



Draft National Electricity Amendment (Operational security mechanism) Rule 2022

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015 of the Northern Territory; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

Anna Collyer
Chairperson
Australian Energy Market Commission

Draft National Electricity Amendment (Operational security mechanism) Rule 2022

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Operational security mechanism) Rule 2022*.

2 Commencement

This Rule commences operation on [1 October 2025].

3 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

5 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 3.

6 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 4.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.1.1 Purpose

In clause 3.1.1, after "*ancillary services* and", insert "*security services* and".

[2] Clause 3.1.1 Purpose

After clause 3.1.1(d1), insert:

(d2) the operation of the *operational security mechanism*;

[3] Clause 3.1.4 Market design principles

After clause 3.1.4(a)(6), insert:

(6A) *security services* should, to the extent that it is efficient, be acquired through competitive market arrangements under the *operational security mechanism*;

[4] Clause 3.1.4 Market design principles

In clause 3.1.4(a)(8), after "*ancillary services*", insert "or *security services*".

[5] Clause 3.4.3 Spot market and OSM operations timetable

In the heading of clause 3.4.3, after "Spot market", insert "and OSM".

[6] Clause 3.4.3 Spot market and OSM operations timetable

In clause 3.4.3(a), after "*spot market*", insert "and *operational security mechanism*".

[7] Clause 3.4.3 Spot market and OSM operations timetable

In clause 3.4.3(c)(2), after "*spot market*", insert "and *operational security mechanism*".

[8] Rule 3.7B Unconstrained intermittent generation forecast

In rule 3.7B(a)(2), omit "and".

[9] Rule 3.7B Unconstrained intermittent generation forecast

In rule 3.7B(a)(3), omit "." and substitute "; and".

[10] Rule 3.7B Unconstrained intermittent generation forecast

After rule 3.7B(a)(3), insert:

- (4) the *operational security mechanism*.

[11] Rule 3.7B Unconstrained intermittent generation forecast

In rule 3.7B(c)(7)(iii), omit "and".

[12] Rule 3.7B Unconstrained intermittent generation forecast

In rule 3.7B(c)(7)(iv), omit "." and substitute "; and".

[13] Rule 3.7B Unconstrained intermittent generation forecast

After rule 3.7B(c)(7)(iv), insert:

- (v) the *operational security mechanism*.

[14] New rule 3.7G Operational Security Mechanism

After rule 3.7F, insert a new rule:

3.7G Operational security mechanism

3.7G.1 Definitions

In this rule:

contracted security service means a *security service* that is the subject of a security services agreement.

OSM annual report has the meaning given to it in clause 3.7G.12(a).

OSM cut-off time means the time after which an *OSM block* becomes final and binding.

OSM horizon has the meaning given in clause 3.7G.8(a).

OSM simulation means a simulation run of the *operational security mechanism* in accordance with clause 3.7G.8.

security services agreement means an agreement with *AEMO* or a *Transmission System Network Service Provider* under which *security services* are, or are capable of being, provided and may include a *system strength services agreement* or an *ancillary services agreement*.

security services list has the meaning given in clause 3.7G.5(a).

uncontracted security service means a *security service* that is not the subject of a security services agreement.

3.7G.2 OSM objective

The objective of the *operational security mechanism* is to procure and *enable security services* to:

- (a) achieve and maintain *power system security* requirements as described in Chapter 4 and the *power system security standards*; and
- (b) subject to paragraph (a), maximise the expected value of *spot market* trading for the period of the OSM horizon in accordance with clause 3.8.1(b) and having regard to the cost of *security services* based on *OSM bids*.

3.7G.3 Security services

- (a) A *security service* means a *system configuration service* or a *separate security service*.
- (b) A *system configuration service* means a service that, when *enabled*, as part of a *secure system configuration*, can assist to achieve and maintain the *technical envelope*.
- (c) A *separate security service* means a service that, when *enabled*, can assist to achieve and maintain the *technical envelope* other than as part of a *secure system configuration*.
- (d) A *secure system configuration* means a predefined combination of *OSM facilities* that collectively assist to achieve and maintain the *technical envelope* when *enabled*.
- (e) A *security service* does not include a *market ancillary service*.
- (f) *AEMO* must not *enable* a *security service* for the sole purpose of achieving and maintaining a *reliable operating state*.

3.7G.4 Security Services Guideline

- (a) *AEMO* must develop and *publish* the *Security Services Guideline*. The *Security Services Guideline* must be designed to achieve the *OSM objective*.
- (b) The *Security Services Guideline* must include a description of the *security services* which may be procured by *AEMO* in accordance with this rule, including:
 - (1) in respect of *system configuration services*, a technical description of *AEMO's* criteria for determining a *secure system configuration* and how it will assist to achieve and maintain the *technical envelope*;
 - (2) in respect of *separate security services*:

- (i) a technical description of each *separate security service* and how it will assist to achieve and maintain the *technical envelope*; and
 - (ii) a description of any technical parameters required to be met by an *OSM facility* (including the operational model of that facility) to provide the relevant *separate security service*.
- (c) *AEMO* may amend, and any person may submit a written request (with reasons) for *AEMO* to amend, the *Security Services Guideline* from time to time.
- (d) *AEMO* must reasonably consider any request under paragraph (c).
- (e) *AEMO* must comply with the *Rules consultation procedures* when making or amending the *Security Services Guideline*.
- (f) If requested by *AEMO*, a *Transmission Network Service Provider* must provide any assistance or information reasonably requested by *AEMO* for the purpose of preparing or updating the *Security Services Guideline*.

3.7G.5 Security services list

- (a) *AEMO* must develop and *publish* a list of *secure system configurations* and *separate security services* to complement the *Security Services Guideline*.
- (b) The security services list must include:
 - (1) in respect of *secure system configurations*:
 - (i) a list of the *secure system configurations* which may be used in the *operational security mechanism* to procure and *enable system configuration services*;
 - (ii) the circumstances and scenarios to which each *secure system configuration* (whether alone or in conjunction with other *secure system configurations*) applies; and
 - (2) in respect of *separate security services*, a list of the *separate security services* which may be used in the *operational security mechanism*.
- (c) *AEMO*:
 - (1) must review and (if appropriate) update the security services list no less than once every 12 months; and
 - (2) is not required to consult or comply with the *Rules consultation procedures* in respect of any amendment to the security services list.

