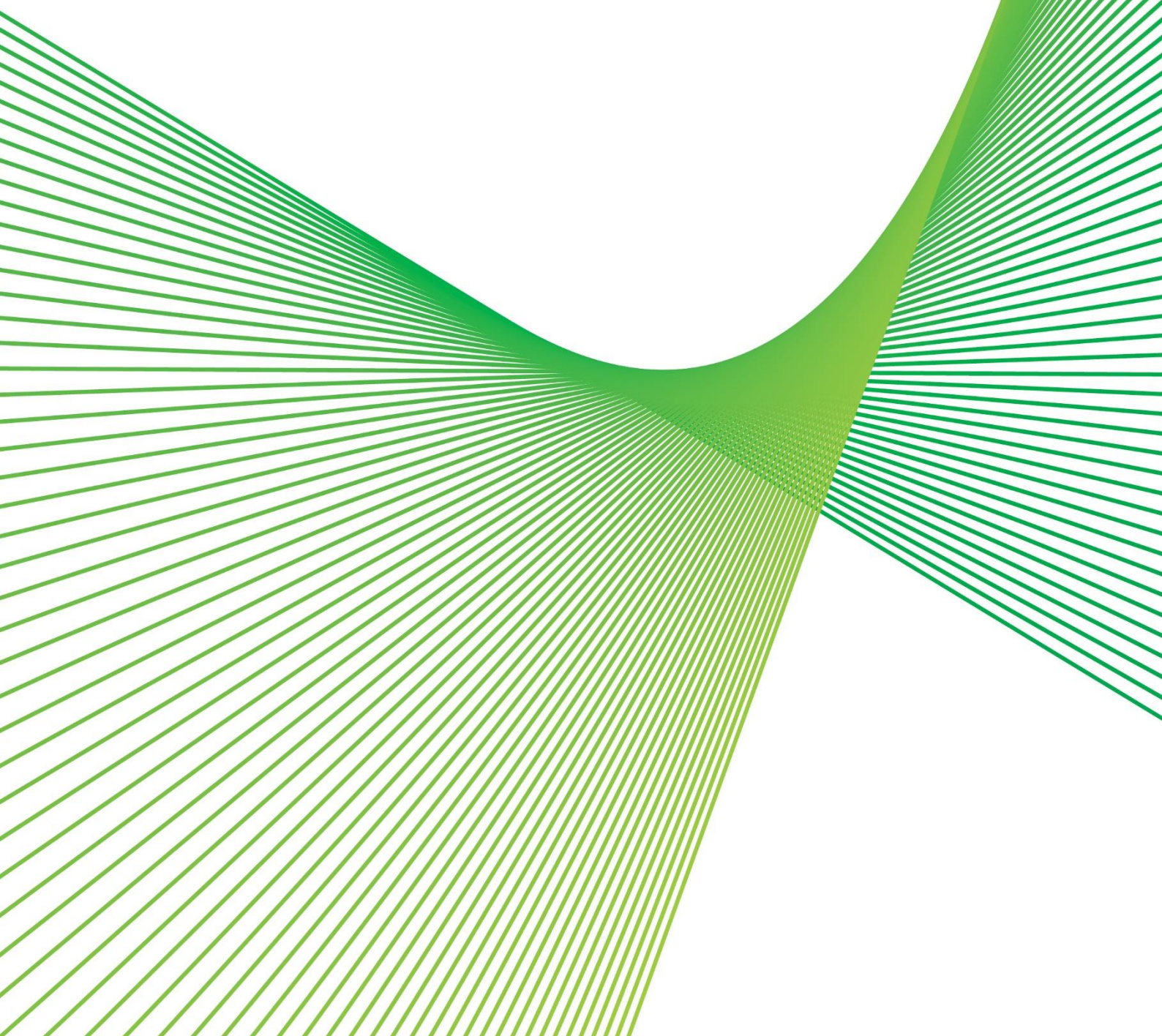


Meeting system strength requirements in NSW

Notification of Material Change in Circumstances Assessment

29 April 2026



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1. Purpose of this Notice

This notice is provided in accordance with clause 5.16.4(z3)(4) of the National Electricity Rules (NER) to notify the Australian Energy Regulator (AER) of a material change in circumstances (MCC) that has occurred since publication of the Project Assessment Conclusions Report ([PACR](#)) for the [Meeting system strength requirements in NSW Regulatory Investment Test for Transmission](#) (RIT-T).

