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How the market bodies work

AEMC
Australian Energy Market Commission
Rule maker, market developer and expert adviser to governments.
Protects consumers and achieves the right trade-off between cost, reliability and security, as sector transitions to net zero.

AEMO
Australian Energy Market Operator
Electricity and gas systems and market operator.
Works with industry to keep the lights on.

AER
Australian Energy Regulator
Economic regulation and rules compliance.
Policies the system and monitors the market.

ESB
Energy Security Board
Was established by the COAG Energy Council to coordinate implementation of recommendations from the Independent Review into the Future Security of the National Electricity Market (Finkel Review).

Energy Ministers
The Energy National Cabinet Reform Committee (ENCRC) and the Energy Ministers’ Meeting (EMM)
Are ministerial forums for the Commonwealth, Australian states and territories, and New Zealand to work together on priority issues of national significance and key reforms in the energy sector.
Key challenges and opportunities facing the market

1. Reliability and capacity
2. Increase renewables, ensuring system security (ESS), and low demand
3. CER, integration and future work on DSP and two-sided markets
4. Transmission access
What does the Energy Security Board (ESB) do?

ESB is tasked with taking a holistic look at what changes are required so the NEM can meet the needs of consumers in a future of diverse sources of non-dispatchable generation, demand response, storage, and distributed energy protection.

Work on four key workstreams, that address aspects of how electricity is generated and dispatched, how consumers can access the services they want and how investment can occur in the most efficient way to avoid unnecessary costs.

Objective of the reform work is to ensure we have the appropriate tools in place to support an orderly transition that minimises consumer costs and maintains reliability and security.
Stream of work seeks to provide the right suite of incentives to support the orderly retirement of thermal generators and encourage timely investment in a mix of new resources to maintain reliability.

Stream of work is looking at how to better coordinate new generation and network build to make sure the broader system is built and used efficiently – in a way that minimises costs for energy users.

Stream of work is firmly focused on removing barriers and increasing uptake for customers, and resolving the complex technical issues around standards and interoperability.

Stream of work is looking at how we deliver the critical things like frequency, inertia and operating reserves – that have traditionally been provided for free by thermal generation as plants retire.
Reliability and capacity

- Transparency of generator availability
- Jurisdictional strategic reserves
- T3 Ministerial lever for the Retailer Reliability Obligation (RRO)
- Capacity Mechanism
- Orderly exit of ageing thermal generators

In December 2022, Ministers endorsed in principle a new Commonwealth Capacity Investment Scheme, which is a Commonwealth revenue underwriting scheme available to all jurisdictions nationally. It will be limited to zero emissions dispatchable generation and storage technologies and will be integrated with existing state schemes where such schemes exist.

Source: AEMO 2022 Integrated System Plan, page 9
Evolution of access reform in Australia

2020
- Interim Report
- LMPs and FTRs
  - Leveraging regime applied in international markets

2021
- Post 2025 advice to Energy Ministers
  - CMM adapted for REZs
    - Modified approach following stakeholder feedback

2022
- Projection initiation paper
  - Invite for other models
    - Ten model options submitted

2023
- Consultation paper
- Directions paper
- Four shortlisted models
  - Including two proposed by stakeholders – CEIG queue model and Edify Energy’s CRM

- REZ Renewable Energy Zone
- Hybrid model
  - Including design choices on two models originally proposed by stakeholders (CEIG’s queue model and Edify/CEC’s modified CRM)

LMP Locational Marginal Price
FTR Financial Transmission Right
CMM Congestion management model
LMP Locational Marginal Price
FTR Financial Transmission Right
CMM Congestion management model
Where we are we up to

- Most recently consulted on a preliminary hybrid model that mixes and matches the best parts from the previously shortlisted stakeholder models.
- Complex stakeholder environment with little consensus on the best way forward.
- Next steps: ESB will make recommendations to Ministers at the end of February.
Ensuring System Security (ESS)

1. Operational Security Mechanism
2. Frequency Operating Standards
3. Inertia Rule Change
4. Operating Reserves
CER

- CER Technical standards review
- Metering review
- Scheduled lite mechanism rule change
- Flexible trading rule change
What does 2023 look like

What does the future hold
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