



JOINT PAPER ON ESSENTIAL SYSTEM SERVICES, INERTIA

The Australian Energy Market Operator ([AEMO](#)) and the Australian Energy Market Commission ([AEMC](#)) have released a joint paper capturing progress on essential system services (ESS) reform initiatives as well as detailing the next priority in essential system services, inertia.

Identified in the Energy Security Board (ESB) post-2025 reform package to manage change underway in the National Electricity Market (NEM), essential system services keep the power system within the acceptable operating limits needed to deliver electricity securely.

The [Essential System Services and Inertia in the NEM](#) joint paper describes the status of initiatives underway, associated linkages and longer-term consideration of an inertia spot market, including the Australian Energy Council's (AEC) [related rule change request](#).

The ESB prioritised the initiatives as either *immediate, initial, or longer-term* reforms based on the urgency of the power system needs they addressed, as well as the work underway or required to deliver them.

AEMC and ESB Chair, Anna Collyer, said the ESB recommended market bodies consider what steps are needed to create an inertia spot market as a longer-term initiative. This includes better understanding and developing capability in new technologies, such as advanced inverters, that will help to provide inertia as we transition to a decarbonised power system.

'Inertia is one of four services identified in the [ESS workstream](#) – the others are frequency response, system strength and operating reserves,' Ms Collyer said.

'In each case, the goal is the same: define a service so that investors and innovators can respond with new ways of providing those services as our thermal synchronous plant retires.

'With this joint paper, we are not only setting out the challenges around defining and providing inertia, we're also sharing the interdependencies between the various stages of development for all the ESS in the post-2025 market design reform work.'

Each ESS targets a different power system requirement beyond ensuring enough supply to meet consumer needs and includes a range of interdependent, technical, and operational requirements. For example, maintaining frequency and voltage around the levels required to maintain a secure power system.

AEMO CEO Daniel Westerman said: 'The AEMC and AEMO have been working together to progress a number of power system security-related projects, including the ESS reform pathway.

'The proposed ESS initiatives seek to address the immediate needs of the transitioning power system, with firmed renewables displacing synchronous thermal generation, which means we must rethink how ESS are defined and delivered.

'The initiatives are complex and interrelated, so it is important to prioritise and sequence them appropriately to manage their cost and complexity and ensure value in delivery,' he said.

AEMC and AEMO are now [seeking feedback](#) on a range of factors that will provide important context to the consideration of the AEC's rule change for an inertia spot market, including interactions with the work underway to deliver the immediate and initial ESS initiatives.

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