

Non-Co-optimised Essential System Services Review:

Exposure Draft of Proposed Electricity System and Market Amending Rules

Explanatory Note for Exposure Draft of Proposed Electricity System and Market Amending Rules resulting from the Non-Co-optimised Essential System Services Review.

The Non-Co-optimised Essential System Services (NCESS) framework allows AEMO and Network Operator (Western Power) to procure services that are not already available through other mechanisms to meet Power System Security and Reliability requirements. These may include services to maintain system strength or network support services in areas where the network is at risk of not meeting reliability expectations.

In 2025 the Department of Energy and Economic Diversification (DEED), in consultation with the AEMO and Western Power, commenced a review of the NCESS framework to ensure that the process followed by the responsible parties in identifying the need to procure NCESS remains effective and fit for purpose.

The Review focused on whether the NCESS framework continues to be consistent with the State Electricity Objective and was conducted in two stages:

- Stage one focused on strengthening the trigger conditions for the NCESS procurement process to provide clarity, better align with planning and operational signals, and identify emerging needs in a timely manner; and
- Stage two focused on necessary changes to facilitate the growth of Network Support Services (NSS) to avoid the need for network augmentation and minimise costs for consumers where possible.

This Exposure Draft contains Proposed Amending Rules to:

- establish a truncated procurement process to allow Western Power to utilise the NCESS framework in a more efficient and flexible manner for repetitive NSS procurements for the same services in different locations, provided that certain criteria and conditions are met;
- provide a temporary and limited exemption from clause 5.3.1(b) of the ESM Rules to remove barriers to participation of NSS provided by aggregated distribution connected Electric Storage Resources (ESR); and
- support distribution-based NSS necessary to support regional reliability, by clarifying registration requirements (Market Participant and Registered Facility) and participation in the Reserve Capacity Mechanism (RCM) is not required for relevant services, provided that certain criteria are met.

The proposed amendments implement the review outcomes in the accompanying Information Paper, which has been finalised following consideration of stakeholder feedback and is available [here](#).

Following industry consultation on the proposed Amending Rules in this Exposure Draft they will be submitted to the Minister for Energy for making and gazettal.

DEED is seeking stakeholder feedback on this Exposure Draft by 5:00 PM (WST) on 29 October 2026. Feedback can be sent to energymarkets@deed.wa.gov.au.

The Amending Rules are based on the Electricity System and Market Rules – 1 April 2026

Text in black

Rules assumed to be in force at the time the Amending Rules in the relevant schedule are proposed to commence (based on confirmed commencement dates for Amending Rules made by the Minister and the Amending Rules in prior schedules of this exposure draft)

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Amendments proposed under the NCESS Framework Review

3.11A. Triggering Procurement of Non-Co-optimised Essential System Services (NCESS)

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Explanatory Note:

Clause 3.11A.2A is amended to specify that the guideline which provides further details regarding the events described in clause 3.11A.2 must be published on the Coordinator's Website, not the Wholesale Electricity Market (WEM) Website.

3.11A.2A. The Coordinator, in consultation with AEMO and a Network Operator, must develop, and publish on the ~~WEM Website~~ Coordinator's Website, a guideline providing further details regarding the events described in clause 3.11A.2.

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Explanatory Note

New section 3.11C provides the Coordinator with the discretion to approve and publish an approved Standard NCESS Service Specification which can be reused by Western Power (provided certain criteria is met). This will enable Western Power to run an NCESS procurement process using the approved Standard NCESS Service Specification without submitting a trigger submission to the Coordinator. This also allows Western Power to bypass the EOI stage and proceed directly to advertising a call for NCESS Submissions under clause 3.11B.6.

For each process outlined consultation between Western Power, AEMO and the Coordinator will continue to be required under the relevant WEM guideline. The WEM guideline will be updated to prescribe that consultation between the Coordinator, AEMO and Western Power is required to determine whether the details provided by Western Power under 3.11C.6 remain unchanged and valid for reuse.

3.11A.2B. If the Network Operator considers that any of the events specified in clause 3.11A.2 satisfies the criteria for use of a Standard NCESS Service Specification then, subject to clause 3.11C.7(a), the Network Operator may proceed to advertising a call for NCESS Submissions under clause 3.11B.6.