This notice sets out:

- the nature of the MCC;
- the actions Transgrid proposes to take in response; and
- the timeframe for completing those actions.

2. Background

Transgrid completed the system strength RIT-T in July 2025, with the PACR identifying a preferred portfolio of network and non-network system strength solutions to meet minimum and efficient system strength requirements under clause S5.1.14 of the NER.

The PACR was informed by extensive stakeholder consultation and identified synchronous condensers (syncons), grid-forming batteries and other non-network synchronous solutions as part of the preferred portfolio, with delivery timing critical to manage forecast system strength risks in NSW.

The PACR identified that ten syncons on Transgrid's network are part of the optimal portfolio for system strength. These syncons are defined in this document as the first five accelerated 'Phase 1' syncons and the second five 'Phase 2' syncons. Since the publication of the PACR, the NSW Government directed Transgrid to progress the delivery of accelerated 'Phase 1' syncons, via the NSW EII Act Framework.

On 13 August 2025, the Australian Energy Regulator (AER) [received](#) a notice of dispute from the Centre for Independent Studies (CIS) disputing the conclusions of Transgrid's PACR. On 23 December 2025, the AER determined that based on the grounds of the dispute raised by the CIS, Transgrid would not be required to amend its PACR.

3. Nature of the material change in circumstances

Since publication of the PACR, one MCC has occurred that was specifically identified in the PACR as a RIT-T reopening trigger:

- *“costs of synchronous condensers required for 2031/32 or after increase by significantly more than 30%”;*

Transgrid's assessment is that the costs for the deployment of Phase 2 syncons are expected to meet this trigger threshold. This has been informed by the competitive procurement processes for the [accelerated 'Phase 1' syncons project](#), deemed by the AER as the result of genuine and appropriate procurement processes under the NSW EII Act, as well as additional cost and supply chain pressures due to the conflict in the Middle East.

As such, a RIT-T reopening trigger applying to the project has been triggered. This is a material change in circumstances that requires Transgrid to notify the AER and propose a course of action.

Two other changes in key assumptions used in identifying the optimal portfolio in the PACR have occurred, which are raised as further information and may constitute an MCC (and will be considered in our MCC analysis):

- Potential for material increases in the delivery timeline for Transgrid's second tranche of syncons, due to the time required to follow the regulatory process (including the RIT-T dispute and now this MCC process) and high international demand for this equipment leading to risk of significantly longer long lead item procurement times.
- Changes in the anticipated timing of retirement and operational behaviour of NSW coal units, as identified within Australian Energy Market Operator's (AEMO) draft 2026 Integrated System Plan (ISP) Step Change scenario and AEMO's 2025 Transition Plan for System Security.

The one MCC that was specifically identified in the PACR, and the two other changes which may constitute an MCC are expected to affect the preferred portfolio and its delivery profile and therefore constitute a MCC for the purposes of clause 5.16.4(z4).

4. Proposed actions

In response to the MCC, having regard to clause 5.16.4(z4A) and ongoing analysis of the impact of these MCCs on the system strength portfolio, Transgrid proposes to:

Not reapply the RIT-T, on the basis that:

- the PACR was only recently completed (14 July 2025) and the dispute resolution process was recently completed (23 December 2025);
- reapplication would result in material delay and cost; and
- delay would materially increase risks to system security and reliability in NSW, ultimately impacting costs to the energy market and consumers.