3.7G.6 OSM Participants

- (a) Only an *OSM Participant* may provide a *security service* in the *operational security mechanism*.
- (b) An *OSM Participant* may only provide a *security service* from an *OSM facility* for which they have been accredited by *AEMO* in accordance with the *OSM procedures*.
- (c) *AEMO* must establish a process, in accordance with the *OSM procedures*, by which *OSM Participants* can be accredited to provide *security services*.
- (d) An *OSM Participant* must be a *Market Participant* for the *OSM facility* for which it is accredited and the relevant *OSM facility* must be a *scheduled resource*.
- (e) An *OSM Participant* may be accredited to provide a contracted security service or an uncontracted security service.
- (f) An *OSM Participant* may only be accredited to provide a contracted security service if the security services agreement:
 - (1) permits or requires the counterparty to be accredited in the *operational security mechanism*;
 - (2) requires the pricing for *security services* to be in a form consistent with the requirements of the *OSM procedures*;
 - (3) provides that where the counterparty is *enabled* for *security services* in the *OSM*, the counterparty will be paid by *AEMO* for the services *enabled* in accordance with the *Rules*; and
 - (4) complies with any other requirements set out in the *OSM procedures*.
- (g) *AEMO* may from time to time require an *OSM Participant* to demonstrate the relevant *OSM facility's* capability to provide the *security service* to the satisfaction of *AEMO* according to requirements of the *OSM procedures*. An *OSM Participant* must promptly comply with a request by *AEMO* under this clause.

3.7G.7 OSM bidding

- (a) An *OSM Participant* may, but is not required to, submit an *OSM bid* for uncontracted security services in the *operational security mechanism*.
- (b) An *OSM Participant* must submit an *OSM bid* in the *operational security mechanism* for contracted security services in accordance with any requirements of a security services agreement to the extent those requirements have been registered with *AEMO* as part of that *OSM Participant's* accreditation for that service.

[Note

AEMC proposes this paragraph is classified as a tier 2 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)]

- (c) An *OSM Participant* must comply with the following requirements for an *OSM bid*:
 - (1) an *OSM bid* must be:
 - (i) an *OSM variable price*, being either a price in dollars and whole cents per MWh or per hour as required by the *OSM procedures* for the provision of a *security service*; and
 - (ii) an *OSM enablement price*, being a price in dollars and whole cents for the start-up, initiation or activation of the *OSM facility* if it is *enabled* for the provision of a *security service*;
 - (2) an *OSM variable price* that is in \$/MWh must not be lower than the *market floor price* or greater than the *market price cap*;
 - (3) an *OSM enablement price* must not be less than zero;
 - (4) an *OSM price* must not exceed any *OSM price cap* applicable to that price;
 - (5) an *OSM price* for a contracted security service must not exceed any price cap in the *security services* agreement that has been registered with *AEMO* as part of that *OSM Participant's* accreditation for that service;
 - (6) to be valid for inclusion in the *operational security mechanism*, an *OSM bid* must be submitted according to the *timetable*;
 - (7) except as may be specified in the *OSM procedures*, an *OSM bid* cannot be *rebid* for a *trading interval* in an *OSM block* after the *OSM gate closure* for that *OSM block*; and
 - (8) an *OSM bid* must comply with any requirements included in the *OSM procedures*.

3.7G.8 OSM simulations

- (a) The OSM horizon is a period over which the *operational security mechanism* is run (each run being an OSM simulation) for the purpose of *enabling security services* (either on an indicative or final basis) to achieve the *OSM objective*.
- (b) The period of the OSM horizon is determined in accordance with the *OSM procedures*.
- (c) *AEMO* must run OSM simulations on a periodic basis, in accordance with the *OSM procedures* and having regard to the *OSM objective*, as

frequently as required to enable the publishing of updated *OSM schedules* in accordance with clause 3.7G.9(a).

- (d) *AEMO* must run each *OSM simulation*:
 - (1) using the algorithm developed for the *operational security mechanism*;
 - (2) based on valid *OSM bids* submitted for the relevant *trading interval* or *trading intervals* in the *OSM horizon*;
 - (3) based on the latest inputs available for the *pre-dispatch* process;
 - (4) based on any limitations for an *OSM facility* that have been registered with *AEMO* as part of that *OSM Participant's* accreditation for the relevant *security service*; and
 - (5) in accordance with any other requirements of the *OSM procedures*.
- (e) Any inputs made to the *OSM simulation* by *AEMO* for the purpose of achieving a physically realisable *OSM schedule* or to satisfy *power system security* requirements must be made prior to the release of the *OSM schedule* and recorded by *AEMO* in a manner suitable for audit.
- (f) *AEMO* must develop and *publish* the algorithm to be used by *AEMO* for the purpose of *OSM simulations*.
- (g) If requested by *AEMO*, a *Transmission Network Service Provider* must provide any information reasonably requested by *AEMO* for the purpose of running *OSM simulations*.

3.7G.9 OSM schedule

- (a) *AEMO* must update and *publish* the *OSM schedule* in accordance with the timing set out in the *OSM procedures* (and specified in the *timetable*) or more often if a change in circumstances is deemed by *AEMO* to be likely to have a significant effect on the operation of the *market*. In determining the timing under the *OSM procedures*, *AEMO* should seek to *publish* the *OSM schedule* as frequently as practicable.
- (b) The *OSM schedule* is to be divided into one or more *OSM blocks* for the *OSM horizon*.
- (c) An *OSM block* is a period of time within or equal to the *OSM horizon*, determined in accordance with the *OSM procedures*, for which the *OSM* will determine whether *security services* are *enabled*.
- (d) The *OSM schedule* must include the following:
 - (1) for each *OSM block*, the *trading interval* or *trading intervals* (if any) for which an *OSM Participant* is scheduled to be *enabled* to provide *security services*;

- (2) for each *OSM block*, each *security service* that the *OSM Participant* is scheduled to be *enabled* to provide under subparagraph (1);
 - (3) the mode in which the *OSM facility* is to provide the *enabled security service* for which it is scheduled to be enabled (if applicable); and
 - (4) any information required by the *OSM procedures*.
- (e) The *OSM schedule* published at the *OSM cut-off time* for an *OSM block* is:
- (1) final and binding for the first *OSM block* in that *OSM schedule*; and
 - (2) indicative only for any later *OSM blocks* in that *OSM schedule*.
- (f) *AEMO* must run the last *OSM simulation* before an *OSM block* becomes final and binding as close to *dispatch* for the first *trading interval* in that *OSM block* as is reasonably practicable.
- (g) If an *OSM Participant* is indicatively scheduled to be *enabled* for a *security service* for an *OSM block* (that is not final and binding), it is responsible for changing inputs to the *central dispatch* process, if necessary to achieve the *dispatch* of the *security service* indicatively scheduled to be *enabled* under the *OSM schedule*, via the offer and bidding provisions under clauses 3.8.6 to 3.8.7B and the rebidding provisions under clause 3.8.22.

