

# Interim Contracts and Firmness Guidelines

Retail Reliability Obligation  
Final decision – explanatory  
statement

20 August 2025

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Inquiries about this publication should be addressed to:

Australian Energy Regulator

GPO Box 3131

Canberra ACT 2601

Email: [RRO@aer.gov.au](mailto:RRO@aer.gov.au)

Tel: 1300 585 165

AER reference: 30494126

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# 1 Overview

The AER has reviewed and updated the interim Contracts and Firmness Guidelines (C&F Guidelines) to reflect the [Retailer reliability obligation exemption for scheduled bi-directional units Rule 2024 No.19](#) (RRO exemption for BDUs rule change) amendments to the National Electricity Rules (NER). This document accompanies the revised version 3 of the C&F Guidelines (revised C&F Guidelines) and outlines the feedback we received during consultation on our draft decision.

On 14 November 2024, the Australian Energy Market Commission (AEMC) made the RRO exemption for BDUs rule change. It took effect on 3 December 2024. The rule change exempts certain 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. This explanatory statement accompanies the revised C&F Guidelines that have been amended to account for the RRO exemption for BDUs rule change, as required under the NER.

In reviewing and amending the C&F Guidelines, the AER followed the expedited Rules consultation procedures.<sup>1</sup> We received one submission on our draft proposal, which was broadly supportive of the amendments we proposed to address the RRO exemption for BDUs rule change. Details of our consultation and a summary of a stakeholder forum held on 17 June 2025 can be found in section 2 of this explanatory statement. Further information about the submission can be found in sections 3 and 4.

Because the submission was broadly supportive of the proposed changes and there was only one minor question at the stakeholder forum, we have maintained all proposed changes to the interim C&F Guidelines detailed in the draft decision. These changes focused on addressing the RRO exemption for BDUs rule change. This included 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.<sup>2</sup> The revised C&F Guidelines will commence on the date of publication.

The C&F Guidelines remain in an interim form at this stage. However, we consider that the C&F Guidelines remain fit for purpose because they include all required content and are serving their intended function. To ensure the industry had certainty ahead of any potential T-1 instruments issued in 2025, we conducted a targeted review of the C&F Guidelines so that the changes required by the RRO exemption for BDUs rule change could be implemented quickly.

Due to the [Integrating price-responsive resources into the NEM Rule 2024 No. 24](#) (IPRR rule change), the AER is also required to amend the C&F Guidelines again in 2026. In our [draft proposal](#) published on 10 June 2025, we requested that stakeholders provide early

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<sup>1</sup> NER, clause 11.176.2(a).

<sup>2</sup> 'Liable entity' is defined in section 14D of the National Electricity Law (NEL) and clause 4A.D.2 of the NER.

views on what other aspects of the RRO guidelines may require updating, ahead of a broader review of 3 RRO guidelines (including the C&F Guidelines) commencing in 2026. A summary of these early views can be found in section 4 of this explanatory statement. We will consider this 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 the broader RRO guidelines review next year.

## 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.

## 1.2 Summary of key changes

In preparing the revised C&F Guidelines, we have considered the information and feedback provided through the consultation process. No further changes were made to the revised C&F Guidelines beyond those detailed in section 3 of the [draft instrument explanatory statement](#).

A summary of the key changes between [version 2](#) and 3 of the C&F Guidelines is provided in Table 1 (excluding the minor, administrative changes, which are visible in the [marked up version](#) of the C&F Guidelines). Consistent with our draft decision, the changes are 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.

**Table 1 Summary of changes to the C&F Guidelines between version 2 and 3**

Section	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>Provides guidance that when calculating the 10 GWh per annum threshold to determine if entities are liable entities, aggregate consumption should be</p>

Section	Change
	considered 'net' (consumption less generation/exports) and should not include exempt market connection points.
	<p>New section 2.1.3: Exempt market connection points</p> <p>Explains what constitutes an exempt market connection point to address the new clause 4A.D.1A.</p>
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>
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>

## 2 Consultation on the C&F Guidelines

We commenced our review of the C&F Guidelines on 10 June 2025 by publishing a draft proposal consisting of a [draft of the C&F Guidelines](#) and an accompanying draft instrument [explanatory statement](#).

Before publishing the draft proposal, we notified stakeholders on 27 May of the upcoming consultation on amendments to the C&F Guidelines and our proposed consultation process – publishing a draft decision, hosting a stakeholder forum and offering to hold one-on-one meetings.

During the consultation period we held an online stakeholder forum on 17 June 2025. The consultation period closed with submissions due by 8 July 2025. We received no requests for one-on-one meetings.

The AER used the expedited rules consultation procedure for this review, which involves a single stage of consultation.<sup>3</sup> We considered this was appropriate because the proposed changes largely reflected changes to the NER and incorporated other existing guidance material. The AER considered the changes constituted a ‘non-material proposal’ because it was unlikely to have a significant effect on the NEM or the activities of relevant parties.<sup>4</sup> Under this process,<sup>5</sup> stakeholders had until 24 June to make a procedure change request. No request was received.

### 2.1 Draft instrument

The [draft C&F Guidelines](#) detailed the changes that the AER was proposing to make to address the RRO exemption for BDUs rule change, incorporate other existing guidance material and make minor administrative amendments. The proposed changes were marked up on the previous guidelines so that they could be easily identified.

The draft instrument explanatory statement:

- outlined our approach to reviewing the C&F Guidelines
- provided information about the proposed changes to the C&F Guidelines and our reasons for making these changes
- provided the timeframes for consultation and how stakeholders could engage with the AER on the C&F Guideline review
- explained our intent to conduct a broader review of the RRO guidelines in 2026.