Undertake a streamlined MCC assessment, drawing on:

- the existing PACR analysis;
- updated cost and timing information; and
- the most recent AEMO ISP-related inputs and outputs and AEMO's 2025 Transition Plan for System Security, where relevant.

Publish a statement on Transgrid's website (as per clause 5.16.4(z4B)) setting out (with supporting analysis and justification):

- whether the preferred portfolio identified in the PACR remains the preferred option, or
- any refinement to the portfolio composition or timing.

5. Urgency and justification

Transgrid considers the proposed approach to be justified in the circumstances, noting that:

- syncons manufacturing capacity is globally constrained and lead times are increasing;

- delaying procurement resulting from the re-application of the RIT-T would materially defer delivery of system strength services;
- delayed delivery would increase reliance on operational interventions and re-dispatch of synchronous machines, with heightened risk of system strength gaps. The risk of system strength gaps refers to periods where there is unlikely to be enough sources of system strength in NSW to meet requirements, leading AEMO to re-schedule outages, constrain generation or, under extreme circumstances, proactively shedding customer load (unserved energy); and
- Transgrid's ongoing analysis suggests that the changes in circumstances that have occurred are not expected to cause a change to the technologies selected in the PACR, rather to refine the composition of the PACR-identified technology mix.

Accordingly, Transgrid considers the proposed streamlined MCC assessment to be consistent with the long term interests of consumers, and justified under clause 5.16.4(z4A)(1)-(3). Specifically, Transgrid does not consider re-application of the RIT-T is justified in the circumstances, on the grounds of the high cost to the energy market and ultimately consumers that would result from the delay caused by the re-application of the RIT-T. Justifications are listed below.

Cost and delay from the re-application of the RIT-T, as per 5.16.4(z4A)(3)

- Transgrid's system strength RIT-T took approximately 2 ½ years to complete, from the PSCR in December 2022 to the PACR in July 2025; this timeframe is broadly consistent with the RIT-Ts for other major projects. Due to the significant complexity of system strength modelling (both power system and market modelling) and the strong engagement from non-network proponents (approximately 60 non-network proponents in the original RIT-T), Transgrid expects a new RIT-T to take approximately the same amount of time.
- Reapplying the system strength RIT-T, with the complexity outlined above, will incur additional costs to consumers associated with modelling and development costs. Transgrid expects that costs associated with a re-application of the RIT-T would be commensurate with the first RIT-T.

Cost and delay from Transgrid's proposed actions to this MCC, as per 5.16.4(z4A)(2)

- Transgrid's assessment for this MCC is largely complete, and was progressed over the course of approximately five months. The streamlined assessment draws on existing PACR analysis, updated cost and timing information and the most recent AEMO ISP-related inputs and outputs and AEMO's 2025 Transition Plan for System Security, where relevant. Transgrid undertook this streamlined assessment in order to form the view that changes in key assumptions were reasonably likely to change the preferred portfolio.
- Transgrid's analysis suggests that the changes in circumstances that have occurred are not expected to cause a change to the technologies selected in the PACR, rather will lead to a refinement in the composition of the PACR-identified technology mix. As such, Transgrid does not consider a material cost or delay will be incurred by following our proposed course of action outlined in this MCC. However, a material cost and delay will be incurred if re-application of the RIT-T is required.

Urgency of the system strength need justifies a streamlined MCC assessment, as per 5.16.4(z4A)(1)

- Due to growing international demand, syncon manufacturers have advised Transgrid that lead times for the manufacture of syncons are increasing. If Transgrid is required to re-apply the RIT-T before locking in manufacturing slots (noting that the system strength RIT-T took 2 ½ years) or other regulatory process or project related delays occur, then Transgrid expects there is a high likelihood that syncon

manufacture would not commence until the late 2020's or early 2030s and would therefore result in a material delay to the syncons being commissioned.

