

# Summary of the final reform package and corresponding Energy Security Board recommendations

This table provides a summary of all Energy Security Board (ESB) recommendations from its Post-2025 Market Design Final Advice to Ministers. For completeness, this includes recommendations where no ministerial decision was required.

Summary of ESB recommendation	National Cabinet decision	Next steps
<b>Resource adequacy and ageing generator retirement</b>		
<p><b>Recommendation 1(a)(i)</b></p> <p><b>Instruct</b> the ESB to prepare a rule change for submission to the Australian Energy Market Commission (AEMC) to implement a <b>NEM-wide jurisdictional strategic reserve</b> for the procurement of any required reserves that individual jurisdictions consider necessary beyond the market reliability standard.</p>	<p><b>Agreed the ESB’s recommendation</b>, with the interim measures for reliability to continue to operate alongside the strategic reserve.</p> <p>Energy Ministers asked that the ESB prepare the rule change for submission to the AEMC in collaboration with Energy Senior Officials.</p>	ESB, in collaboration with Energy Senior Officials, to prepare a rule change for submission to the AEMC.
<p><b>Recommendation 1(a)(ii)</b></p> <p><b>Instruct</b> the ESB to prepare a rule change for submission to the AEMC to implement <b>enhancements to existing generator exit mechanisms</b> to provide greater transparency of generator availability.</p>	<p><b>Agreed the ESB’s recommendation</b>, with the Australian Energy Market Operator (AEMO) to notify jurisdictions if a change in generator availability results in a breach of that jurisdiction’s adopted reliability standard.</p> <p>Energy Ministers asked that the ESB prepare the rule change for submission to the AEMC in collaboration with Energy Senior Officials.</p>	ESB, in collaboration with Energy Senior Officials, to prepare a rule change for submission to the AEMC.
<p><b>Recommendation 1(b)</b></p> <p><b>Adopt</b> a set of <b>principles to guide the development of any future jurisdictional schemes</b> to ensure a common approach that is consistent with current market signals for jurisdictions. Jurisdictions are encouraged to use currently available information on market needs and seek additional information from the market as necessary when considering jurisdictional schemes.</p>	<p><b>National Cabinet endorsed Energy Ministers’ decision</b> to adopt, on a non-binding basis, an amended set of principles for jurisdictional investment schemes adapted from the ESB’s principles.</p>	The principles can be found <a href="#">here</a> .
<p><b>Recommendation 1(c)</b></p> <p><b>Adopt a Ministerial lever to trigger the current Retailer Reliability Obligation</b> as is currently in place in South Australia. This would give Ministers the ability to strengthen</p>	<p><b>Agreed the ESB’s recommendation.</b></p>	ESB and relevant state and territories to progress implementation.