Note

The AEMC proposes this paragraph is classified as a tier 2 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

3.7G.10 OSM enablement

- (a) If an *OSM Participant* is scheduled to be *enabled* for a *security service* in an *OSM block* that is final and binding, then *AEMO* must issue an instruction (a *dispatch instruction*) to the *OSM Participant* in accordance with the relevant *OSM schedule* for that *OSM block*. A dispatch instruction must:
- (1) state that an *OSM facility* of the *OSM Participant* has been selected for the provision of a *security service*;
 - (2) state the *security service* concerned and the mode for the *OSM facility* (if applicable);
 - (3) state the period for which the *security service* is *enabled*; and
 - (4) include, and be provided in accordance with, any other requirements in the *OSM procedures*.

- (b) Each *OSM Participant* must ensure that it is able to *dispatch* an *OSM facility* that is *enabled* pursuant to paragraph (a) and is responsible for changing inputs to the *central dispatch* process, if necessary to achieve this, via the offer and bidding provisions under clauses 3.8.6 to 3.8.7B and the rebidding provisions under clause 3.8.22.

Note

AEMC proposes this paragraph is classified as a tier 1 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (c) An *OSM Participant* must comply with a *dispatch instruction* from *AEMO* in accordance with the *Rules*.

Note

The AEMC proposes this paragraph is classified as a tier 1 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (d) An *OSM Participant* is, in respect of its *OSM facility*, required to comply with, and has the benefit of, *Rules* that apply to *dispatch instructions* for the category of *schedule resource* relevant to that *OSM facility*.
- (e) *AEMO* may *enable* a contracted security service that is a *system strength service* in accordance with the *operational security mechanism*:
 - (1) despite clause 4.4.5(b) and it being inconsistent with a *System Strength Service Provider's* proposed order of priority for the *system strength services* to be *enabled* under clauses 5.20C.4(a)(2); and
 - (2) for a range and quantity greater than that required to maintain the minimum *three phase fault level* at the relevant *system strength node*.

3.7G.11 OSM procedures

- (a) *AEMO* must develop and *publish* the *OSM procedures*. The *OSM procedures* must be designed to achieve the *OSM objective*.
- (b) The *OSM procedures* must include:

Accreditation

- (1) information about the process by which *Market Participants* and their proposed *OSM facilities* will be assessed and accredited for their ability to provide *security services*, including:

- (i) the technical parameters that must be met by the *Market Participant* and proposed *OSM facility* in order to be eligible for assessment;
 - (ii) the information that would need to be provided by the *Market Participant* to *AEMO* for the purposes of *AEMO*'s assessment;
 - (iii) any modelling or testing to be undertaken for the purposes of *AEMO*'s assessment;
 - (iv) the criteria to be applied by *AEMO* in determining when to run the assessment, and the criteria to be applied by *AEMO* in making its assessment;
 - (v) any requirements for an OSM facility to be an aggregation of *generating units, bidirectional units, scheduled network services* or *scheduled loads*; and
 - (vi) a technical description of how *AEMO* will procure and *enable system configuration services* and *separate security services* from *OSM facilities* in combination, having regard to any interaction between *system configuration services* and *separate security services*; and
- (2) those technical parameters or limitations for an *OSM facility* that will be registered with *AEMO* as part of that *OSM Participant's* accreditation for the relevant *security service* and to be used in *OSM bids*;
 - (3) any minimum requirements for security services agreements;
 - (4) the requirements for an *OSM Participant* to demonstrate the *OSM facility's* capability to provide the relevant *security service* on a periodic basis;

Bidding

- (5) the timing for submitting *OSM bids* and *rebids*;
- (6) the requirements and parameters for *OSM bids* which may include dispatch inflexibilities and additional pricing parameters for different types of *OSM facilities*;
- (7) the period for which an *OSM bid* must be made;
- (8) the *OSM gate closure* and OSM cut-off time for an *OSM block*;
- (9) the circumstances in which an *OSM Participant* may make a *rebid* after the *OSM gate closure* for an *OSM block*, and process for how an *OSM Participant* may make such a *rebid*;
- (10) any requirements for, and use of, *default bids*;

OSM simulations

- (11) the period of the OSM horizon;
- (12) the period of an *OSM block*;
- (13) any minimum period within an *OSM block* for which an *OSM Participant* may be enabled;
- (14) the frequency of OSM simulations;

OSM schedule and enablement

- (15) the timing of publication of *OSM schedules*;
 - (16) the content of *OSM schedules*;
 - (17) how *OSM prices* will be assessed for the purpose of selecting which *security services* will be enabled;
 - (18) how *security services* that are enabled interact with *pre-dispatch, central dispatch, directions, clause 4.8.9 instructions* and the *RERT*;
 - (19) how *AEMO* will determine when an *OSM Participant* is entitled to recover its *OSM price* including:
 - (i) how it will determine whether an *OSM Participant* has provided the *security service* that has been enabled and any recovery amount due from the *OSM Participant* for failure to provide the service;
 - (ii) how it will determine that an *OSM Participant* is not entitled to an *OSM enablement price* due to the *OSM facility* already being committed in the *spot market*;
 - (iii) how it will determine that an *OSM Participant* will have an *OSM enablement price* deducted due to an avoided activation, initiation or start up as a result of being enabled in the *operational security mechanism*; and
 - (iv) any information that *AEMO* requires for that purpose and the frequency and method for provision of that information; and
 - (20) any other matters *AEMO* considers relevant.
- (c) *AEMO* must include any timing requirements for the *operational security mechanism* determined under the *OSM procedures* in the *timetable*.
 - (d) *AEMO* may amend, and any person may submit a written request (with reasons) for *AEMO* to amend, the *OSM procedures* from time to time.

- (e) *AEMO* must reasonably consider any request under paragraph (d).
- (f) *AEMO* must comply with the *Rules consultation procedures* when making or amending the *OSM procedures*.
- (g) An *OSM Participant* must comply with the *OSM procedures*.

3.7G.12 OSM annual report

- (a) *AEMO* must *publish* a report (**OSM annual report**) by no later than 30 September that includes the information specified in paragraph (b) for the previous *financial year*.
- (b) The OSM annual report must include:
 - (1) an assessment of the performance of the *operational security mechanism* in achieving the *OSM objective*;
 - (2) aggregated information in relation to:
 - (i) the volume of *security services enabled* in the previous *financial year*, including a breakdown of *system configuration service* and *separate security service* volumes;
 - (ii) the *secure system configurations* and *constraints* which were used in the *operational security mechanism* for the provision of *system configuration services* during the previous *financial year*, including the frequency with which such *secure system configurations* and *constraints* were used;
 - (iii) the aggregate amounts paid or payable by *AEMO* under clause 3.15.6C(b) during the previous *financial year*; and
 - (iv) any trends identified in relation to:
 - (A) the matters in clauses 3.7G.12(b)(2)(i) to (iii) above compared to earlier *financial years*; and
 - (B) the frequency with which *AEMO* issued *directions* since the introduction of the *operational security mechanism*, and the circumstances giving rise to the need for such *directions* to be issued;
 - (3) a report on:
 - (i) a description of the reason for any updates to the security services list made during the previous *financial year*;
 - (ii) a description of the trends relating to the use of *separate security services* and *system configuration services* during the previous *financial year*; and

- (iii) a description of the potential transition from *system configuration services* to *separate security services* in future years; and
- (4) information on any other matter that *AEMO* considers relevant.

