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## **Submission from the WA Expert Consumer Panel to the Consultation on proposed outcomes of the review of the Non-Co-optimised Essential System Services Framework - relating to Network Support Services**

Thank you for the opportunity for members of the WA Expert Consumer Panel (ECP) [Anne Hill, Chris Alexander, Luke Skinner, Noel Schubert, Rosh Ireland] to make a submission on the above consultation.

As a panel supported by the State Government's Western Australian Advocacy for Consumers of Energy (WA ACE) program, we are committed to improving consumer outcomes in the energy sector. We represent energy consumers on the Market Advisory Committee (MAC) and its working groups, and in other consultation processes relevant to consumers of energy in WA.

## **Comments**

Members of the ECP support the intent of the three proposals outlined in the [consultation paper](#) to make the processes for the use of Network Support Services (NSS) more efficient and effective.

The proposals are:

1. To allow Western Power to utilise the NCESS framework in a more efficient and flexible manner for repetitive Network Support Services (NSS) procurements, a truncated procurement process is proposed provided that certain criteria and conditions are met.
2. To allow a temporary and limited exemption from clause 5.3.1(b) of the ESM Rules to remove potential barriers to participation in the emerging distribution NSS market in the medium term, by ensuring service providers can realise sufficient value.
3. To support distribution-based NSS necessary to support regional reliability, it is proposed that Market Participant registration, Facility registration, and participation in the Reserve Capacity Mechanism (RCM) is not required for relevant services, provided that set criteria are met.

## Proposal 1

*“Allow Western Power to utilise the Non-Co-optimised Essential System Services (NCESS) framework in a more efficient and flexible manner through a truncated process for repetitive Network Support Services (NSS) procurements, provided certain criteria and conditions are met.*

*The truncated processes will allow the Coordinator for Energy (Coordinator) to review and make a determination on an ‘initial trigger’ submission and approve a ‘standard service specification’, enabling Western Power to procure similar services against that specification without the need for further determinations.*

*Subsequent procurements, for which the specification is unchanged, could proceed directly to a Request for Submissions following consultation with AEMO and Energy Policy WA (EPWA).”*

ECP members support this proposal, as outlined in more detail in the consultation paper.

## Proposal 2

*“To remove barriers to participation in the emerging distribution network support services (NSS market) and ensure service providers can realise sufficient value, a temporary and limited exemption from Clause 5.3.1(b) of the ESM Rules is proposed. This exemption would apply if all of the following criteria are met:*

- The NSS is provided by a Facility connected to the distribution system;*
- The Facility has an aggregated capacity of 5MW or less, including:*
- A sub-limit of 1.2MW per Connection Point to apply in the case of Electric Storage Resources; and*
- A sub-limit of a 0.6MW per Connection Point to apply in the case of all other technology types; and*
- The NCESS Contract is entered into during the exemption period (for services procured from 1 January 2026 to 31 December 2028).*
- The exemption applies to the procurement completion date, that is the date on which contracts are executed, not the commencement or completion date for the services.”*

### **“Rationale**

*With the introduction of the Federal and State Battery Subsidy Schemes, as well as recent Wholesale Electricity Market (WEM) reforms to facilitate distributed energy resource (DER) participation in the Reserve Capacity Mechanism (RCM), there is a rapid increase in residential and commercial battery storage systems that can be aggregated for distribution NSS.*

*Western Power proposes a temporary exemption for distribution connected NSS suppliers, under the NCESS framework to enable value stacking for prospective service*

*providers, particularly those operating aggregated DER, smaller DER facilities, and small-scale community batteries.*

*The exemption would allow suppliers to receive payments for the provision of distribution-connected NSS, and Capacity Credit payments under the RCM, where both services are delivered concurrently by the same facility and can meet the prerequisite technical and operational requirements.”*

*The proposed exemption aligns with the Project Symphony findings, and the Project Jupiter intended outcomes and are intended to be temporary to support the growth of the emerging distribution-based NSS market.*

*For services procured in 2028, this exemption will apply for services delivered to 2031/32 for 3 year NSS contracts. The distribution NSS market will continue to be monitored to ensure that it is working effectively and as intended. While the exemption period is proposed to be initially 3 years, it may be extended (in the same or a modified form) if continued support is required.”*

ECP members support the proposed ‘value stacking’ for payments to NSS providers with some qualifications as follows.

NSS capabilities for different types of network needs can be provided by a range of different facilities (generators, batteries), aggregations of DER/CER (distributed / consumer energy resources) and demand-side management programs (DSM) - which we collectively refer to here as NSS resources. The cost to provide them can vary widely and, for provision of them to be viable for proponents, the payments need to be adequate otherwise they will not be available and normal supply-side generation and network solution costs will be incurred.

There are two separate services and value stream considerations to consider here:

1. Capacity credits pay for system capacity needs (generation, DSP) to meet total system peak demand.
2. Network support services to offset network capacity needs and costs, which have value separate, and additional, to the system capacity needs.

