

AEMO SECURITY ENABLEMENT PROCEDURES - DRAFT REPORT

15 JULY 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the Security Enablement Procedures (SEP) - Draft Report that sets out new enablement procedures for system strength services, inertia network services, network support and control ancillary services (NSCAS) and future security procedures that arise that are currently unknown.

The EUAA supports proposed procedures where evidence points to an issue and the proposed procedure clearly leads to improved efficiency of markets and/or improved system security and where the costs and risks are appropriately allocated to those best able to manage them. The EUAA does not support approaches that lack evidence, require consumers to perform activities best managed by the others or leave us wondering what we are agreeing with.

While we recognise the increasing complexity that AEMO are required to operate in we are still disappointed that AEMO has interpreted the new Improving Security Frameworks (ISF) Rules in a minimalist fashion, without considering the AEMC's intent, nor the needs of market participants and consumers; unless the AEMC's intent justifies AEMO's position. The NER was established as minimum requirements and not a comprehensive list. We believe AEMO could take the lead and build transparency and provide information valuable to market participants and consumers to enable trust to be built between them in the SEP, however so far has chosen not to do this.

It is also surprising when reading the Draft Report in conjunction with the Draft SEP that the Draft Report often contains the justification and/or background information that is required in the Draft SEP, but AEMO has not include these valuable contextual words in the Draft SEP. We suggest AEMO should write its SEP so that people new to the framework, both within AEMO and within market participant and consumer organisations, can quickly understand the intent, requirements and limitations.

MINIMUM SYSTEM SECURITY REQUIREMENTS

Even though AEMO has argued that daily and annual reports will provide sufficient guardrails for AEMO's assessing power system security needs, we are still concerned with the apparent total discretion that the proposed SEP provides AEMO without defining the breadth and limits of that discretion:

"Any other power system security requirements that AEMO determines from time to time are necessary to maintain the power system security standards"

and

"To be determined based on type of security need being addressed."

These statements in effect provides complete discretion to AEMO to do whatever it determines may be required with respect to Security Enablement and "reports" after the fact do not provide "guardrails", especially where a specific commitment to continuous improvement is absent. The procedure in its current form sets out no context regarding how this requirement or the identified need are determined. AEMO points out that these are presently "unknown unknowns" and cannot be defined:

"As the flexibility in the NER and SEP is to allow AEMO to address system security issues that are not yet defined AEMO does not consider that it appropriate to attempt to articulate in detail how they will be addressed in the SEP"

We are not suggesting a reduction in flexibility, however the SEP should at a minimum set out a high-level methodology (i.e. actual guardrails) of the steps AEMO will take when it discovers a "new" security risk including how it will define the need for the requirement and importantly how this requirement will be communicated to the Market, including any financial impacts, how it will be enabled and ex-post review to ensure the actions were justified. We are not convinced this is an impossible task as AEMO suggests but is a high-level procedure to be followed by AEMO when new security issues arise.

SYSTEM SECURITY SERVICES ENABLEMENT

MAXIMUM AVAILABLE CAPACITY V MINIMUM DISPATCH FOR SECURITY ENABLEMENT

We note at clause 3.4.5 of the Draft SEP:

"AEMO will cease any payment for an enablement instruction of any security service asset that operates above the current stated minimum dispatch level"

And at clause 3.5.2 the Draft SEP says:

"Where the security service asset is scheduled plant, this includes submitting bids and rebids as soon as practical if a minimum dispatch level is required to provide a service, such that its maximum available capacity for energy is equal to its minimum dispatch"

We do not understand why AEMO is proposing to penalize generators for increasing active energy output above the minimum active energy output required to provide the enabled service.

We are concerned that setting the maximum availability value at the minimum active energy output required to provide the enabled service and penalizing if they breach this maximum will remove the synchronous generator from being able to supply mandatory narrow band primary frequency response, FCAS and respond to network constraints.