[15] New rule 3.7H OSM market power review

After rule 3.7G, insert a new rule:

3.7H OSM market power review

3.7H.1 Annual OSM market power reviews

- (a) By 1 February, the *AER* must *publish* a draft review of the potential existence of market power in the markets for *security services* (**OSM market power review**) for consultation.
- (b) By 1 April, the *AER* must *publish* a final OSM market power review to apply for the next *financial year*.
- (c) The *AER* must determine the following in an OSM market power review:
 - (1) whether it has identified the potential for the exercise of a substantial degree of market power in a market for *security services* in the next *financial year*; and
 - (2) if it has identified the potential for the exercise of a substantial degree of market power in a market for *security services* in the next *financial year*, the *OSM price caps* or price monitoring (if any), to be implemented by *AEMO* for the next *financial year*, to mitigate the identified issues, which may be in the form referred to in paragraph (f).
- (d) In determining whether there is the potential for the exercise of a substantial degree of market power in a market for *security services*, the *AER* must have regard to:
 - (1) concentration in the market for *security services*, including whether a limited number of *OSM Participants* are required to achieve a *secure system configuration* or to provide a *security service* for a particular part of the *network* or *region*;
 - (2) the number of potential substitutes for, and contestability of, *OSM Participants* and *OSM facilities* that are required to achieve a *secure system configuration* or to provide a *security services* for a particular part of the *network* or *region*;
 - (3) barriers to entry for new *OSM Participants* or new *OSM facilities* (including the accreditation requirements for new *OSM*

- Participants and OSM facilities and technical limitations on the provision of security services);*
- (4) the demand elasticity of *security services*; and
 - (5) any other matters the *AER* considers appropriate.
- (e) In determining the *OSM price caps* or price monitoring (if any) to be implemented by *AEMO* for the next *financial year*, the *AER* must have regard to the following:
- (1) the *OSM price caps* or price monitoring should be proportionate to the extent of the potential market power identified;
 - (2) the *OSM price caps* or price monitoring must be consistent with the *OSM objective*, *Security Services Guidelines* and *OSM procedures*;
 - (3) the effect of *OSM Participants'* potential market power and their ability to influence *OSM prices* should be minimised;
 - (4) *OSM bids* should be able to reflect the value of the *security services* to the *power system*;
 - (5) *OSM price caps* or price monitoring should maintain the incentives for *Market Participants* to:
 - (i) participate in the *operational security mechanism*; and
 - (ii) enter into system strength contracts with *System Security Service Providers*;
 - (6) *OSM Participants* should be provided with a reasonable opportunity to recover at least the efficient costs of providing the relevant *security service*;
 - (7) the structure of any *OSM price caps* or price monitoring should be capable of variation based on changing market conditions;
 - (8) *OSM price caps* or price monitoring should incentivise investment in, and participation of, new technologies as they emerge;
 - (9) the process for *AEMO* to set *OSM price caps* or price monitoring should minimise administrative burden and be transparent; and
 - (10) any other matters the *AER* considers appropriate.
- (f) If the *AER* determines that *OSM price caps* should be implemented by *AEMO*, the *AER's* determination of such *OSM price caps* may include:
- (1) price caps for a *security service* or the *OSM enablement price* or the *OSM variable price*;

- (2) a methodology for setting an *OSM price cap*, which methodology may include components that can vary during the relevant *financial year* (eg for fuel costs);
- (3) *OSM price caps* that apply to particular *OSM Participants*, or on a *regional*, sub-regional or *NEM* wide basis; and
- (4) thresholds at which *OSM price caps* may apply.

3.7H.2 Implementation of OSM price caps or price monitoring

By 1 June, or 2 months after an updated review under clause 3.7.H.3(c), *AEMO* must, if required by an OSM market power review, implement the *OSM price caps* or price monitoring provided for in that review (including setting and *publishing* the *OSM price caps* to be calculated if applicable), in accordance with that review.

3.7H.3 Variations during a financial year

- (a) If an OSM market power review includes *OSM price caps* or price monitoring that vary during the *financial year*, or the *AER* updates a review during the *financial year*, then *AEMO* must implement those *OSM price caps* (including setting and *publishing* updated *OSM price caps*, if applicable) or the *AER* must implement price monitoring during the *financial year* in accordance with that review.
- (b) If a methodology for an *OSM price cap* in an OSM market power review includes a component that materially changes during the *financial year* and the methodology provides *AEMO* with a discretion to vary the *OSM price caps* for that component, then *AEMO* may vary the *OSM price cap* in its discretion or on request by an *OSM Participant*.
- (c) If there has been a material change in circumstances since the last OSM market power review, the *AER* may at its discretion update the OSM market power review during a *financial year* to address that change.

[16] Rule 3.8 Central Dispatch and Spot Market and OSM Operation

In the heading of rule 3.8, after "Spot Market", insert "and OSM".

[17] Clause 3.8.1 Central Dispatch

In clause 3.8.1(b)(10), omit "and".

[18] Clause 3.8.1 Central Dispatch

In clause 3.8.1(b)(11), omit "." and substitute "; and".

[19] Clause 3.8.1 Central Dispatch

After clause 3.8.1(b)(11), insert:

- (12) any *security services enabled* under the *operational security mechanism*.

[20] Clause 3.8.8 Validation of dispatch bids and OSM bids

At the end of the heading of clause 3.8.8 add "and OSM bids".

[21] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a), after "If", omit "a *dispatch bid* or" and substitute "an *OSM bid, dispatch bid*'.

[22] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a), after "clauses", insert "3.7G.7,".

[23] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a), after "*Market Participant* who submitted the", insert "*OSM bid*,".

[24] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a)(1), after "valid", insert "*OSM bid*,".

[25] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a)(2), after "data contained in the", insert "*OSM bid*,".

[26] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a)(2), after "used by *AEMO* in the", insert "*operational security mechanism* or".

[27] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(a)(2), after "*central dispatch* process", insert "(as applicable)".

[28] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(b), after "data contained in its", insert "*OSM bid*,".

[29] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(b), after "used by *AEMO* in the", insert "*operational security mechanism* or".

[30] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "If", omit "a" and substitute "an *OSM bid*".

[31] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "clauses", insert "3.7G.7,".

[32] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "*AEMO* must not include that", insert "*OSM bid*".

