signals; notice of closure is only one input to that framework, not a substitute for it.

Plant retirement dates are inherently uncertain at long horizons. At five years, notice of closure intentions are more likely to change due to a number of reasons including commodity prices, plant conditions or policy settings. Consequently, an extended Notice period could trigger false positives resulting in early procurement activity (and cost), that later provides a sense of comfort which ultimately disguises the need for near-term action.

Although not directly covered by these Rule change requests, Stanwell consider that the fixed-notice model has demonstrated its unsuitability to a transitioning energy market.

¹ On this point we note that The *National Electricity Amendment (Improving Security Frameworks for the Energy Transition) Rule 2024 (Cth) Amending Rule No 9* lacks transparency and appropriate governance, while it extends the flexibility for minimising the need for, and process of, the RIT-T.

² *National Electricity Amendment (Improving Security Frameworks for the Energy Transition) Rule 2024 (Cth) Amending Rule No.9*; See also *National Electricity Rules v 243*, cl 4.4A.2 and 4.4A.6.

³ Trasgrid, 'Meeting system strength requirements in NSW, RIT-T Project Assessment Conclusions Report (PACR) 14 July 2025.

Instead, a “pre-condition” approach is preferable where actionable “triggers” link to clear contingency points, and accountability for delivery is assigned.

This approach would serve as an early warning system and identify the services that need to be available, while also ensuring that contingency plans (i.e. replacement units) are in place for when existing ESS units are no longer available.

Conclusion

While there is definite merit in reforms that improve procurement processes, they must be implemented with prudence and care to ensure there is flexibility to support value delivery in line with market changes. Shortened processes alone will not deliver efficient ESS procurement outcomes.

The priority must be to hardwire transparency, enforceable accountability, and consistent NEM-wide standards into the ESS procurement and delivery process. Adjustments to the RIT-T process or extended Notice obligations may assist at the margin, but they are not substitutes for governance-first settings that deliver orderly procurement, improved investment certainty and least-cost outcomes.

The other part of this equation is the development of an enduring competitive price signal for ESS – beginning by valuing existing “byproduct” services. Only then will investment decisions be informed by explicitly priced services, rather than default outcomes. Proponents will then have a durable basis on which to make earlier, informed investment decisions, and not be reliant on last minute interventions that expose the market to higher-cost pathways.

Decision-makers must not shy away from robust processes that enable greater scrutiny of decisions, and provide a value signal to encourage more competitive provision of ESS to benefit the market, and ultimately consumers.

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

Yours sincerely



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