

Interim Contracts and Firmness Guidelines

Retail Reliability Obligation
Draft instrument – explanatory
statement

10 June 2025

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Contents

Submissions.....	iv
Invitation for submissions	iv
Public forum	iv
1 Executive summary	1
1.1 Role of the RRO and the C&F Guidelines	2
2 Approach to the review	3
2.1 Non-material proposal.....	4
2.2 Consultation process.....	5
3 Proposed changes to the interim C&F Guidelines.....	7
4 Broader RRO guideline review	10
Glossary.....	11

Submissions

Invitation for submissions

Interested parties are invited to make written submissions on this draft instrument by close of business on **8 July 2025**. We are using the expedited rules consultation procedure for our review; the due date for any requests to use the standard rules consultation procedure is **24 June 2025**.

Submissions should be sent to: RRO@aer.gov.au

Alternatively, you may mail submissions to:

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We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential information will be placed on our website. For further information on submissions and our use and disclosure of the information provided to us, see the [ACCC/AER Information Policy](#).

Enquiries about this paper, or about lodging submissions, should be directed to the Compliance and Enforcement Branch of the AER on 1300 585 165 or RRO@aer.gov.au.

Public forum

Stakeholder engagement is a valuable input to our review. We encourage interested parties to join us at an online public forum on **17 June 2025**. Details of how to register for this forum are available on our website. We encourage you to [subscribe to receive updates from the AER website](#) to stay up to date with our review of the interim Contracts and Firmness Guidelines.

1 Executive summary

The AER is seeking feedback on the amendments made to the interim Contracts and Firmness Guidelines (C&F Guidelines) to reflect a recent rule change for the National Electricity Rules (NER). This document accompanies the draft of the updated C&F Guidelines and sets out the proposed changes. Stakeholder input will be collated and used to inform the final version of the interim C&F Guidelines.

On 14 November 2024, the Australian Energy Market Commission (AEMC) made the [Retailer reliability obligation exemption for scheduled bi-directional units Rule 2024 No.19](#) (RRO exemption for BDUs rule change). The RRO exemption for BDUs rule change took effect on 3 December 2024 and essentially exempts connection points for storage assets (including batteries and pumped hydro energy storage) from being liable under the Retailer Reliability Obligation (RRO).

The RRO exemption for BDUs rule change also requires the AER to review and where necessary amend and publish the C&F Guidelines by 3 December 2025. The proposed changes to the C&F Guidelines are focused on addressing the RRO exemption for BDUs rule change. This includes updating the existing guidance and information on liable entities and new entrants due to the introduction of the new term ‘exempt market connection points’ into the NER, incorporating guidance related to these concepts, and minor administrative changes.¹

The C&F Guidelines will remain in an interim form following this consultation because we are aiming to flow through changes from the RRO exemption for BDUs rule change as soon as possible to ensure the industry has certainty ahead of any potential T-1 instruments issued in 2025. We consider that the C&F Guidelines otherwise remain fit for purpose in that they include all required content and are serving their intended function.

Due to the [Integrating price-responsive resources into the NEM Rule 2024 No. 24](#) (IPRR rule change), the AER is required to amend the C&F Guidelines again in 2026. In light of this, we have elected to conduct a targeted review of the C&F Guidelines in 2025. However, we will consider stakeholder feedback, learnings from how industry practice has evolved and the recommendations from the AEMC’s *Review of the operation of the RRO* (AEMC RRO Review) in a broader review of 3 RRO guidelines (including the C&F Guidelines) in 2026.²

In reviewing and amending the C&F Guidelines, the AER must follow the Rules consultation procedures.³ The AER considers it appropriate to use the expedited consultation procedure given the proposed changes to the C&F Guidelines. We consider these constitute a ‘non-material proposal’ because they largely reflect changes to the NER and incorporate other existing guidance material.⁴

¹ ‘Liable entity’ is defined in section 14D of the National Electricity Law (NEL) and clause 4A.D.2 of the NER.

² AEMC, [Review of the operation of the Retailer Reliability Obligation, final report](#), Australian Energy Market Commission, 29 February 2024.

