Tuesday, 23 December 2025

Ms Victoria Mollard
EGM, Economics and System Security
Australian Energy Market Commission

Dear Ms Mollard

ERC0359 Consultation Paper on Optimising contingency size in dispatch and Allocating FCAS contingency costs Rule

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing nearly 1,000 leading businesses across renewable energy, energy storage, and renewable hydrogen. The CEC is committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible while maintaining a secure and reliable electricity supply for customers.

The CEC welcomes the opportunity to comment on the AEMC's *Consultation Paper on Optimising contingency size in dispatch and Allocating FCAS contingency costs*.

While the AEMC has previously considered contingency size optimisation and runway cost allocation (for example, in the 2017 FCAS Framework Review and the 2022 FOS Review), this is the first time it will assess specific rule changes to address these issues for contingency frequency control ancillary services (CFCAS) in the NEM.

The rule change package spans a wide range of complex and interdependent matters, including dispatch processes, system security, market participant revenues, investment incentives, contract market liquidity, long run reliability, system changes, and associated implementation costs.

Further analysis is required to better understand the financial implications of the proposed changes and to assess whether the necessary technical adjustments are feasible and if so, how the "maximum trade value" should be calculated. For example, Allan O'Neil, in his WattClarity post, highlights several practical challenges with the proposal. For example, it is not clear whether and how the proposed rules may apply to:

- the diverse and largely uncontrollable loads of market customers
- the credible risk of multiple generators tripping simultaneously, for example where units are linked by a network protection scheme
- the credible risk of an interconnector trip that would separate a region from the rest of the NEM.

It would also be valuable to assess the likely size and sources of large-scale contingencies in a future power system, particularly given the retirement of synchronous generators and the emergence of data centres, storage, and Renewable Energy Zones (REZs).

Phone: +61 3 9929 4100
Fax: +61 3 9929 4101
info@cleanenergycouncil.org.au

Level 20, 180 Lonsdale Street, Melbourne, VIC 3000, Australia

cleanenergycouncil.org.au

ABN: 84 127 102 443

A thorough theoretical and empirical assessment is essential to evaluate whether the runway pricing principle is suitable for the NEM.

If the runway principle is found to be appropriate, the next step would be to examine the practical challenges of implementation, including system changes required by AEMO and potentially by market participants, along with all associated costs.

The rule change proposed by Grids Energy provides an important opportunity to examine these issues in depth. However, for the reasons outlined above, the CEC considers that a draft determination in March 2026 does not allow sufficient time to undertake the detailed work required. The rule change was submitted in April 2025, and there is no compelling reason—or urgency—to accelerate the process.

We recommend a more comprehensive approach, in which the AEMC undertakes detailed analysis and modelling (where required) and convenes a Technical Working Group to ensure all aspects are fully considered. There should also be an additional round of consultation on the AEMC's detailed analysis before a draft determination is published.

The CEC welcomes further engagement with the AEMC in relation to *the Optimising contingency size in dispatch and Allocating FCAS contingency costs* Rule change process. Further queries can be directed to Veronika Nemes vnemes@cleanenergycouncil.org.au

Kind regards

Dr Veronika Nemes

A/General Manager, Market, Operations and Grid