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3.11C. Use of the Standard NCESS Service Specification

Explanatory Note:

Western Power anticipates that there may be circumstances in the future that will require fundamentally the same service specification – a 'Standard NCESS Service Specification', with only minor variations to certain parameters. For example, Western Power might procure the same services but for different times, locations and/or service quantities.

Western Power will still be required to publish a distinct NCESS Service Specification for each procurement, which must be developed using an approved 'Standard NCESS Service Specification' as a template. The only changes permitted in each distinct NCESS Service

Specification are those determined by the Coordinator to not materially amend the Standard NCESS Service Specification under clause 3.11C.2(g).

If the Coordinator approves a Standard NCESS Service Specification and Western Power wishes to use it, Western Power must notify the Coordinator of its intention to use the Standard NCESS Service Specification. If the Coordinator determines that any changes to the variable parameters of the Standard NCESS Service Specification do not materially amend it, Western Power can bypass the EOI phase specified under section 3.11B. and proceed directly to advertising a request of NCESS Submission in accordance with clause 3.11B.6.

Western Power may apply to the Coordinator to amend an approved Standard NCESS Service Specification, but if the amendments are considered to be material by the Coordinator, a new trigger submission and determination will be required, and the NCESS procurement process reverts to the process from the start of clause 3.11A.

The policy intent is for this process to apply for frequent and repeatable procurement of services that address well-understood network challenges. This could include non-network services to address growing demand projected to exceed the capacity of a distribution feeder, which might be resolved without network asset upgrades.

New Section 3.11C is inserted to allow Western Power (as the network operator) to apply to the Coordinator to approve a Standard NCESS Service Specification provided that certain criteria and conditions are met.

3.11C.1. A Network Operator may submit a proposed Standard NCESS Service Specification to the Coordinator and request that the Coordinator approves it for future use, if:

- (a) the proposed Standard NCESS Service Specification has been previously prepared and issued as a NCESS Service Specification in accordance with clause 3.11B.4 following a call for expressions of interest under clause 3.11B.2;**
- (b) the proposed Standard NCESS Service Specification has been prepared in accordance with clause 3.11C.2; and**
- (c) the Network Operator has consulted with AEMO and the Coordinator on the proposed Standard NCESS Service Specification prior to submitting it under this clause 3.11C.1.**

Explanatory Note:

New clause 3.11C.2 is inserted to specify the content required in the Standard NCESS Service Specification.

Parameters of the Standard NCESS Service Specification that cannot change:

- the service specification (clause 3.11C.2(b));
- the expected technical capability of a facility or equipment that may be able to provide the service (clause 3.11C.2(c));
- any operational requirements or limitations (clause 3.11C.2(d)); and
- fixed terms and conditions (clause 3.11C.2(e))

Any changes to any of the above constitute a material amendment and a new trigger submission and determination will be required.

Parameters of the Standard NCESS Service Specification that may change:

- variable parameters i.e. service quantity, hours of service (limits to hours of service), location (clause 3.11C.2(g)).

3.11C.2. A Standard NCESS Service Specification must, at a minimum, include:

- (a) notice that it is intended to be reused as a Standard NCESS Service Specification for future NCESS procurements;
- (b) the service requirements;
- (c) the expected technical capability of a facility or equipment that may be able to provide the service;
- (d) any operational requirements or limitations;
- (e) the material contractual terms and conditions associated with the NCESS, including required pricing structure;
- (f) the selection criteria that may apply to the NCESS Submissions;
- (g) the variable service parameters permitted, including:
 - i. the network location where the service is to be provided;
 - ii. the quantity of the service, including the:
 - 1. minimum and maximum range for the quantity of the service required; and
 - 2. reasonable expectation of the frequency of service utilisation, the expected duration of each utilisation and when the service is expected to be utilised during typical days;
 - iii. the commencement date and the end date of the service; and
- (h) any other relevant matters.

Explanatory Note:

New clause 3.11C.3 is inserted to require that the Coordinator publish the approved Standard NCESS Service Specification on the Coordinator's Website.

3.11C.3. If the Coordinator is satisfied that the Standard NCESS Service Specification is suitable for reuse in NCESS procurements without changing the parameters in clauses 3.11C.2(b) to clause 3.11C.2(f), the Coordinator must approve and publish the Standard NCESS Service Specification on the Coordinator's Website.

Explanatory Note:

New clause 3.11C.4 is inserted to allow Western Power to submit a request to the Coordinator to request an amendment to the approved Standard NCESS Service Specification.