³ NER, clause 11.176.2(a).

⁴ NER, clause 8.9.1(a).

1.1 Role of the RRO and the C&F Guidelines

The RRO is designed to support reliability across the National Electricity Market (NEM) by incentivising market participants to invest in 'firm' generation or demand-response capacity to avoid predicted shortfalls ('reliability gaps'). The RRO is supported by a [suite of guidelines](#).

Under the RRO, liable entities are required to enter into contracts to meet their share of demand during a forecast reliability gap and to report on their net contract position (NCP). The C&F Guidelines set out the AER's approach to:

- qualifying contracts
- contract firmness methodology
- the treatment of non-qualifying contracts
- the approval process for non-standard qualifying contracts
- the establishment and maintenance of an Auditors Panel
- the submission of NCP reports
- certain information requirements of liable entities.

2 Approach to the review

Two rule changes require the AER to review and update the C&F Guidelines to take into account the changes to the NER:

- The RRO exemption for BDUs rule change that exempts connection points for batteries, pumped hydro energy storage and other forms of storage assets from being liable under the RRO.⁵ The RRO exemption for BDUs rule change made amendments to Chapters 4A and 11 of the NER and introduced a new concept of ‘exempt market connection points’. The RRO exemption for BDUs rule change also requires the AER to review and where necessary amend and publish the C&F Guidelines by 3 December 2025.
- The IPRR rule change allows consumer energy resources to be scheduled and dispatchable in the NEM by introducing ‘voluntarily scheduled resources’ and impacts liability under the RRO. The AER is required to update its guidelines and other documents by 30 September 2026, including the C&F Guidelines.⁶ It also imposes an obligation on the Australian Energy Market Operator (AEMO) to produce Voluntarily scheduled resources guidelines by 31 December 2025, which we consider could influence our changes to the C&F Guidelines.⁷

Given the need to complete the review of the RRO exemption for BDUs rule change by 3 December 2025, we consider it appropriate to complete a targeted review of the C&F Guidelines focused on content related to determining liability. This targeted scope means the AER is reviewing and amending the interim C&F Guidelines under clause 11.176.2 of the NER in accordance with the expedited rules consultation procedure, which involves a single stage of consultation.⁸

In 2026 the AER will complete a broader review of multiple RRO guidelines. This review will include the interim C&F Guidelines, the interim Reliability Instrument Guidelines and the interim Market Liquidity Obligation Guidelines. The review will incorporate changes required by the IPRR rule change, stakeholder early views obtained during this current consultation, learnings from prior T-1 reliability instruments, and the AEMC’s recommendations from its RRO Review completed in February 2024.⁹

We welcome views on other prospective changes to the interim C&F Guidelines, but we intend to incorporate any comments or feedback into the broader RRO guideline review in 2026. We discuss this in further detail in section 4.

We consider that this staged approach to reviewing the interim C&F Guidelines has multiple benefits.

⁵ AEMC, [Rule determination: National Electricity Amendment \(Retailer reliability obligation exemption for scheduled bi-directional units\) Rule 2024](#), Australian Energy Market Commission, November 2024, p. i.

⁶ NER, clause 11.180.2.

⁷ NER, clause 11.180.3.

⁸ NER, clause 8.9.3(a).

⁹ AEMC, [Review of the operation of the Retailer Reliability Obligation, final report](#), Australian Energy Market Commission, 29 February 2024.

- By having a targeted scope to the current review, we can use the expedited consultation process to ensure that the C&F Guidelines are updated with the RRO exemption for BDUs rule change quickly, giving stakeholders clarity ahead of any potential reliability instruments being made later in 2025.
- We can give stakeholders certainty that the AER will finalise the C&F Guidelines by 2026 and that we will conduct a broader guideline review to address the IPRR rule change (the C&F Guidelines must be updated by 30 September 2026).
- By waiting until 2026 to incorporate changes to our guidelines required by the IPRR rule change, we can factor in AEMO's Voluntarily scheduled resources guidelines, including views by stakeholders expressed in AEMO's consultation on these guidelines. This will help us to ensure our guidelines reflect the IPRR rule change with appropriate consideration of market operations.
- By seeking advance views from stakeholders now about the broader guideline review in 2026, we can reduce stakeholder burden throughout next year's review by shaping our consultation around topics identified by our stakeholders. This gives our stakeholders certainty that our broader guideline review will focus on topics of interest and reduce the level of engagement required during the consultation's formal timeframes in 2026.