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<p>the RRO if they wish while further detailed design work is undertaken on a capacity mechanism.</p>		
<p><b>Recommendation 2</b></p> <p>a) <b>Provide in-principle support for a capacity mechanism</b> for the National Electricity Market (NEM) to ensure the competitive provision of the right mix of resources as the market transitions towards net zero emissions.</p> <p>b) <b>Instruct</b> the ESB to work with stakeholders and jurisdictions over the next 12–18 months to <b>develop the detailed design of the capacity mechanism</b> for the agreement of Ministers in mid-2023.</p> <p>c) <b>Use a decentralised capacity mechanism (where the volume of required capacity is determined by liable entities, such as the Physical Retailer Reliability Obligation) as the starting point for the design work</b>, with further consideration given to:</p> <ol style="list-style-type: none"> <li>i. whether it would be preferable to centrally determine the volume of required capacity;</li> <li>ii. whether using existing contracts between registered market participants would be preferable as the basis of the scheme (rather than creating a new certificate);</li> <li>iii. how to address the impacts of the proposed capacity mechanism on retail competition, commercial and industrial customers, market power concerns, transaction costs for market participants, and affordability; and</li> <li>iv. integrating a NEM-wide, common approach to jurisdiction investment schemes to work alongside the new mechanism.</li> </ol>	<p><b>National Cabinet agreed Energy Ministers’ decision to progress detailed design work on a mechanism that specifically values capacity in the NEM.</b></p> <p>National Cabinet also endorsed Energy Ministers’ decision to task the ESB with further work on orderly exit management arrangements for ageing thermal generators that are complementary to, or part of, a capacity mechanism. This includes arrangements for jurisdictions to recover appropriate electricity-related costs from consumers and relevant information disclosure arrangements.</p>	<p>The ESB will be responsible for progressing this work, with engagement from Commonwealth Government, state and territory officials, stakeholders and consumer representatives.</p> <p>This work will be guided by a set of <a href="#">Capacity Mechanism Principles</a> to ensure the mechanism delivers investment in an efficient mix of variable and firm capacity that meets reliability at lowest cost.</p> <p>Given the significant nature of such a reform, the ESB will report regularly to Energy Ministers at key stages of the design process, with a view to <b>delivering final advice by the end of 2022</b>.</p> <p>Energy Ministers will consider a revised Terms of Reference for the ESB before the end of 2021. The revised Terms of Reference will include the items tasked by Energy Ministers.</p>
<p><b>Essential System Services and Scheduling and Ahead Mechanisms</b></p>		

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<p><b>Recommendation 3</b></p> <p><b>Note</b> that AEMC rule change requests are underway:</p> <ul style="list-style-type: none"> <li>a) Frequency control, including a new <b>fast frequency response</b> (FFR) service and enduring primary frequency response (PFR) arrangements</li> <li>b) <b>Operating reserve services</b>, to explicitly value reserve services separately to energy</li> <li>c) <b>Unit commitment for security</b> (UCS) and system security mechanism (SSM). These are operational and short-term procurement mechanisms allowing AEMO to value, procure and schedule specific services and resources to help keep the system secure</li> <li>d) Enhanced <b>system strength frameworks</b>, to make it simpler, faster and more predictable for new generation to connect to the grid and keep supply as secure as possible.</li> </ul>	<p>No decision required by National Cabinet.</p> <p>These rule changes are being progressed by the AEMC.</p>	<p>The AEMC is continuing to progress the rule change requests in accordance with its usual processes. Further details on rule change requests can be found <a href="#">here</a>.</p>
<p><b>Recommendation 4</b></p> <p><b>Instruct</b> the ESB to monitor and provide advice about market conditions and the need for longer term reforms for <b>essential system services</b>, including the need for further unbundling of essential system services, an integrated ahead market or development of inertia spot market.</p>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>Energy Ministers will consider revised Terms of Reference for the ESB before the end of 2021. The revised Terms of Reference will include the items tasked by Ministers.</p>
<p><b>Transmission and Access</b></p>		
<p><b>Recommendation 5(a)</b></p> <p><b>Adopt</b> the REZ Planning Rules and the Principles for an Interim REZ framework to address the urgent planning implications for REZs.</p>	<p><b>National Cabinet endorsed Energy Ministers' decision to agree</b> the framework and adopted the ESB's recommended principles.</p> <p>This follows ENCRG agreement to the Stage I REZ Planning Rules, which came into effect on 13 May 2021.</p>	<p>The next step is for the ESB to develop a medium term access solution to build on the REZ framework, as mentioned in recommendation 5(b).</p> <p>The ESB will continue to collaborate with state governments to explore different REZ models and ensure that these parallel processes deliver a cohesive overall framework.</p>
<p><b>Recommendation 5(b)</b></p> <p><b>Instruct</b> the ESB to prepare a rule change for submission to the AEMC to progress the <b>congestion management model</b>, adapted for integration with REZs. This model complements the Interim REZ framework and will address the emerging</p>	<p><b>National Cabinet agreed Energy Ministers' decision to progress further work on a Congestion Management Model.</b></p>	<p>The ESB will be responsible for progressing detailed design work on the Congestion Management Model.</p> <p>The design will include a comprehensive consultation process and should take into consideration value for money,</p>