[33] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "*market ancillary service bid* in the", insert "*operational security mechanism* or".

[34] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "*central dispatch* process", insert "(as applicable)".

[35] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(c), after "*Market Participant* submitting the", insert "*OSM bid*".

[36] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(d), after "contained within", omit "a" and substitute "an *OSM bid*".

[37] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(d), after "inconsistent with the", insert "*OSM procedures* or".

[38] Clause 3.8.8 Validation of dispatch bids and OSM bids

In clause 3.8.8(d), after "right to treat that", insert "*OSM bid*".

[39] Clause 3.8.9 Default bids

In clause 3.8.9(b), after "submissions of", insert "*OSM bids*".

[40] Clause 3.8.9 Default bids

In clause 3.8.9(b), after "*market ancillary service bids* for", omit "a" and substitute "an *OSM block* or".

[41] Clause 3.8.9 Default bids

In clause 3.8.9(b), after "*trading day*", insert "(as applicable)".

[42] Clause 3.8.9 Default bids

After clause 3.8.9(d), insert:

- (d1) Subject to the *OSM procedures*, a *default bid* applicable to an *OSM block* must be included by *AEMO* in the *operational security mechanism* at the deadline for submission of *OSM bids* in accordance with the *timetable* if, and only if, no later valid *OSM bid* has been submitted pursuant to clauses 3.7G.7 or paragraph (b).

[43] Clause 3.8.9 Default bids

In clause 3.8.9(e), after "substitute a prior", insert "*OSM bid*,".

[44] Clause 3.8.9 Default bids

In clause 3.8.9(e), omit "a procedure developed under paragraph (d)" and substitute "the relevant procedure".

[45] Clause 3.8.9 Default bids

In clause 3.8.9(e), after "*pre-dispatch*", insert ", *operational security mechanism*".

[46] Clause 3.8.20 Pre-dispatch schedule

At the end of clause 3.8.20(c)(2), omit "and".

[47] Clause 3.8.20 Pre-dispatch schedule

In clause 3.8.20(c)(3), omit "," and substitute "; and".

[48] Clause 3.8.20 Pre-dispatch schedule

After clause 3.8.20(c)(3), insert:

- (4) the *security services* scheduled to be *enabled* (either on an indicative or final basis) in the latest *OSM schedule* (to the extent such *enablement* is not already represented in a *dispatch bid* for the relevant *trading interval*),

[49] Clause 3.8.22 Rebidding

After clause 3.8.22(b), insert:

- (b1) Subject to the *OSM procedures* and clauses 3.7G.7 and 3.8.22A, an *OSM Participant* may submit a *rebid* to vary an *OSM bid* or a previous *rebid*, including quantities and prices.

[50] Clause 3.8.22 Rebidding

In clause 3.8.22(c), omit "A" and substitute "An *OSM Participant*,".

[51] Clause 3.8.22 Rebidding

In clause 3.8.22(c)(2)(ii), after "the relevant", insert "*OSM Participant*".

[52] Clause 3.8.22 Rebidding

In clause 3.8.22(ca), after "*late rebidding period*", insert ", or an *OSM Participant* who makes a *rebid* after the *OSM gate closure*".

[53] Clause 3.8.22 Rebidding

In clause 3.8.22(ca)(ii), before "*Generator's*" insert "*OSM Participant's*".

[54] Clause 3.8.22 Rebidding

In clause 3.8.22(ca)(iv), after "time at which the", insert "*OSM Participant*".

[55] Clause 3.8.22 Rebidding

In clause 3.8.22(d), after "to any", insert "*OSM Participant*".

[56] Clause 3.8.22 Rebidding

In clause 3.8.22(e)(2), after "to the *AER* by such", insert "*OSM Participants*".

[57] Clause 3.8.22 Rebidding

In clause 3.8.22(g)(1), after "subject to the", insert "*OSM Participant*".

[58] Clause 3.8.22 Rebidding

At the end of clause 3.8.22(g)(1), omit "and".

[59] Clause 3.8.22 Rebidding

In clause 3.8.22(g)(2), omit "." and substitute "; and".

[60] Clause 3.8.22 Rebidding

After clause 3.8.22(g)(2), insert:

- (3) *publish*, in accordance with clause 3.7G.12 and the *OSM procedures*, the time the *rebid* was made and the reason provided by the *OSM Participant* under paragraph (c)(2)(i).

[61] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a), omit "A" and substitute "An *OSM Participant*".

[62] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a), omit "a" and substitute "an *OSM bid*".

[63] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "the making of", omit "a" and substitute "an *OSM bid*".

[64] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "represent to other", insert "*OSM Participants*".

[65] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "*Market Participants* through the", insert "*OSM schedules* or".

[66] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "by *AEMO* that the", insert "*OSM bid*".

[67] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "unless the", insert "*OSM Participant*".

[68] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(a1), after "circumstances upon which the", insert "*OSM bid*".

[69] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(b), after "paragraph (a)", omit "a" and substitute "an *OSM bid*".

[70] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(b), after "making the *dispatch bid* or *rebid*", omit "a" and substitute "an *OSM Participant*".

[71] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(b1), after "in determining whether", omit "a" and substitute "an *OSM Participant*".

[72] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(b1), after "*Market Participant* made", omit "a" and substitute "an *OSM bid*".

[73] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c), omit "A" and substitute "An *OSM Participant*".

[74] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c), after "false or misleading character of the", insert "*OSM bid*".

[75] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c)(1), after "made by the", insert "*OSM Participant*".

[76] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c)(1), after "to which the", insert "*OSM Participant*".

[77] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c)(2), after "the relevant", insert "*OSM Participant*".

[78] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(c)(4), after "the relevant", insert "*OSM Participant*".

[79] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(d), after "as soon as practicable after the", insert "*OSM Participant*".

[80] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(d), after "vary its", insert "*OSM bid* or".

[81] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(e), after "in determining whether the", insert "*OSM Participant*,".

[82] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(e)(2), after "opportunity for other", insert "*OSM Participants* or".

[83] Clause 3.8.22A Bids and rebids must not be false or misleading

In clause 3.8.22A(e)(2), after "prior to the commencement of the", insert "*OSM block* or".

[84] Clause 3.8.23 Failure to conform to dispatch instructions excluding wholesale demand response units

After clause 3.8.23(i), insert:

- (j) This clause applies to *scheduled resources* that are *OSM facilities* and which have been given a *dispatch instruction* under clause 3.7G.10(a).

[85] Clause 3.8.23A Failure of wholesale demand response units to conform to dispatch instructions

After clause 3.8.23A(h), insert:

- (i) This clause applies to *scheduled resources* that are *OSM facilities* and which have been given a *dispatch instruction* under clause 3.7G.10(a).

