

Empire Carbon and Energy
13A The Strand, Bayswater WA 6053

ESM Rule Change Panel

c/- Australian Energy Market Operator (AEMO)

Submitted via the AEMO online consultation portal

24th June 2026

To whom it may concern,

RE: EXPOSURE DRAFT OF ELECTRICITY SYSTEM AND MARKET (ESM) AMENDING RULES — TRANCHE 10

SUBMISSION FROM

Empire Carbon and Energy (EmpireCaE).

SUBMISSION FOCUS

This submission focuses on the proposed amendment introducing new clause 2.30.5(j), which would prevent the aggregation of Facilities that contain Electric Storage Resources (ESRs) with different Peak Electric Storage Resource Obligation Durations (PESROD). EmpireCaE also notes additional Tranche 10 items that may have technology-asymmetric impacts for storage and hybrid facilities.

EXECUTIVE SUMMARY

- EmpireCaE supports rule settings that are technology-neutral, investment-enabling, and consistent with correct settlement and obligation outcomes.
- The proposed prohibition on aggregation for mixed-duration ESRs risks creating a technology-specific barrier that disproportionately affects storage and hybrid projects.
- The stated rationale (AEMO IT system limitations and avoidance of complexity/cost) is an implementation constraint rather than a policy justification.
- The amendment may discourage efficient staged augmentation of storage (a common and economically rational development pathway), and may therefore work against efficient investment and technology-neutral outcomes.
- A cleaner approach is available: allow aggregation for administrative/settlement purposes while calculating PESROD/PESROI and associated capacity/obligation quantities at the separately certified component level.
- In addition, several other Tranche 10 changes warrant careful implementation to avoid unintended technology-asymmetric outcomes for storage and hybrid configurations.

CONTEXT AND ISSUE

Storage and hybrid facilities are frequently developed and upgraded in stages (e.g., adding additional batteries, repowering with different durations, or adding new components with different obligation characteristics). A rule that prevents aggregation where ESR components have different PESROD can:

- increase compliance and administrative burden;
- reduce optionality in how facilities are structured and upgraded;
- create perverse incentives to avoid upgrades or to adopt suboptimal configurations purely to satisfy aggregation constraints.

The exposure draft explanatory note states that the prohibition is proposed because AEMO's IT systems do not support such aggregations and that it would be inappropriate to modify them due to complexity/cost considerations.

RESPONSE TO THE EXPOSURE DRAFT RATIONALE (PAGE 18)

EmpireCaE acknowledges the practical constraints associated with implementing rule changes in market systems. However:

- **IT constraints are not, of themselves, a policy rationale.** — The State Electricity Objective is best supported by rules that are technology-neutral and that enable efficient investment and operational outcomes. Where a proposed rule outcome is driven primarily by current system limitations, a transitional implementation pathway is generally preferable to a permanent structural restriction.
- **A transitional pathway can manage complexity and cost without constraining investment.** — If AEMO system changes are required to support mixed-duration ESR aggregation, EmpireCaE considers it more proportionate to implement interim measures (including clear calculation rules and/or participant elections) and set a defined implementation timetable with periodic progress reporting, rather than prohibiting aggregation as an enduring rule position.
- **Component-level treatment aligns with the existing “separately certified components” framework.** — The rules already contemplate separately certified components and component-specific parameters. It is therefore feasible (and conceptually consistent) to maintain correct obligation and settlement outcomes by calculating PESROD/PESROI-driven quantities at the component level, while still permitting aggregation for administrative and settlement purposes.

WHY THIS MATTERS (TECHNOLOGY NEUTRALITY AND EFFICIENT INVESTMENT)

- **Disproportionate impact on storage/hybrids.** — The restriction is specific to ESRs and a characteristic (mixed obligation durations) that is common in real-world storage augmentation. This can operate as discrimination in effect, even if not in intent.
- **Implementation constraints should not become permanent structural barriers.** — IT limitations are solvable via transitional arrangements and clear implementation plans. They should not drive rule design outcomes that constrain efficient investment.
- **Risk of discouraging staged augmentation.** — If aggregation is prevented, participants may be forced into less efficient facility structures or may defer upgrades that would otherwise improve system reliability and flexibility.

RECOMMENDED POSITION

EmpireCaE supports a drafting approach that:

- permits aggregation of facilities for administrative and settlement purposes; and

- requires PESROD/PESROI and related obligation and settlement calculations to be performed at the separately certified component level, ensuring correct outcomes without prohibiting aggregation.

In effect, aggregation would not change the underlying obligation characteristics of each ESR component; it would only simplify registration/administration while preserving accurate calculation of obligations and payments.

PROPOSED DRAFTING CONCEPT

Rather than a blanket prohibition, amend the rules so that where an aggregated Facility contains multiple ESR separately certified components with different PESROD:

- the Facility may still be aggregated; and
- the relevant capacity/obligation calculations must reference each separately certified ESR component's PESROD/PESROI (and associated Peak Capacity Credits) when determining obligations and settlement quantities.

ADDITIONAL MATTERS (TECHNOLOGY-ASYMMETRIC IMPACTS FOR STORAGE/HYBRIDS)

EmpireCaE notes the following additional Tranche 10 changes may have technology-asymmetric impacts for storage and hybrid facilities, and would benefit from careful implementation, transparency, and worked examples.

- **Implementation of daily capacity prices brought forward (1 October 2027 to 1 October 2026).** — Bringing forward daily capacity prices may increase settlement granularity and administrative burden. Storage and hybrid facilities are more likely to comprise multiple separately certified components and staged augmentations, which can increase complexity in daily settlement outcomes. EmpireCaE requests clear transitional guidance, assurance testing, and worked examples for common storage/hybrid configurations.
- **Settlement corrections where separately certified components have different capacity prices.** — EmpireCaE supports correct settlement outcomes. However, hybrids are more likely to have multiple separately certified components with different parameters and potentially different prices/obligations. EmpireCaE requests that implementation be accompanied by published worked examples (including staged battery augmentation and solar-plus-storage configurations) and confirmation that the approach avoids double-counting or unintended penalties.
- **Corrections to available capacity calculations (including withdrawals and DSP dispatch misses).** — EmpireCaE supports correcting calculation errors to align outcomes with policy intent. Given the potential for corrections to have different directional impacts across facility classes, EmpireCaE requests transparency on expected impacts by facility type (including ESR and hybrid configurations) and confirmation that the corrected approach remains technology-neutral in effect.
- **AEMO direction to operate on liquid fuel under Low Reserve Condition.** — Strengthening AEMO's ability to direct liquid fuel operation under low reserve conditions may be justified for system security. EmpireCaE notes, however, that expanding reliability mechanisms for thermal responses without parallel enabling measures for storage and demand response risks technology-asymmetric outcomes. EmpireCaE requests clarity on how storage and demand response are expected to provide equivalent reliability services under the evolving framework, including any roadmap for equivalent pathways.

REQUESTED CHANGE

- Remove or narrow the proposed prohibition in new clause 2.30.5(j).
- Replace it with a provision that allows aggregation but explicitly requires component-level calculation for PESROD/PESROI-driven quantities.
- If system changes are required, adopt a transitional implementation plan rather than a permanent restriction.
- For the additional matters noted above, publish transitional guidance and worked examples to ensure technology-neutral outcomes in practice.

CLOSING

EmpireCaE supports reforms that improve settlement accuracy and system security while maintaining technology-neutral, investment-enabling settings for storage and hybrid facilities. We would welcome the opportunity to discuss implementation pathways that achieve correct outcomes without creating structural barriers driven primarily by IT constraints.

Sincerely,



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