



Enhancing operational resilience in relation to indistinct events

Final determination published for managing the risk of indistinct events

The AEMC has made a more preferable final rule that clarifies that AEMO has the power to act to manage threats to power system security from indistinct events in the operational timeframe. This will help AEMO ensure the system remains secure through a time of rapid transition in the sector while minimising costs to consumers.

Indistinct events are events that can impact multiple generators or transmission lines in an unpredictable and uncertain manner, such as major storms, widespread fires, and cyberattacks. As the power system evolves and abnormal conditions become more intense and frequent, 'indistinct' events are becoming an increasing threat to maintaining a secure supply of electricity to customers.

It is important that AEMO has the flexibility to manage threats to power system security which cannot be easily defined. The rapid transition of the energy sector as old generators retire and new technologies connect, including inverter-based plant and demand side options, is creating new challenges and uncertainties. Risks associated with these challenges and uncertainties are exacerbated by changes outside the power system itself - particularly the effects of, and response to, the changing climate - which have a growing impact on an increasingly weather-dependent power system.

AEMO already has broad powers to act and issue directions once an event affects the power system. AEMO can also manage the risks of credible contingency events, which involve the likely failure or removal from service of specific generating units or network elements, before these events occur.

However, the AEMC's review of the South Australian Black System Event identified an opportunity to provide greater clarity in the regulatory framework to ensure AEMO can effectively manage risks from indistinct events, in advance of those events impacting the power system. Following that review, the Council of Australian Governments (COAG) Energy Council submitted a rule change request to the AEMC that sought to address this opportunity.

The Commission's final rule determination makes the power system more resilient to abnormal conditions

The Commission has made a more preferable final rule which maintains the policy positions from the draft determination, with some minor amendments to reflect stakeholder feedback.

The final rule :

- **gives AEMO flexibility to manage new and unexpected challenges arising from the rapid transition of the energy sector and changing climate.** The rule integrates indistinct events into the existing contingency event framework by expanding the definition of 'contingency event' and expanding the scope of the reclassification criteria.
- **supports predictable system operation by introducing a predictability principle for AEMO's management of indistinct events.** AEMO must, where practicable, make decisions about reclassification and take actions to manage contingency events that are predictable and consistent with the reclassification criteria. This will help market participants understand how indistinct events are generally managed by AEMO in the operational timeframe.
- **strengthens transparency and predictability for the expanded contingency event framework.** Existing reporting obligations and governance arrangements for the

contingency event framework will continue to support predictability and transparency. The final rule introduces a specific reporting requirement when threats to system security require AEMO to act outside of the existing framework. This offers market participants a clear understanding and expectations of the actions AEMO may take in its management of the risks of indistinct events.

- **leverages existing governance arrangements:** The existing governance arrangements allow for the Reliability Panel, AER and the AEMC to provide guidance and oversight for AEMO's management of contingency events if they think this is necessary. These governance arrangements support the transparency and predictability provided by the expanded reporting arrangements.

The final rule provides AEMO until 9 March 2023 to update the reclassification criteria, in consultation with relevant stakeholders, to reflect the broadened definition of 'contingency event'. These consultations will also consider the measures that AEMO may implement to maintain power system security. The new principle and additional reporting requirement will commence at the same time as the updated reclassification criteria i.e. 9 March 2023.

The improved framework keeps the system secure while minimising costs

The improved arrangements for credible contingency events allow AEMO to explicitly address circumstances where there is an unpredictable and uncertain impact on various elements of the power system. This will strengthen the resilience of the power system, because AEMO can more proactively manage the risks associated with abnormal conditions.

Expanding the existing framework avoids the cost and potential complexity of introducing a new, parallel framework for indistinct events as proposed by COAG Energy Council. The approach in the final rule will help to keep the system secure while minimising costs to consumers.

This was the final rule change request resulting from the AEMC's review of the black system event

On 26 May 2020, the AEMC received a rule change request from the COAG Energy Council to amend the National Electricity Rules (NER) by implementing an operational mechanism for AEMO to enhance the power system's resilience to indistinct events. This was considered particularly important to support system resilience as the NEM undergoes rapid transition and the changing climate makes extreme abnormal conditions increasingly frequent.

This was the third and final rule change proposed by COAG Energy Council in response to the AEMC's 2019 review of the black system event in South Australia. A rule was made in June 2021 to implement a general power system risk review (GPSRR),¹ and the applicability of the NER during market suspension was clarified in June 2021 through the Commission's final determination.²

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¹ For more information see the project page: [https://www.aemc.gov.au/rule-changes/implementing-general-power-system-risk-review#:~:text=On%203%20June%202021%20the.Frequency%20Risk%20Review%20\(PSFRR\).](https://www.aemc.gov.au/rule-changes/implementing-general-power-system-risk-review#:~:text=On%203%20June%202021%20the.Frequency%20Risk%20Review%20(PSFRR).)

² For more information see the project page: <https://www.aemc.gov.au/rule-changes/prioritising-arrangements-system-security-during-market-suspension>