[86] Clause 3.13.4 Spot market

In clause 3.13.4(n), after "*publish* the actual", insert "*OSM prices for dispatched security services*,".

[87] Clause 3.13.4 Spot market

In clause 3.13.4(p), after "*publish* details of final", insert "*OSM bids*,".

[88] Clause 3.13.4 Spot market

In clause 3.13.4(p)(2), after "submitting the", insert "*OSM bid*,".

[89] Clause 3.13.4 Spot market

In clause 3.13.4(p)(3), after "the", insert "*OSM prices in OSM bids* and".

[90] Clause 3.13.4 Spot market

At the end of clause 3.13.4(q)(1), omit "and".

[91] Clause 3.13.4 Spot market

In clause 3.13.4(q)(2), after "*semi-dispatch interval* applied", omit "," and substitute "; and".

[92] Clause 3.13.4 Spot market

After clause 3.13.4(q)(2), insert:

- (3) in respect of the sub-paragraph (1), the quantity that was *dispatched as a security service*,

[93] Clause 3.13.4 Spot market

At the end of clause 3.13.4(r)(2), omit "and".

[94] Clause 3.13.4 Spot market

In clause 3.13.4(r)(3), omit "." and substitute "; and".

[95] Clause 3.13.4 Spot market

After clause 3.13.4(r)(3), insert:

- (4) in respect of the sub-paragraphs (1) to (3), the quantity of *generation, network services and load* that was *dispatched as a security service*.

[96] Clause 3.15.1 Settlements management by AEMO

At the end of clause 3.15.1(a)(4), omit "and".

[97] Clause 3.15.1 Settlements management by AEMO

In clause 3.15.1(a)(5), omit "." and substitute "; and".

[98] Clause 3.15.1 Settlements management by AEMO

After clause 3.15.1(a)(5), insert:

- (6) under clause 3.15.6C.

[99] New clause 3.15.6C Security service transactions

After clause 3.15.6B, insert a new clause:

3.15.6C Security service transactions

Definitions

(a) In this clause 3.15.6C:

enablement period means, in respect of a *security service* provided by an *OSM Participant*, a period within a *trading day*:

- (1) commencing at the start of the first *trading interval*; and
- (2) ending at the end of the last *trading interval*,

in which that *security service* is *enabled* for all *trading intervals* within that period.

regional benefit security services procedures means the procedures to determine the relative benefit that each *region* is estimated to receive from the provision of *security services*.

regional benefit security services factors means the factors to allocate, between *regions*, the costs associated with the provision of *security services* in accordance with the regional benefit security services procedures.

SSP means *security services* payment.

(b) In each enablement period for an *OSM Participant* for a *security service*, a *security services transaction* occurs, which results in a *trading amount* for the relevant *OSM Participant* determined in accordance with the following formula:

$$TA_{EP} = SSP_{EP} - ETA_{EP,CP}$$

where:

Subscript 'EP' is the relevant enablement period;

Subscript 'CP' is the relevant *connection point* for the relevant *OSM facility* providing the *security service*;

TA_{EP} (in \$) is the *trading amount* to be determined (which will be a positive or negative dollar amount for each enablement period);

SSP_{EP} is calculated in accordance with the following formula:

$$SSP_{EP} = \left[\sum_{TI=1}^Y (OVP_{TI} \times SSV_{TI}) \right] + OEP_{EP} - AOEP_{EP}$$

where:

Subscript "TI" is the relevant *trading interval*;

Y is the number of *trading intervals* in the relevant enablement period;

OVP_{TI} is the relevant *OSM variable price* for the *security service* in the relevant *trading interval*;

SSV_{TI} is the volume of the *security service* in the relevant *trading interval* corresponding to the OVP_{TI} (as *enabled* or registered by *AEMO* in its accreditation of the *OSM Participant* for that *security service*);

OEP_{EP} is the *OSM enablement price* for the *security service* in the relevant enablement period which will be deemed to be zero if, in accordance with the *OSM procedures*, the relevant *OSM facility* is deemed to have already been committed in the *spot market*; and

$AOEP_{EP}$ is the avoided *OSM enablement price* for the *security service* in the relevant enablement period where the relevant *OSM facility*, in accordance with the *OSM procedures*, is deemed to have avoided an activation, initiation or start up as a result of being *enabled* in the *operational security mechanism*.

$ETA_{EP,CP}$ is the aggregate of the *trading amounts* determined under clause 3.15.6(a) for the relevant *connection point* for the *trading intervals* in the enablement period for the SSV_{TI} .

- (c) In the statements to be provided under clauses 3.15.14 and 3.15.15 to a *Market Customer*, *AEMO* must separately identify the portion of the total amount payable to or by *AEMO* in respect of the relevant *billing period* under clause 3.15.6C(b) for the provision of *security services* that:
- (1) benefits specific *regions* in which there is a *connection point* for which the *Market Customer* is *financially responsible* (being the *regional* amounts given by the first summated term in the formula in paragraph (h)); and
 - (2) does not benefit specific *regions* (being the amount TSS_{EP} in the formula in paragraph (i)).
- (d) *AEMO* must develop and *publish* the regional benefit security services procedures in accordance with the *Rules consultation procedures*. Without limiting the matters to be included in the regional benefit security services procedures, they must require *AEMO* to take into account the relative benefit provided by each *security service* to each *region*.
- (e) Subject to paragraph (f), *AEMO* may amend the regional benefit security services procedures from time to time in accordance with the *Rules consultation procedures*.

- (f) From time to time, *AEMO* must determine the regional benefit security services factors in accordance with the regional benefit ancillary services procedures and *publish* those factors.
- (g) In each enablement period for a *security service*, in relation to each *Market Customer* for each *region*, a *security services transaction* occurs, which results in a *trading amount* for the *Market Customer* determined in accordance with the following formula:

$$TA_{EP,R,S} = (SS_{EP,S} \times RBF_{EP,R,S}) \times \frac{ACE_{EP,R}}{AACE_{EP,R}} \times -1$$

where:		
subscript EP		refers to the relevant enablement period
subscript R		refers to the relevant <i>region</i> ;
subscript S		refers to the relevant <i>security service</i> ;
$TA_{EP,R,S}$ (in \$)	=	the <i>trading amount</i> payable by the <i>Market Customer</i> in respect of the relevant <i>security service</i> for the relevant <i>region</i> and enablement period;
$SS_{EP,S}$ (in \$)	=	the <i>trading amount</i> payable by or to <i>AEMO</i> for the provision of the relevant <i>security service</i> under clause 3.15.6C(b) in respect of the relevant enablement period;
$RBF_{S,EP,R}$ (number)	=	is the latest regional security services benefit factor assigned to the provision of the relevant <i>security service</i> in respect of the relevant <i>region</i> and enablement period, as determined by <i>AEMO</i> under paragraph (f);
$ACE_{EP,R}$ (in MWh)	=	the sum, for all <i>connection points</i> of the <i>Market Customer</i> located in the <i>region</i> , of the <i>adjusted consumed energy</i> amount for the <i>connection point</i> for the enablement period; and
$AACE_{EP,R}$ (in MWh)	=	the sum, for all <i>connection points</i> in the <i>region</i> , of the <i>adjusted consumed energy</i> amount for the <i>connection point</i> for the enablement period.