3.11C.4. The Network Operator may apply to the Coordinator to amend a Standard NCESS Service Specification. The request must:

- (a) be in writing;
- (b) specify the reasons for the amendment; and

- (c) contain sufficient information and analysis to enable the Coordinator to make a decision whether to approve the request to amend the Standard NCESS Service Specification.

Explanatory Note:

New clause 3.11C.5 is inserted to require the Coordinator to publish a decision to either support or reject the amendment to the approved Standard NCESS Service Specification on the Coordinator's Website.

If the Coordinator approves the amendment, the Coordinator must publish the updated Standard NCESS Service Specification on the Coordinator's Website.

- 3.11C.5 The Coordinator must make a decision to approve or reject a request under clause 3.11C.4 and publish the decision on the Coordinator's Website. If the Coordinator approves the request, it must publish the amended Standard NCESS Service Specification on the Coordinator's Website.

Explanatory Note:

If Western Power reasonably considers that an event under clause 3.11A.2 has occurred or applies, it may commence an NCESS procurement using the approved Standard NCESS Service Specification.

New clause 3.11C.6 is inserted to require Western Power to advise the Coordinator that it intends to use the Standard NCESS Service Specification.

If Western Power determines that conditions exist that warrant the use of an approved Standard NCESS Service Specification it must give notice in writing to the Coordinator that it intends to proceed and provide changes to the variable terms and conditions under clause 3.11C.2(g).

- 3.11C.6. If a Network Operator considers that an event specified in clause 3.11A.2 has occurred or applies and that conditions exist for the use of a Standard NCESS Service Specification for the procurement of an NCESS, the Network Operator must:

- (a) give notice in writing to the Coordinator that it wishes to proceed with the use of the Standard NCESS Service Specification;
- (b) provide in the notice the details of what event specified in clause 3.11A.2 has occurred or applies; and
- (c) provide the Standard NCESS Service Specification highlighting any proposed changes to the variable terms and conditions under clause 3.11C.2(g).

Explanatory Note:

Within 10 Business Days of receiving notification from Western Power under clause 3.11C.6, the Coordinator must consult with AEMO and Western Power to determine whether the details provided by Western Power under 3.11C.6(c) materially amend the approved Standard NCESS Service Specification.

New clause 3.11C.7 is inserted to reflect this and to require the Coordinator to notify Western Power whether it may continue to use the approved Standard NCESS Service Specification or it must either apply to amend the approved Standard NCESS Service Specification or submit a NCESS Trigger Submission to the Coordinator's as required under 3.11A.2(h).

3.11C.7. Within 10 Business Days of receiving the notice under clause 3.11C.6, the Coordinator, in consultation with AEMO and the Network Operator, must determine whether the changes to the variable conditions specified in clause 3.11C.2(g) materially amend the Standard NCESS Service Specification and notify the Network Operator whether the changes to the variable conditions:

(a) do not materially amend the Standard NCESS Service Specification and the Network Operator can proceed to advertising a call for NCESS Submissions in accordance with clause 3.11B.6; or

(b) materially amend the Standard NCESS Service Specification.

3.11C.8. Upon receipt of a notification in accordance with clause 3.11C.7(b), the Network Operator may either:

(a) apply to the Coordinator to amend a Standard NCESS Service Specification under clause 3.11C.4; or

(b) make a submission to the Coordinator under clause 3.11A.2(h).

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5 Obligations for NCESS Contract Holders

5.1. [Blank]

5.2. [Blank]

5.2A Registration and Certification

Explanatory Note

New clause 5.2A.4 is inserted to remove the requirement for a relevant service provider apply to AEMO for Certified Reserve Capacity and, as a consequence, to register as Market Participant, if a Facility used to provide services under an NCESS Contract has a System Sizes of 5MW or less.

The exemption from clause 5.2A.2 only applies to distribution-level NSS operating exclusively in islanded mode and will be enforced through contractual and technical arrangements preventing parallel operation.

The exemption does not prevent Facilities with relevant NCESS Contracts from registering and participating in the RCM should they choose to do so.

The policy intent is to signal that a service provider who enters into an NCESS Contract to provide regional reliability NCESS is not required to apply for certification in the RCM, which will avoid the need for these service providers to be registered in the WEM. This implements Review Outcome 3.