We believe the current Draft SEP would increase prices for the provision of FCAS and remove automatic responses to a contingency event impacting both energy market price outcomes and potentially reliability of supply to consumers until such time as participants can rebid maximum availability.

ANY OTHER POWER SYSTEM SECURITY REQUIREMENTS

We are confused by AEMO's arguments with respect to:

"Any other power system security requirements that AEMO determines from time to time are necessary to maintain the power system security standards"

In the "Minimum System Security Requirements" section of the Draft Report, AEMO argues that it is unable to develop a procedure for identifying and incorporating an unknown future power system security requirement into the SEP, however in the "System Security Services Enablement" section, AEMO argues that it can automate enablement for these same unknown future power system security requirements.

The fact that AEMO considers that a currently unknown future power system security requirement will be able to have automated enablement validates the need for a procedure that the SEP should, at a minimum set out a high-level methodology (i.e. guardrails) of the steps AEMO will take when it discovers a "new" security risk including how it will define the need for the requirement and importantly how this requirement will be communicated to the Market, including any financial impacts, how it will be enabled and ex-post review to ensure the actions were justified.

MARKET INFORMATION

We note that:

"AEMO does not consider it appropriate to document the form of system security service market notification in the SEP, noting that this is not a requirement under NER 4.4A.6"

However, the Rules also do not prevent AEMO from providing transparency and market information to stakeholders. This is a clear example of where AEMO takes a minimalist interpretation, without considering the needs of market participants and consumers. We believe this is a missed opportunity for AEMO to improve market information for the benefit of all participants.

In the Draft Report, AEMO considers that a (pre-dispatch) forecast of system security service gaps should provide sufficient transparency of these requirements and has flagged this for a (future) secondary phase of implementation. Whilst supportive of such an outcome, until such time as this pre-dispatch report becomes available, we recommend that AEMO provide transparency in these areas via the use of market notices. However, Table 2 in the Draft SEP contains no provision for the publication of such a pre-dispatch report by AEMO. We

consider that Table 2 should be amended to contain a transparent market communication, this foreshadowed pre-dispatch report may be a method to achieve this outcome.

Further, the SEP is not the only change occurring in the NEM Reform. Other NEM Reform projects are calling for more engagement by large consumers, however AEMO is not supporting this approach by providing little transparency on programs like SEP or requiring large consumers to become market experts and dig into reports such as pre-dispatch forecasts.

In the interests of market transparency we recommend AEMO include in the SEP that they will communicate both services gaps and services enablement to the market in a transparent manner.

OPERATIONAL CONSIDERATIONS

DEFINITIONS FOR LOWEST COST AND PRACTICAL TIMEFRAME

We note AEMO's view that

"The enablement principles under NER 4.4A.4 require AEMO to enable at lowest cost and not enable unless the enablement is required, in AEMO's reasonable opinion, to meet system security service requirements. AEMO believes that these obligations require the shortest practical timeframe for cancellation."

We have two issues with this statement:

- What is AEMO's interpretation of *lowest cost*, is this lowest cost of security enablement or lowest *power system* cost which will deliver the lowest cost to consumers and is consistent with the NEO?
- Who is the *shortest practical timeframe* practical for? AEMO or market participants?

While AEMO notes that:

"AEMO agrees that enablement of system security services may impact market outcomes. The ISF Rule change does not require this to be taken into account"

AEMO should note that while the ISF may not directly require impacts to market outcomes, the NEO does, and thus all care should be taken by AEMO to reduce market outcomes to achieve:

...the long-term interests of consumers of electricity with respect to:
a) price, quality, safety, reliability and security of supply of electricity

To be consistent with the NEO, we recommend that AEMO should consider total costs to the power system as opposed to simply lowest power system security services enablement costs.

Also to be consistent with the NEO, we recommend that AEMO provide a minimum 30 minutes notice of the cancellation of the enablement of a service where the pre-dispatch schedule indicated that a market participant was still enabled. Provision of adequate notice to the market of cancellation of a security enablement indicated in the pre-dispatch scheduled would result in lower total costs to the power system than a 5 min cancellation notice.