- (h) In each enablement period for a *security service*, in relation to each *Market Customer*, a *security services transaction* occurs, which results in a *trading amount* for the *Market Customer* determined in accordance with the following formula:

$$TA_{EP,S} = SS_{EP,S} \times \frac{ACE_{EP}}{AACE_{EP}} \times -1$$

where:		
subscript EP		refers to the relevant enablement period;
subscript S		refers to the relevant <i>security service</i> ;
$TA_{EP,S}$ (in \$)	=	the <i>trading amount</i> payable by the <i>Market Customer</i> in respect of the relevant enablement period;
$SS_{EP,S}$ (in \$)	=	the <i>trading amount</i> payable by or to <i>AEMO</i> under paragraph (b) for the provision of the relevant <i>security service</i> in respect of the relevant enablement period, minus the sum of the <i>trading amount</i> calculated for the <i>Market Customer</i> in respect of the relevant enablement period for the relevant <i>security service</i> under paragraph (g);
ACE_{EP} (in MWh)	=	the sum, for all <i>connection points</i> of the <i>Market Customer</i> , of the <i>adjusted consumed energy</i> amount for the <i>connection point</i> for the enablement period; and
$AACE_{EP}$ (in MWh)	=	the sum, for all <i>connection points</i> , of the <i>adjusted consumed energy</i> amount for the <i>connection point</i> for the enablement period.

Schedule 2 Amendment to the National Electricity Rules

(Clause 4)

[1] Clause 4.1.1 Purpose

In clause 4.1.1(a)(3)(iv), after "*scheduled resources*", insert ", *security services*".

[2] Clause 4.3.1 Responsibility of AEMO for power system security

In clause 4.3.1(o), after "procured as", insert "*security services*".

[3] Clause 4.3.4 Network Service Providers

In clause 4.3.4(d)(4), after "(4)", insert "subject to paragraph (d)(3)".

[4] Clause 4.3.4 Network Service Providers

In clause 4.3.4(d2), after "(d2)", omit "A" and substitute "Subject to paragraph (d3), a".

[5] Clause 4.3.4 Network Service Providers

After clause 4.3.4(d2), insert:

(d3) To the extent the *NSCAS* is accredited under the *OSM procedures* as a *security service* under the *operational security mechanism*, clause 3.7G.10 will apply in respect of the form of instructions for the *dispatch* of the *service* by *AEMO*.

[6] Clause 4.4.2 Operational frequency control requirements

In clause 4.4.2(a), after "*scheduled resources*", insert ", *security services*".

[7] Clause 4.4.5 Instructions to enable system strength services

In clause 4.4.5(b), after "(b)", omit "In" and substitute "Subject to clause 3.7G.10(d), in".

[8] Clause 4.4.5 Instructions to enable system strength services

In clause 4.4.5(c), after "clause 5.20C.4(e)", insert "or, if enable as a *security service* under the *operational security mechanism* under clause 3.7G.10".

[9] Clause 4.9.5 Form of dispatch instructions

After clause 4.9.5(a2), insert:

- (a3) A *dispatch instruction* for an *OSM facility* must include the following:
- (1) specific reference to the mode of the facility to which the *dispatch instruction* applies (if applicable);
 - (2) the desired outcome of the *dispatch instruction*;
 - (3) the time the *dispatch instruction* is issued; and
 - (4) if the time at which the *dispatch instruction* is to take effect is different from the time the *dispatch instruction* is issued, the start time.

[10] Clause 4.9.6 Commitment of scheduled generating units

In clause 4.9.6(b)(1) after "*scheduled generating unit*", insert "(including one that is part of an *OSM facility*)".

[11] Clause 4.9.6 Commitment of scheduled generating units

In clause 4.9.6(b)(1) after "*AEMO* in response to", omit "a" and substitute "an *OSM bid* or".

[12] Clause 4.9.8 General responsibilities of Registered Participants

After clause 4.9.8(f), insert:

- (g) An *OSM Participant* must ensure that each of its *OSM facilities* is at all times able to comply with its latest *OSM bid* for the relevant *OSM block*.

Note

The *AEMC* intends this paragraph is classified as a tier 1 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

[13] Clause 5.20C.4 System strength services information and approvals

In clause 5.20C.4(b), after "under a *system strength services agreement*", insert "and the *Generator* is not accredited under the *operational security mechanism* for services provided under that *system strength services agreement*".

[14] Clause 5.20C.4 System strength services information and approvals

After clause 5.20C.4(b), insert:

- (b1) Where the *System Strength Service Provider* procures *system strength services* that are eligible to be accredited to provide *security services*, it must unless otherwise agreed with *AEMO*:
- (1) require the relevant *Market Participant* to obtain accreditation as a relevant *security service* in the *operational security mechanism*; and
 - (2) ensure the *system strength services agreement* complies with any requirements of the *OSM procedures*.

[15] Clause 5.20C.4 System strength services information and approvals

At the end of clause 5.20C.4(c)(1)(v), omit "and".

[16] Clause 5.20C.4 System strength services information and approvals

In clause 5.20C.4(c)(1)(vi), omit "." and substitute "; and".

[17] Clause 5.20C.4 System strength services information and approvals

After clause 5.20C.4(c)(1)(vi), insert:

- (vii) if the *system strength service* is accredited in the *operational security mechanism*, any information required under the *OSM procedures*.

[18] Clause 5.20C.4 System strength services information and approvals

At the end of clause 5.20C.4(c)(2)(i), omit "and".

[19] Clause 5.20C.4 System strength services information and approvals

In clause 5.20C.4(c)(2)(ii), omit "." and substitute "; and".

[20] Clause 5.20C.4 System strength services information and approvals

After clause 5.20C.4(c)(2)(ii), insert:

- (iii) if the *system strength service* is accredited in the *operational security mechanism*, any information required under the *OSM procedures*.

[21] Clause 5.20C.4 System strength services information and approvals

At the end of clause 5.20C.4(d)(1), omit "and".

[22] Clause 5.20C.4 System strength services information and approvals

In clause 5.20C.4, omit paragraph (e) and substitute:

- (e) The arrangements necessary for *AEMO* to give the instructions referred to in paragraph (d) and any change to them must be consistent with:
 - (1) the *Rules* and approved by *AEMO*; and
 - (2) if the *system strength service* is accredited in the *operational security mechanism*, with the *OSM procedures*.

