

7 November 2025

Ms Kami Kaur
General Manager, Network Expenditure
Australian Energy Regulator
GPO Box 520
Melbourne Victoria, 3001

Dear Ms Kaur,

Transgrid's system strength network service payment contract review application

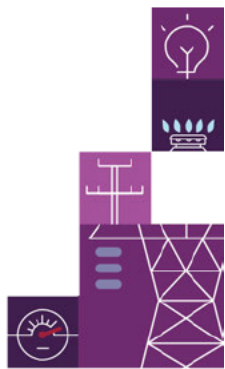
AEMO is pleased to see that the AER is considering TransGrid's proposed system strength network service (SSNS) contract with Snowy Hydro.

In this submission, AEMO will not comment on the prudence and efficiency of the SSNS contract as this assessment lies within the jurisdiction of the AER's independent review. Instead, AEMO would like to emphasise its support for the management of system strength and inertia by transmission network service providers (TNSPs). This aspect of the improving security framework (ISF) rule seeks to proactively meet the system security requirements of our energy system that must manage a progressively increasing proportion of inverter-based resources. Under these rules, Transgrid must provide system strength and inertia as prescribed transmission services and may procure of non-network options – such as this contract with Snowy Hydro's Tumut power station.

In the next 10 years, the risk that there won't be enough synchronous plant online to maintain system security is material. The incoming system strength, inertia, and ISF rules counteract this and support system security by:

- Creating financial incentives for investment in assets that provide system strength to broaden the pool of suppliers to meet future system strength needs, and
- Allowing AEMO to schedule system strength resources, bolstering our ability to manage system security in real time operation, and limiting the need for directions.

Relying on directions to ensure system strength is undesirable. Such a reliance could distort market signals, reduce transparency, and create uncertainty for both providers and consumers. Reliance on directions also further complicates real-time power system operations. AEMO is quickly working towards developing a system that will allow automated scheduling of system security services – which is not a practical option for directions. The use of directions would supersede the obligations of transmission network service providers under Chapter 5 of the National Electricity Rules (NER).



AEMO notes that there will be limited time to enact the contract should it be approved by the AER (the framework commences on 2 December). AEMO would encourage the AER to make its decision as expeditiously as possible to enable AEMO to promptly action the outcome.

If you would like to discuss anything further, or if we may assist you in your review, please contact Hannah Heath, AEMO Group Manager – Strategic Market Reform [REDACTED].

Yours sincerely,

[REDACTED]

Violette Mouchaileh
Executive General Manager – Policy & Corporate Affairs