This takes into account the time for market participants to respond to the cancellation and lodge rebids to take into account this change in forecast market conditions.

DISPATCHABLE UNIT IDENTIFIER WITH MULTIPLE GENERATING UNITS

With respect to responding to submissions regarding AEMO’s assumptions about the system services being provided by market participant DUIDs with multiple generating units, we note that:

“AEMO agrees that the use of conservative assumptions should be avoided wherever practical”

And

“AEMO does not consider it practical to contact participants regarding their on the day multiple unit DUID dispatch plans and manually provide this information to the scheduler in an operational timeframe”

We could not find any submissions to the consultation paper that requested AEMO contact individual participants for this information was made, however consider an assumption that the DUID is not providing system services is ultra conservative. Stakeholders (including the EUAA) suggested that provision be made in the Provider Interface for the submission of this information (for all Market Participants).

STABLE VOLTAGE WAVEFORM

We support the Draft SEP that:

“...stable voltage waveform enablement should achieve ‘additional’ IBR dispatch”

We recommend a further amendment to define that the additional IBR dispatch must be calculated across the NEM as a whole and not just an individual region. There is no practical benefit in increasing IBR dispatch (at a security enablement cost) in one region and at the same time decreasing efficient IBR dispatch in another region.

ENABLEMENT DELEGATION

We are not satisfied that AEMO gave proper consideration to the issues raised by us in our submission to the Consultation Paper.

Whilst it is not unreasonable that TNSP’s may be delegated the control of enablement and dispatch of power system security services, we suggest that rather than this section focusing narrowly on dispatch based on the lower cost dispatch of the power system security service(s), it should instead require that the TNSP demonstrate the ability to calculate lowest market cost overall. To be consistent with the NEO, the second dot point in this section should be amended to:

*“The relevant TNSP can demonstrate a process for enabling system security services under contracts to meet requirements at lowest **overall market cost**.”*

and

*“AEMO is satisfied that TNSP enablement is an efficient outcome for the market **overall**.”*

We disagree with AEMO's Assessment that the words in the Draft SEP will

"...ensure that delegation only occurs if it is an efficient outcome for the market..."

OTHER MATTERS

We note that AEMO did not respond to our concerns regarding the cancellation of erroneous enablement instructions in the Draft Report.

One area of concern is the proposed "*Cancel erroneous enablement instruction*", how this will be determined and the timeliness of the notification. The Security Enablement Procedure should set out details regarding how AEMO will determine an erroneous enablement instruction has been issued, the procedure to be followed in cancelling erroneous enablement instructions, the timeliness of notification to the Market, how said cancellations will impact the Market and a report on why the erroneous cancellation occurred and how it will be prevented in the future.

CONCLUDING REMARKS

The EUAA supports procedures where evidence points to an issue and the proposed procedure clearly leads to improved efficiency of markets and/or improved system security and where the costs and risks are appropriately allocated to those best able to manage them. The EUAA does not support approaches that lack evidence, require consumers to perform activities best managed by the others or leave us wondering what we are agreeing with.

We are disappointed that AEMO has interpreted the new ISF Rules in a minimalist fashion, without considering the AEMC's intent, nor the needs of market participants and consumers; unless the AEMC's intent justifies AEMO's position. The NER was established as minimum requirements and not a comprehensive list. AEMO could take the lead and build transparency and provide information valuable to market participants and consumers to enable trust to be built between them in the SEP, however so far has chosen not to do this.

Additionally, while AEMO has taken on several of our recommendations to the Consultation Report, we are disappointed that AEMO has chosen to either ignore, or downplay our concerns in other areas without proper consideration of the issues we raised.

We look forward to reviewing AEMO's proper consideration of the ISF Rules and our submissions. The EUAA welcomes further discussions around the issues raised in this submission. Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



Andrew Richards
Chief Executive Officer