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<p>congestion management needs of the system. Comprehensive consultation, with a wide range of industry, consumer and government stakeholders on the detailed design of the model will be undertaken as part of the rule change process.</p>		<p>providing locational signals, and ensuring sufficient flexibility for jurisdictional differences.</p> <p>The ESB will bring back a proposed rule change based on the detailed design work to Energy Ministers by the <b>end of 2022</b>.</p>
<p><b>Recommendation 6</b></p> <p>The ESB recommends Energy Ministers <b>seek advice from the AEMC</b> on what initial reforms are necessary to current regulatory frameworks to improve the timely and efficient delivery of <b>major transmission projects</b> (including ISP projects). This advice will be prepared as part of the AEMC's current Transmission Investment and Planning Review.</p>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>Jurisdictions will continue to engage with the AEMC to identify critical issues for it to prioritise within its <a href="#">Transmission Planning and Investment Review</a>.</p>
<p><b>Effective integration of Distributed Energy Resources (DER) and Flexible Demand</b></p>		
<p><b>Recommendation 7</b></p> <p>The ESB recommended Ministers <b>support the DER Implementation Plan</b>, which will deliver the following outcomes:</p> <ul style="list-style-type: none"> <li>a) Consumers are rewarded for their flexible demand and generation, have options for how they want to engage, and are protected by a fit-for-purpose consumer protections framework.</li> <li>b) The wholesale market supports innovation, the integration of new business models and has a more efficient supply and demand balance.</li> <li>c) Networks are able to accommodate the continued uptake of DER and two-way flows and are able to manage the security of the network in a cost-effective way.</li> <li>d) AEMO has the visibility and tools it needs to continue to operate a safe, secure and reliable system, including maintaining system security associated with minimum load conditions.</li> </ul>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>The ESB will progress immediate and initial regulatory, technical and market reforms as per the DER Implementation Plan.</p> <p>The ESB will also provide Energy Ministers with advice on additional reforms that will be developed as part of the Plan.</p>
<p><b>Recommendation 8</b></p> <p><b>Adopt</b> a jurisdictional Ministerial lever for <b>emergency backstop measures</b>, as an immediate reform. Enduring</p>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>ESB and relevant state and territories to progress implementation.</p>

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measures to address system security challenges associated with low minimum system load are being prepared as part of the Plan.		
<p><b>Recommendation 9</b></p> <p><b>Note</b> the ESB has developed a <b>Consumer Risk Assessment tool</b> as an immediate reform. The tool will be used by the ESB and market bodies to consider consumer implications in policy development, including rule change requests and the maturity plan process.</p>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>No further action required.</p>
<b>Implementation</b>		
<p><b>Recommendation 10</b></p> <p>Instruct the <b>ESB to monitor each of the reform pathways</b> in light of changing market conditions and provide reports at least annually or more regularly if required.</p>	<p><b>Agreed the ESB's recommendation.</b></p>	<p>Energy Ministers will consider revised Terms of Reference for the ESB before the end of 2021. The revised Terms of Reference will include the items tasked by Ministers.</p>
<p><b>Recommendation 11(a) and (b)</b></p> <p>The ESB recommends Ministers <b>agree</b> to:</p> <p>a) Instruct <b>AEMO</b> to provide more detail of its <b>required funding</b> on a year-by-year basis (to 2025) by end August for the longer-term upgrade that is necessary for AEMO's existing systems and business processes to enable these reforms.</p> <p>b) Instruct the <b>AER and the AEMC</b> to provide proposals on a year-by-year basis (to 2025) by end August about <b>additional resources</b> they need to implement the Post-2025 reform pathways.</p>	<p><b>National Cabinet noted the costs to market bodies associated with implementing the Post-2025 reforms.</b></p>	<p>At the request of Energy Ministers, energy market bodies (including ESB, AEMC, AEMO and AER) to provide final budget advice to Energy Ministers before the end of the year, for further consideration.</p>

