



INFORMATION

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 15, 60 CASTLEREAGH STREET SYDNEY NSW 2000
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

Improving security frameworks for the energy transition

Refinements to the transitional services framework and a transition plan for system security would better support security through the transition

The Commission has updated its proposals to improve existing security frameworks to support the energy transition. We are proposing refinements to the ‘transitional services framework’, as well as a new report: the transition plan for system security. Together, these would enable AEMO to meet existing security needs and trial the security capabilities of new technologies, as well as providing industry with more information on how AEMO plans to manage system security through the transition.

We proposed a ‘transitional services framework’ to support security through the transition

In the [Improving security frameworks for the energy transition directions paper](#), published August 2023, the Commission proposed various reforms to long-term security frameworks to address security needs through the transition. These included 1) aligning the inertia and system strength frameworks, 2) removing the exclusion to procuring inertia network services and system strength in the network support and control ancillary service (NSCAS) framework 3) empowering AEMO to enable security services, 4) improving directions transparency and cost recovery and 5) creating a new transitional non-market ancillary service (NMAS) to address security needs through the transition.

We received feedback on all five of those key areas in response to our directions paper. In relation to the first four key areas, the Commission generally received endorsement of its proposed direction, although numerous suggestions to refine the proposals. The Commission is currently working through this feedback to refine the proposed framework with our technical working group, working closely with the AER and AEMO, and bilateral meetings.

This paper focuses on addressing stakeholder feedback to the fifth issue of the transitional framework.

Using this framework, AEMO would be able to procure for known security needs that are not captured in an existing planning framework, as well as trial the capability of new technologies to provide security services in a low- or zero-emissions power system.

The Commission has refined the proposed transitional services framework

The Commission has released an update paper which refines our proposals for the NMAS ‘transitional services’ framework. These proposals respond to significant stakeholder feedback on the framework in submissions to the August 2023 directions paper.

Submissions to the August 2023 [directions paper](#) expressed mixed responses to the overall design of the framework. There was a general acceptance of the need for the framework, but significant concern on its design features. Some stakeholders were also concerned that the transitional services framework could cause delays to security services being separately defined, understood and procured where possible through discrete mechanisms.

We are proposing to further refine the design of the transitional services framework by:

- refining the timeframes for contracts under the framework, to ensure the framework supports investment in new technology and the transition proceeding at pace
- requiring AEMO to consider emissions reductions in its contracting decisions, and

- including reporting requirements on the outcomes of any trials progressed through the transitional services framework-

We consider this would support broader industry understanding and insights into how security will be managed throughout the transition.

Considered together, these changes would incentivise the uptake of resources with the necessary capabilities before existing units exit.

The Commission is also proposing AEMO publish a transition plan for system security

In addition to the transitional services framework, we are proposing AEMO develop and publish a transition plan for system security every two years. This would be a new reporting requirement that was not proposed in the directions paper.

We consider this report is needed to ensure industry is well-informed about:

- how AEMO is planning to meet the security needs of the power system through the transition and beyond to a low- or zero-emissions system, and
- the current technical understanding of system security and work to improve this understanding and specify services.

This report would provide investment signals to support investment in the right resources and capabilities needed to manage a secure system, before existing plant retires.

This also responds to strong concerns from stakeholders that there is not enough transparency on the services AEMO requires to manage power system security and the progress AEMO is making to manage system security with high levels of renewables.

To promote a robust plan underpinned by collaboration and industry-wide learning, the Commission is also proposing that AEMO would publish a draft report, which they would be required to engage with the Reliability Panel on as they do with other security reports. We also expect that AEMO would engage with industry on the report. AEMO would be required to respond to Panel feedback.

We are seeking stakeholder feedback on these proposals

We welcome stakeholder feedback on the update paper. The Commission invites stakeholders to make a submission for a period of seven weeks, with submissions due by **5pm, 1 February 2024**. Submissions can be lodged online via the Commission's website, www.aemc.gov.au, using the 'lodge a submission' function.

For information contact:

Project sponsor, **Amy Wiech** 02 8296 0684

Media enquiries: media@aemc.gov.au

December 2023