2.1 Non-material proposal

It is the AER's view that the changes proposed to the interim C&F Guidelines constitute a 'non-material proposal' because the proposal will be unlikely to have a significant effect on the NEM or the activities of relevant parties. A summary of the proposed changes can be found in section 3 of this explanatory statement.

We consider the introduction of the newly defined term (exempt market connection points) does not substantively change the function or purpose of the interim C&F Guidelines. The changes we are proposing relate only to changes in the NER and we are not proposing to make significant changes to any of our guidance. The proposed changes are unlikely to have a significant effect on the activities of Registered Participants, given that the main impact on their activities arises from the amendments to the NER, rather than our guidance. This view aligns with the AEMC's comments in its final determination for the RRO exemption for BDUs rule change, which noted that only procedural changes are required to the guidelines.¹⁰

In making the RRO exemption for BDUs rule change, the AEMC consulted with industry and received stakeholder feedback that helped to inform the final rule. Due to this, we expect that most affected stakeholders are already familiar with the changes. The RRO exemption for BDUs rule change acts to reduce liability under the RRO due to the introduction of exempt market connection points. Our proposed changes to the C&F Guidelines incorporate this change in liability calculation; therefore, the changes do not materially increase the compliance requirements of affected parties.

Further, where we are proposing to include guidance about matters of liability into the C&F Guidelines, the new guidance content largely comes from existing AER guidance material

¹⁰ AEMC, [Rule determination: National Electricity Amendment \(Retailer reliability obligation exemption for scheduled bi-directional units\) Rule 2024](#), Australian Energy Market Commission, November 2024, p. 15.

published in August 2024.¹¹ These elements of guidance, which are clearly identified as guidance in the draft C&F Guidelines, are intended to support the introduction of exempt market connection points as a concept into the guidelines.

Finally, our administrative amendments are minor and only act to refresh the C&F Guidelines by updating outdated links and information, and style adjustments. These changes do not materially change the C&F Guidelines.

Therefore, we consider that the expedited rules consultation procedure is appropriate.¹²

2.2 Consultation process

2.2.1 Timeline and implementation

Table 1 outlines the proposed timeline for the interim C&F Guidelines review.

Table 1 Interim C&F Guidelines review indicative timeline

Milestone	Date
Publish draft interim C&F guidelines	10 June 2025
Stakeholder forum	17 June 2025
Requests to use standard consultation procedure close	24 June 2025 (10 business days after the date of the draft report)
Submissions due	8 July 2025 (20 business days after the date of the draft report)
Final decision published Revised interim C&F Guidelines proposed to commence	20 August 2025 (no later than 50 business days after the date of publication of the draft report)
Final date the C&F Guidelines must be reviewed and updated for the RRO exemption for BDUs rule change	3 December 2025

We aim to publish the revised interim C&F Guidelines by 20 August 2025 and propose the revised C&F Guidelines take effect immediately on publication.

The AER notes that stakeholders provided feedback to the AEMC on the RRO exemption for BDUs rule change commencement date. This included considering the timing of any potential T-1 instruments and the risk of a contract position day occurring in early December. Commencing the revised interim C&F Guidelines on publication may provide greater certainty to liable entities. Using expedited consultation procedures allows us to publish the updated C&F Guidelines well ahead of the 3 December 2025 timing requirements and ahead of any potential T-1 instrument being made.

¹¹ AER guidance referred to is: AER, [Are you a liable entity?](#), Australian Energy Regulator, August 2024.

¹² NER, clause 8.9.3(a).

Implementation timing

We welcome stakeholder views about 20 August 2025 being the proposed commencement date of the revised interim C&F Guidelines.