5.2A.1. [Blank]

5.2A.2 Where a Market Participant enters into an NCESS Contract for a Facility, and the Facility Technology Type for the Facility would ordinarily be capable of being assigned Certified Reserve Capacity, then the Market Participant must apply to

AEMO for Certified Reserve Capacity, must meet the requirements of clause 4.8A.3(c) where applicable, and use best endeavours to meet the requirements of clause 4.10.1, in respect of the Facility, in respect of each Reserve Capacity Cycle that the Facility would be eligible to participate in over the period of the NCESS Contract.

- 5.2A.3. Clause 5.2A.2 does not require a Market Participant to apply for Certified Reserve Capacity for a Facility for a Reserve Capacity Cycle where the Market Participant has entered into an NCESS Contract in respect of the Facility after the date and time specified under clause 4.1.11 for that relevant Reserve Capacity Cycle.

5.2A.4. A service provider is exempt from the requirements under clause 5.2A.2 if a Facility used to provide services under an NCESS Contract:

- (a) has a System Size of 5MW or less; and
- (b) the Facility operates exclusively on a section of the Distribution Network while islanded from the wider power system.

5.3. Variations to NCESS Contract

- 5.3.1. Where a Market Participant, that has entered into an NCESS Contract in respect of a Facility, is assigned Capacity Credits for the Facility in a Reserve Capacity Cycle that coincides with the period of the NCESS Contract, then:
- (a) where the NCESS Contract was entered into with AEMO, AEMO must vary the payment terms of the NCESS Contract such that the total payment under the NCESS Contract is reduced by the value of the total amount of the expected Capacity Credit payments for the Facility- to be paid to the relevant Market Participant for that Reserve Capacity Cycle; or
 - (b) where the NCESS Contract was entered into with a Network Operator, AEMO must provide the value of the total amount of expected Capacity Credit payments to the Network Operator, and the Network Operator must vary the payment terms of the NCESS Contract such that the total payment under the NCESS Contract is reduced by the value of the total amount of the expected Capacity Credit payments for the Facility- to be paid to the relevant Market Participant for that Reserve Capacity Cycle.
- 5.3.2. Where the NCESS Contract payment terms are varied in accordance with clause 5.3.1(a), AEMO must apply the revised payment terms in the immediate next Settlement Statement.

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Explanatory Note

Review Outcome 2 has been refined, from what was originally proposed in the Consultation Paper, to clarify that the intent of the proposal is to apply to distribution connected Non-scheduled Facilities comprising ESR and not to Demand Side Programme aggregations more generally.

For Facilities that meet the prerequisite technical and operational requirements, a temporary and limited exemption from clause 5.3.1(b) of the ESM Rules is proposed through the insertion of new clause 5.3.3. The exemption will:

- allow suppliers to receive payments for the provision of distribution-based NSS and Capacity Credit payments under the RCM, if both services are delivered concurrently by the same facility, effectively allowing them to 'value-stack' for a time limited period, thereby incentivising participation in the NSS market.

This exemption is for a time bound period of three years to allow sufficient time for the NSS markets to become well established. It would be inconsistent with the SEO to continue the support for longer than necessary.

There are benefits to customers in making sure that Facilities that can receive Capacity Credits participate in the RCM. The policy imperative is that small ESR, connected to the distribution network, that can provide NSS services, should participate in the RCM.

There is clear differentiation between residential DSP/DER aggregations (non-contestable, Synergy-only) and larger DSP aggregations, which should participate in the NCESS mechanism with their RCM payments offset accordingly.

5.3.3. Clause 5.3.1(b) does not apply to a Market Participant that has entered into an NCESS Contract with a Network Operator between 1 January 2026 and 31 December 2028 with respect to a Facility, which

(a) is connected to the distribution system; and

(b) is an Electric Storage Resource, that has an aggregated capacity of 5 MW or less, and the System Size behind each individual Connection Point does not exceed 1.2 MW.

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11. Glossary

Explanatory Note:

Changes are made to the Glossary to introduce Standard NCESS Service Specification as a defined term.

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Stabilise: Means, in relation to SWIS Frequency Operating Standards, when the SWIS Frequency has remained above or below the required level for at least 20 seconds.

Standard NCESS Service Specification: Means a draft NCESS Service Specification, that has been prepared by the Network Operator in accordance with clause 3.11C.2 and approved for use by the Coordinator under clause 3.11C.3.

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