# NEM Review Draft Report Consultation Questions

## **Consultation Paper**

Thank you to all stakeholders who have actively participated in the review with a constructive mindset and a willingness to share insights and collaborate. Your good faith engagement in open discussions has been crucial in shaping the recommendations contained in this draft report. We look forward to continued engagement as the Panel works towards finalising the report by the end of 2025. To help inform the work towards the final report, the Panel welcomes input on the questions posed under each recommendation contained in the draft report:

**Theme 1: Ensuring effective operation of the spot market**

**Theme 2: Maintaining liquidity in the derivatives market**

**Theme 3: Unlocking long-term investment in new energy services**

The Panel has made a number of observations under theme 4 and seeks feedback on these observations:

**Theme 4: Ensuring consumers benefit**

We welcome feedback to questions relevant to you. If a topic is not of interest to you, you may leave it blank.

### **THEME 1: ENSURING EFFECTIVE OPERATION OF THE SPOT MARKET**

#### **Recommendation 1: Maintain the real-time regional energy-only spot market as the core market for efficient dispatch and rewarding the provision of physical energy services**

1. Do you have any feedback on this recommendation?

#### **Recommendation 2: Energy ministers should require a broader range of price-responsive resources to be visible or dispatchable to participate in price formation**

1. Is the dispatch mode framework a suitable mechanism to underpin visible and participative price response under a mandatory framework?
2. How should we structure a mandate for these resources to be visible and dispatchable, given the resources’ different features and the different options for participation that currently exist in the NEM?
3. What thresholds should be set to require participation by medium-scale batteries, CER/DER aggregations and large loads?
4. How should requirements for visibility of price responsiveness in retail contracts be established and does the VSR inactive mode provide sufficient information?
5. What form and scale of support would deliver the best outcome for VSR participants, the wider market and customers?
6. Do you have any other feedback on this recommendation

#### **Recommendation 3: Governments should focus reforms and support for CER on facilitating market participation to enable consumers to benefit from being price-responsive**

1. Do you have any feedback on this recommendation?

#### **Recommendation 4: Market bodies should use the rule change process to ensure the efficient and competitive functioning of the real-time energy-only spot market**

1. How might the increased use of autobidding and algorithmic machine learning impact dispatch?
2. What other market information could be made public to help achieve the NEO?
3. Do you have any other feedback on this recommendation?

#### **Recommendation 5: The Reliability Panel should consider adjusting the form of the market price settings over time**

1. Would a forward-looking view of the form of market price settings provide greater certainty for buyers and sellers of electricity?
2. Do you have any other feedback on this recommendation?

### **THEME 2: MAINTAINING LIQUIDITY IN THE DERIVATIVES MARKET**

#### **Recommendation 6: Energy ministers should establish an always-on market making obligation (MMO) in the National Electricity Law/National Electricity Rules (NEL/NER) for a small number of key derivative contracts in each NEM region, with contract types determined through a co-design process with the AER and industry**

1. Which products should an MMO for the NEM encompass?
2. What additional design elements should the Panel consider to ensure an MMO provides efficient outcomes for end users?
3. How can the proposed co-design process be designed to best accelerate contract market innovation, determine appropriate ESEM contract types, and identify contract types that should be subject to the market making obligation?
4. What should be the design and governance of an ongoing contract market co-design process in the NEM?
5. What contract types should the Panel explore, in consultation with industry and market participants, over the next six months for the purposes of market making and the ESEM?
6. What actions can be taken to improve the accessibility of derivative markets for small retailers?
7. Would reforms to AEMO prudential working capital requirements assist in reducing barriers to participation for small retailers?
8. Do you have any other feedback on this recommendation?

#### **Recommendation 7: Ensure sufficient market information is available to support longer-term derivatives market liquidity and price discovery**

1. What information do market participants need to ensure efficient price discovery, and over what time frames is this information needed?
2. What could be done to facilitate more accurate information being provided?
3. Do you have any other feedback on this recommendation?

### **THEME 3: UNLOCKING LONG-TERM INVESTMENT IN NEW ENERGY SERVICES**

#### **Recommendation 8: Energy ministers should establish an ESEM within the National Electricity Law (NEL) to facilitate investment in the NEM**

1. Are bulking, shaping and firming appropriately defined?
2. How could single projects provide multiple services without undue scheme complexity?
3. How can the ESEM provide a technology neutral level playing field to encourage maximum competition to provide services?
4. How might an approach to support the later years of a project’s life be tailored to address the varied dynamics across the three services (bulk energy, shaping, firming)?
5. For each service, what is the appropriate indicative timeframe for support (e.g. year 8 through 15)?
6. What governance and processes should be established to determine the quantity and timing of each service procured through the ESEM?
7. As per Recommendation 6B, which set of contracts would be useful for supporting the entry of new providers of bulk energy, shaping and firming through the ESEM and useful to manage spot price risk through derivative markets?
8. Should any contracts be structured as options?
9. How could Snowy Hydro’s capacity be used to kickstart the ESEM contract recycling platform and benefit the NEM overall?
10. How could any risks be managed?
11. How should energy ministers allocate roles and responsibilities for ESEM implementation and administration?
12. How should any residual ESEM costs or rebates from the closing out of contracts be allocated to consumers?
13. Will a model that procures ESS contracts alongside bulk zero-emissions energy, shaping, and firming support additional ESS provision in a cost-efficient manner?
14. Are there any other alternative approaches that would support cost efficient provision of ESS through the ESEM?
15. How could the ESEM help to keep the NEM competitive?
16. How could a new, longer term strategic reserves service be established in the NEM?
17. Do you have any other feedback on this recommendation?

#### **Recommendation 9: Governments and market bodies in the NEM should pursue a coordinated suite of reforms to ensure regulatory settings, the innovation ecosystem, and existing policies and programs are aligned with the ESEM.**

1. How could government support schemes recycle bulk energy, shaping and firming from existing contracts to support market liquidity?
2. How satisfied are market participants with settlement residue auctions as a financial risk management tool?
3. Are other options for providing longer term contracting opportunities across interconnectors worth considering?
4. Do you have any other feedback on this recommendation?

### **THEME 4: ENSURING CONSUMERS BENEFIT**

1. Do you have any feedback on the observations made?