We sought stakeholder views on:

- the proposed commencement date for the revised C&F Guidelines

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<sup>3</sup> NER, clause 8.9.3(a).

<sup>4</sup> NER, clause 8.9.1(d).

<sup>5</sup> Under the expedited rules consultation procedure, stakeholders are permitted to request that the AER use the standard rules consultation procedure if they consider that the proposal does not constitute a ‘non-material proposal’ per NER clause 8.9.3(b).

- our proposed updates to version 2 of the C&F Guidelines.

We also invited stakeholders to make submissions on what aspects of 3 RRO guidelines they considered the AER may need to review in the broader RRO guideline review in 2026.

We received [one submission](#) from Origin Energy Limited (Origin). We appreciate the submission received and have carefully considered issues raised in sections 3 and 4 of this document.

## 2.2 Stakeholder forum

AER staff held a stakeholder forum on 17 June 2025 to discuss the review and address stakeholder questions. Ten stakeholders attended the stakeholder forum. We thank those that attended and participated.

At the forum we discussed the current review of the C&F Guidelines, including:

- background on the C&F Guidelines and the RRO exemption for BDUs rule change
- our use of the expedited consultation procedures
- our proposed changes to the C&F Guidelines
- the proposed commencement date for the revised C&F Guidelines
- the timeline and next steps for this consultation.

Stakeholders did not raise any queries about this content.

During the forum, we also outlined our proposed approach to the broader review of RRO guidelines in 2026, including:

- the scope and goal of the 2026 review
- benefits of taking a two-stage approach to reviewing the guidelines
- our approach to seeking early views on what other aspects of the guidelines the AER may need to focus on in 2026
- how we will consider any early views raised
- the expected timeline for the broader 2026 review.

A stakeholder queried whether the AER could pause the amendments to its guidelines until completion of the [Nelson Review into the NEM](#) and the consultation on the [SA Firm Energy Reliability Mechanism](#).

AER staff noted that the current C&F Guideline review is required under the RRO exemption for BDUs rule change and that the 2026 broader review is tied to the IPRR rule change, which requires that the AER review the C&F Guidelines again by 30 September 2026.<sup>6</sup>

We also noted that there may be T-1 instrument requests made in the coming months, so it is important that liable entities can access clear guidance. This is why the AER is working to ensure our guidance is kept up-to-date and reflects these rule changes.

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<sup>6</sup> NER clauses 11.176.2(a) and 11.180.2(a).



The [presentation for the stakeholder forum](#) and the [accompanying synopsis](#) are on our website.

### 3 The final instrument

In making our final instrument, we have considered the information and feedback provided in the written submissions on our draft instrument and in our other stakeholder engagements.

We received [one submission](#) on the draft instrument from Origin. This submission was broadly supportive of the proposed amendments in our draft instrument, which were made to reflect the RRO exemption for BDUs rule change. The submission did not make any comments on the proposed commencement date, but it did include feedback for the AER to consider as part of the broader RRO guidelines review next year. This feedback is outlined in section 4.

Based on the feedback received in this submission and at our stakeholder forum (outlined in section 2.2), we do not propose to make any further changes to the C&F Guidelines as part of this consultation. We will consider making further amendments as part of the broader RRO guideline review next year. Version 3 of the revised C&F Guidelines will commence on the date of publication.

The final decision includes a copy of the C&F Guidelines with the changes from this consultation marked up.

## 4 Broader 2026 RRO Guidelines review

As part of this review, we also sought early stakeholder views on our proposed broader review of multiple RRO guidelines, which we are proposing to undertake throughout 2026. The 3 RRO guidelines that we will review and update in 2026 are:

- the interim C&F Guidelines
- the [interim Reliability Instrument Guidelines](#)
- the [interim Market Liquidity Obligation Guidelines](#).

It is proposed this broader review will:

- incorporate changes required by the IPRR rule change
- consider changes to the guidelines as recommended by the AEMC's RRO Review<sup>7</sup>
- consider updates to our guidance where matters have evolved since the 3 RRO guidelines were made in 2019.

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.

### 4.1 Summary of early views

As detailed in section 3, we received early views on the broader 2026 review in the submission from Origin. We received one query about the timing of reviews, which was considered and addressed during our stakeholder forum as detailed in section 2.2. The 2 issues raised in the early views are set out in Table 2.

We intend to use these early views to inform how we approach the review in 2026, to ensure a more streamlined and focused consultation next year. The AER will consider these issues in the context of what revisions to the Guidelines are permitted under the law/rules.

**Table 2 Early views on the broader 2026 RRO guidelines review**

#	Early views of stakeholders
1	The AER should consider developing a standardised methodology (with associated firmness factors) for all Power Purchase Agreements (PPAs) based on the publicly available historical data from AEMO. In particular, the AER could develop standardised methodologies for common wind and solar PPAs with set regional and geographic factors. Developing a standardised methodology would simplify the treatment of these agreements in the NCP reporting process because they currently require bespoke methodologies.

<sup>7</sup> 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.

#	Early views of stakeholders
2	The AER should consider introducing a register of qualifying contracts that allows large customers to match or nominate any hedging contracts that are held with a third party to their Financially Responsible Market Participant (FRMP) so that these contracts can be accounted for in the liable entity's NCP. This would help minimise scheme costs and reduce the risk of entities over-hedging to comply with their RRO requirements.

We appreciate the submission we received on these issues and we will keep stakeholders informed of any developments via the AER website.

# 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
FRMP	Financially Responsible Market Participant
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
PPA	Power Purchase Agreements
revised C&F Guidelines	revised interim Contracts and Firmness Guidelines (Version 3)
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