Schedule 3 Amendment to the National Electricity Rules

(Clause 5)

[1] Chapter 10 Substituted definition

Omit the definition of "*default bid*" in chapter 10 and substitute:

A dispatch bid in respect of a *scheduled resource*, a *market ancillary service bid* in respect of an *ancillary service unit*, or an *OSM bid* in respect of an *OSM facility*, to apply from a specified future *trading day*.

[2] Chapter 10 Substituted definition

Omit the definition of "*dispatch*" in chapter 10 and substitute:

The act of initiating or enabling all or part of the response specified in a *dispatch bid* or *market ancillary service bid* in accordance with rule 3.8, or a *direction* or operation of capacity the subject of a *reserve contract* or an instruction under an *ancillary services agreement* or to *enable an inertia network service*, *system strength service* or *security service* as appropriate.

[3] Chapter 10 Amended definition

In the definition of "*dispatch instruction*" in chapter 10, after "*Registered Participant* under clauses", insert "3.7G.10(a)".

[4] Chapter 10 Amended definition

At the end of the definition of "*enable*" in chapter 10, insert as a fifth paragraph "A *security service* is *enabled* when *AEMO* has selected, and issued a *dispatch instruction* under clause 3.7G.10(a) in respect of, the relevant *security service* and the service is assisting to achieve and maintain the *technical envelope*".

[5] Chapter 10 Amended definition

In the definition of "*rebid*" in chapter 10, after "clause 3.8.23(b)", insert "or 3.8.23(b1)".

[6] Chapter 10 Amended definition

In the definition of "*timetable*" in chapter 10, after "operation of the", insert "*operational security mechanism* and".

[7] Chapter 10 Amended definition

In the definition of "*trading amount*" in chapter 10, after "3.15.6A", insert ", 3.15.6C".

[8] Chapter 10 New definitions

In chapter 10, insert the following definitions in alphabetical order:

OSM or operational security mechanism

The process to *enable security services* set out in rule 3.7G.

OSM bid

A multi-part or single price offer submitted by an *OSM Participant* to *AEMO* to provide a *security service* in accordance with clause 3.7G.7.

OSM block

Has the meaning given in clause 3.7G.9(c).

OSM enablement price

Has the meaning given in clause 3.7G.7(c)(1)(ii).

OSM facility

A *facility*, or part of a *facility* (including a *generating unit* or *bidirectional unit*) or *load* that has been accredited for the provision of *security services* in a specified mode accordance with the *OSM procedures*.

OSM gate closure

The time after which an *OSM Participant* may not make a *rebid* in respect of an *OSM block*, except as permitted under the *OSM procedures*.

OSM objective

Has the meaning given in clause 3.7G.2.

OSM Participant

A person accredited to provide a *security service* by *AEMO* under clause 3.7G.6.

OSM price

A price for a *security service*, including an *OSM variable price*, *OSM enablement price* and any other price parameter required under the *OSM procedures*.

OSM price cap

A price cap for an *OSM price* published under clause 3.7H.3 as may be varied from time to time under clause 3.7H.4.

OSM procedures

The procedures developed and *published* by *AEMO* under clause 3.7G.11.

OSM schedule

The schedule *published* by *AEMO* under clause 3.7G.9.

OSM variable price

Has the meaning given in clause 3.7G.7(c)(1)(i).

secure system configuration

Has the meaning given in clause 3.7G.3(d).

security service

Has the meaning given to it in clause 3.7G.3(a).

Security Services Guideline

The guideline developed and *published* by *AEMO* in accordance with clause 3.7G.4.

separate security service

Has the meaning given to it in clause 3.7G.3(c).

system configuration service

Has the meaning given to it in clause 3.7G.3(b).

Schedule 4 Savings and Transitional Amendment to the National Electricity Rules

(Clause 6)

[1] New Part [ZZZZZ#] Operational Security Mechanism

In Chapter 11, after Part ZZZZZ#, insert a new Part:

Part ZZZZZ[#] Operational Security Mechanism

11.### Rules consequential on the making of the National Electricity Amendment (Operational Security Mechanism) Rule 2022

11.###.1 Definitions

(a) In this rule 11.###:

Amending Rule means the *National Electricity Amendment (Operational Security Mechanism) Rule 2022*.

commencement date means the date of commencement of the *National Electricity Amendment (Operational Security Mechanism) Rule 2022*.

new clause 3.7G.1 means clause 3.7G.1 of the *Rules* as in force after the commencement date.

new clause 3.7H.1 means clause 3.7H.1 of the *Rules* as in force after the commencement date.

OSM market power review has the meaning given in new clause 3.7H.1.

Security Services Guidelines has the meaning given in new clause 3.7G.1.

security services list has the meaning given in new clause 3.7G.1.

(b) Italicised terms used in this rule 11.### have the same meaning as in the new Chapter 10.

11.###.2 Security Services Guidelines and OSM procedures

(a) *AEMO* must develop and *publish* the Security Services Guidelines and *OSM procedures* by 1 January 2025.

(b) *AEMO* must comply with the *Rules consultation procedures* when making the Security Services Guidelines and *OSM procedures* under paragraph (a).

11.###.3 Security services list

- (a) *AEMO* must develop and *publish* the security services list by 1 July 2025.
- (b) *AEMO* is not required to comply with the *Rules consultation procedures* when developing the security services list under paragraph (a).

11.###.4 OSM market power review

- (a) The *AER* must *publish* the first draft OSM market power review by 1 May 2025.
- (b) The *AER* must *publish* the first final OSM market power review by 1 July 2025.
- (c) If the *AER* recommends *OSM price caps* or price monitoring in the final OSM market power review published under paragraph (b), *AEMO* must, by 1 September 2025, implement the *OSM price caps* or price monitoring provided for in that review (including setting and *publishing* the *OSM price caps* to be calculated if applicable), in accordance with that review.

11.###.5 OSM Participant accreditation

AEMO may take action before the commencement date to accredit *OSM Participants* under the *operational security mechanism* with such accreditation commencing on the commencement date.

11.###.6 Amendments to other documents

- (a) By 1 January 2025, *AEMO* must amend and *publish* the following documents to apply from the commencement date to take into account the Amending Rule:
 - (1) the *timetable*; and
 - (2) the *dispatch algorithm*.
- (b) By 1 January 2025, the *AER* must amend and *publish* the guidelines required under clause 3.8.22(f) to apply from the commencement date to take into account the Amending Rule.

11.###.7 Action taken prior to commencement

Any action taken by *AEMO* or an *OSM Participant* prior to the commencement date in anticipation of the commencement of the Amending Rule is deemed to have been taken for the purpose of the Amending Rule and continues to have effect for that purpose.