The total avoided cost of SWIS generation capacity (capacity credits) plus the avoided network augmentation costs should be the ‘ceiling’ for how much a NSS receives from value stacking if it provides both services - otherwise it will cost consumers more in the long run than the total cost of the normal supply-side solutions - more generation capacity plus normal network augmentation to meet both needs.

Existing (established) resources capable of either providing NSS or receiving RCM capacity credits should not need significantly higher payments from value stacking to provide the other of these two service needs. There just needs to be sufficient incentive to offer the second service.

When seeking to attract new NSS resources, they are likely to need higher payments than existing resources and value stacking legitimately allows this - up to the ceiling(s) of the stacked avoided costs (generation and/or network augmentation as applicable).

The proposed temporary exemption from clause 5.3.1 b) to allow value stacking is a reasonable approach while the NSS resource capabilities are developing and maturing provided that the NSS costs do not exceed the ceiling(s) mentioned above. In fact we question why such value stacking is not the default rather than requiring an exemption. It recognises the separate value of the two services, even if from the same resource.

Sound financial analysis of the alternatives is important, to ensure that costs and benefits are appropriately compared between the alternatives.

With regard to the limits proposed in the Proposal 2 criteria listed above (i.e. the 5 MW, 1.2 MW and 0.6 MW limits), we are not able to judge whether they are appropriate because no detail has been provided on how they were arrived at.

We ask that you consider whether these limits will preclude any NSS resources that would be valuable to allow - because of the benefits they would provide, compared to their costs.

### **Proposal 3**

*“To support distribution-based NSS necessary to support regional reliability, it is proposed that Market Participant registration, Facility registration, and participation in the RCM is not required for relevant services, provided all of the following criteria are met:*

- a) The Facility associated with an NCESS Contract quantity has a System Size of 5MW or less, and*
- b) The generating unit(s) comprising the Facility operate exclusively on a section of the distribution system while islanded from the wider power system.*

#### **Rationale**

*Regional towns located on rural feeders are more susceptible to extended outages due to environmental exposure and limited accessibility, which can delay restoration efforts.*

*To address reliability challenges in these areas, Western Power prioritises cost-effective alternatives to traditional network augmentation. These can include:*

- network reconfiguration*
- faster fault location and automated restoration*
- local, islanded, backup generation (sub-5MW) - deployed as NSS, procured through the NCESS framework, as an alternative method of maintaining supply to customers during prolonged outages.*

*Amendments to the ESM Rules are proposed to clarify that there are no WEM registration requirements for this type of small-scale, distribution connected, islanded NSS.*

*This proposal does not prevent Facilities with relevant NCESS Contracts from registering and participating in the RCM, instead it provides two pathways for participation, one that allows for parallel operation and one without parallel operation.”*

### **Backup generation**

For the ‘islanded’ requirement proposed above, it seems that only backup generation is being contemplated, and not other types of NSS. Perhaps it is intended to only apply to backup generation.

Even if it only applies to backup generation, any load transfers from backup generation supply back to network supply should be 'bumpless' (parallel generation load transfer) whereby the generation parallels with the network once it is available again and transfers the load back to the network without a break in supply to consumers.

Similarly pre-contingent transfer of the load to the generator(s) before a network outage should be bumpless, without a break in supply.

During both of these bumpless transfers, the generation is not 'islanded'. The technology exists to do these transfers without a break in supply, and retrospective upgrades of regional systems have been moving in that direction.

### **Other types of NSS for regional areas**

There are also a variety of valuable NSS that are better provided (lower cost, less interruptions to supply etc.) by facilities or aggregations or even demand management that do operate in parallel with the grid, at least during any changeovers if not normally. The islanding requirement would preclude them unless it is only a requirement for backup generation.

For a ‘peak-logging’ NSS - to manage peak demands on a feeder (for example) to defer network augmentation - generators, batteries, aggregated DER/CER and even demand management could be used.

It is better for a peak-logging NSS if generators or batteries seamlessly synchronise with the grid and take on load to support the increasing feeder demand and disconnect seamlessly ('bumpless load transfer') when the demand reduces, so as to avoid a supply outage at the beginning and end of the NSS activation period. Such parallel operation should be allowed. The islanding requirement should not apply to such NSS.

We are also not aware how the proposed 5 MW maximum facility size (clause a) of Proposal 3) has been arrived at and we ask that you consider whether this limit will preclude any NSS resources that would be valuable to allow - because of the benefits they would provide, compared to their costs.

ECP members support Proposal 3 except for the requirement for islanded operation being a prerequisite for all distribution-based NSS - so that Market Participation registration and Facility registration requirements can be avoided. We agree that these registrations should not be necessary, but requiring islanded operation should not be a pre-requisite for all NSS for regional areas, or anywhere for that matter.

Thank you for considering this submission, and please do not hesitate to contact us to discuss it further.

Sincerely,

WA Expert Consumer Panel members

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