2.2.2 Consultation procedure change request

We are undertaking this consultation using the expedited rules consultation procedure in the NER.¹³ If you consider our proposed changes to the C&F Guidelines are not a ‘non-material proposal’,¹⁴ you can request that we use the standard rules consultation procedure instead.

Any such request must be in writing, sent to RRO@aer.gov.au by close of business on **24 June 2025** and set out the reasons why you consider our proposed changes are not a ‘non-material proposal’. If we receive a procedure change request, we will consider the reasons given and decide whether we still assess the proposed changes to the C&F Guidelines to be a ‘non-material proposal’. We will publish the request, a notice of our decision and the reasons for our decision as soon as practicable.

¹³ See clauses 8.9.2 and 8.9.3 of the NER for information on the standard and expedited rules consultation procedures.

¹⁴ ‘Non-material proposal’ means a proposal that, if implemented, will be unlikely to have a significant effect on the NEM or on the activities of the Registered Participants to which the proposal relates (clause 8.9.1(a) of the NER).

3 Proposed changes to the interim C&F Guidelines

The proposed changes to the C&F Guidelines are largely driven by the new clause 4A.D.1A, which sets out all the categories of market connection points exempt from liability under the RRO.

Liable entities are defined in Chapter 4A; however, the C&F Guidelines provide guidance about how entities factor in their annual consumption when determining if they are liable under the RRO (clause 4A.D.2(b)(2) for liable entities, clause 4A.D.3(c) for new entrants).

At a high level, the RRO exemption for BDUs rule change exempts storage assets (including batteries and pumped hydro energy storage) from being liable under the RRO. The proposed changes update existing guidance regarding liable entities and new entrants by outlining the newly defined 'exempt market connection points'. The proposed changes to the C&F Guidelines largely reflect changes in the NER but also include new examples to contextualise the guidance.

We have also added guidance that relates to exempt market connection points and calculating the 10 gigawatt hour (GWh) per annum threshold for a liable entity or new entrant. Most of this guidance reflects existing guidance published in 2024, which stakeholders will already be familiar with.¹⁵ The elements of guidance are intended to work in tandem with the new information related to exempt market connection points and are clearly identified as guidance in the draft C&F Guidelines. It is beneficial for stakeholders that this guidance is available in the C&F Guidelines to support understanding of liability under the RRO, particularly ahead of any potential T-1 reliability instrument being made later in 2025.

Finally, we have included minor, administrative changes to the C&F Guidelines, including updating legislative references, updating links and removing out-of-date references.

A summary of the proposed changes to the C&F Guidelines is contained in Table 2 (excluding the minor, administrative changes, which are visible in the attached draft C&F Guidelines). We have not proposed any changes to the [NCP report template](#) and, as such, have not included an updated template with this draft decision.

Table 2 Summary of proposed changes to the interim C&F Guidelines

Section	Proposed change
2.1 Liable entities	Update to the definition of liable entity to include reference to exempt market connection points as set out in clause 4A.D.2.
	<p>New section 2.1.2: Aggregate consumption</p> <p>This section provides guidance that when calculating the 10 GWh per annum threshold to determine if entities are liable entities, aggregate consumption</p>

¹⁵ AER guidance referred to is: AER, [Are you a liable entity?](#), Australian Energy Regulator, August 2024.

Section	Proposed change
	<p>should be considered 'net' (consumption less generation/exports) and should not include exempt market connection points.</p> <p>This incorporates existing guidance from the AER's guidance note 'Are you a liable entity?' and the new concept of exempt market connection points.</p> <p>New section 2.1.3: Exempt market connection points</p> <p>This section explains what constitutes an exempt market connection point to address the new clause 4A.D.1A. Examples and messaging largely reflect that given by the AEMC in its final determination for the RRO exemption for BDUs rule change. It includes:</p> <ul style="list-style-type: none"> • a definition of exempt market connection points • information that exempt market connection points are not factored in to calculations to determine if an entity is liable under the RRO • an explanation that the existence of exempt market connection points does not exempt an entity from liability under the RRO, including examples • guidance that existing connection points may become exempt market connection points if circumstances change (and vice versa), including an example.
2.3 Firmness adjustment and net contract position	Update to existing information to explain that exempt market connection points are not required to be factored into a liable entity's liable share to address new clause 4A.D.1A.
10 New entrant	<p>Added reference to exempt market connection points in the criteria for new entrants.</p> <p>Added guidance that entities may become liable under the RRO as a new entrant if they meet the requirements in the NER, including exceeding the 10 GWh per annum threshold (net aggregated consumption), excluding consumption from exempt market connection points, by new entrant contract position day.</p> <p>This incorporates existing guidance from the AER's guidance note 'Are you a liable entity?' and the new concept of exempt market connection points.</p>
10.1 New entrant threshold	<p>Updated paragraph 3 to remove an incorrect reference to the definition of a new entrant.</p> <p>Added guidance that entities may become liable under the RRO as a new entrant even if they were not liable on contract position day, if their usage increases to above the 10 GWh per annum threshold by new entrant contract position day, excluding consumption from exempt market connection points. Some examples are also provided to contextualise the guidance.</p> <p>This incorporates existing guidance from the AER's guidance note 'Are you a liable entity?' and the new concept of exempt market connection points.</p>

Proposed changes

We invite stakeholder feedback on the proposed changes that have been made to account for the RRO exemption for BDUs rule change, provide guidance about matters of liability related to exempt market connection points, and update outdated information.

4 Broader RRO guideline review

While the scope of the current review of the interim C&F Guideline is limited to what is required by the RRO exemption for BDUs rule change and providing related guidance, we are seeking early stakeholder comments on a broader review of multiple RRO guidelines that we are proposing to undertake throughout 2026. This broader review will:

- incorporate changes required by the IPRR rule change
- consider changes to the guidelines as recommended by the AEMC's RRO Review¹⁶
- consider updates to our guidance where matters have evolved since the interim C&F Guidelines were made in 2019.

The 3 RRO guidelines that we will review and update in 2026 are:

- the interim C&F Guidelines (incorporating any changes arising from this targeted review)
- the [interim Reliability Instrument Guidelines](#)
- the [interim Market Liquidity Obligation Guidelines](#).

We will aim to finalise the 3 relevant guidelines, using the rules consultation procedures, by 30 September 2026. The IPRR rule change requires the C&F Guidelines to be reviewed and any amendments to be published by 30 September 2026.

We consider the current versions of these guidelines contain the information required by the NER; Therefore, they will be fit for purpose for any reliability instruments that are issued ahead of the broader consultation in 2026. Substantial sections of the guidelines are driven by the NER and NEL and merely replicate this legislation. However, we acknowledge that industry practice may have evolved since the RRO's implementation in 2019. We are hoping to gain early views from stakeholders about what matters require revision, where the law/rules permits that they can be revised.

Our request for stakeholder views on the broader RRO guidelines is aimed at reducing stakeholder burden during the 2026 review. We intend to use stakeholder comments to inform how we approach the review in 2026. This will result in a more streamlined and focused consultation next year.

Invitation for early views on broader RRO guideline review in 2026

We invite early views from stakeholders on what aspects of the 3 RRO guidelines they consider the AER may need to review (including the reasons why) in the broader RRO guideline review in 2026.

However, in this current targeted review the AER does not plan to action any issues raised by stakeholders about the scope of the broader RRO guidelines review.

¹⁶ To implement several of the final recommendations, amendments are needed to either the NEL or NER prior to reflecting the changes in the RRO guidelines.

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMC RRO Review	Review of the operation of the Retail Reliability Obligation, AEMC, 29 February 2024
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
C&F	Contracts and Firmness
C&F Guidelines	Interim Contracts and Firmness Guidelines
IPRR rule change	National Electricity Amendment (Integrating price-responsive resources into the NEM) Rule 2024 No. 24
NCP	Net contract position
NEL	National Electricity Law
NER	National Electricity Rules
NEM	National Electricity Market
RRO	Retailer Reliability Obligation
RRO exemption for BDUs rule change	National Electricity Amendment (Retailer reliability obligation exemption for scheduled bi-directional units) Rule 2024 No.19