- Transgrid has recently completed two competitive procurement processes for the accelerated 'Phase 1' syncons project, being for the syncon package (including supply, installation and commissioning of syncons) and associated works package (including civil and electrical enabling works at each substation). The AER has assessed both procurement processes as genuine and appropriate. These competitive procurement processes can be leveraged for Phase 2 if there is not an extended period until regulatory approval can occur for Phase 2 syncons. Leveraging this existing procurement process would enable time and cost efficiencies to be obtained, reducing the impact of the growing international demand for syncons on Phase 2 procurement lead times.
- Proponent-announced retirement dates for Bayswater and Vales Point power stations are in calendar year 2033. If a new RIT-T was required, Transgrid would not be able to deploy syncons before calendar year 2033 (and likely significantly delayed beyond this point, depending on the length of the RIT-T). Transgrid's analysis for this MCC suggests that if Bayswater or Vales Point leave the power system before Phase 2 syncons are in place, there could be significant periods where there is insufficient system strength in NSW, even after accounting for the additional operation of gas and hydro units for system strength. Noting that insufficient system strength could ultimately lead to AEMO proactively shedding customer load (unserved energy), the cost and impact of this to the power system and consumers would be significant.
- AEMO's draft 2026 ISP Step Change scenario indicates that some NSW coal units may close prior to proponent announced dates, with three units closing between FY30-31. A re-application of the RIT-T would mean that Phase 2 syncons would not be operational in these years. Transgrid's analysis indicates that there is a risk of system strength gaps in these years under the draft 2026 ISP Step Change scenario, even after accounting for the additional operation of gas and hydro units for system strength. These risks of gaps, and the additional gas and hydro operation, risks high costs to the energy market and ultimately consumers, which could be avoided by following the proposed course of action in this MCC notification.
- Supporting Transgrid's position on the urgency of system strength investment:
 - In April 2025, the AEMC Reliability Panel published a letter to AEMO, stating: *"The [AEMC Reliability] Panel emphasises the urgency of system security investment to keep pace with the transition... the Panel is of the view that to keep pace with the energy transition, security needs must be identified earlier so that timely investment can occur. Security risks are emerging faster than expected. For example, system strength and minimum system load have become critical risks earlier than expected, and market interventions have been needed to maintain system security."*¹
 - AEMO has lodged a rule change request to evolve the system strength frameworks to better facilitate timely investment, stating: *"The aim of this rule change request is to ensure the frameworks facilitate the timely and cost-efficient investment in system security capabilities so that they enable AEMO to operate the power system and markets efficiently, reliability [sic] and securely they transition to a predominately [sic] renewable energy-based system"*.²
 - AEMO's Transition Plan for System Security reinforces the importance of timely investment in system security and highlights the 'moderate readiness' of the NSW power system to NSW's second and third coal generator retirements (beyond Eraring Power Station). AEMO states *"Timely investments are needed to decouple reliance on coal generators for system security – enabling the next phase of*

¹ AEMC Reliability Panel, 23 April 2025, Letter to AEMO: Reliability Panel comments on AEMO's Transition Plan for System Security

² AEMO, November 2025, Electricity Rule Change Request, <https://www.aemc.gov.au/rule-changes/security-framework-enhancements>

the energy transition.” And “As early as 2031-32, New South Wales could at times reach a “credible no coal scenario” where a combination of exits, decommitments, planned outages and contingencies means there are periods with no coal generation available for dispatch or directions. Industry need [sic] to prepare to operate the power system in such conditions.”³

For the reasons outlined above, Transgrid considers that the re-application of the RIT-T is not justified and that a streamlined MCC assessment would be in the best interest of consumers and the energy market.

6. Proposed timeframe

Transgrid proposes to publish the MCC assessment statement by 24 June 2026, subject to AER approval of the notice and timeframe outlined in this notice.

7. Conclusion

Transgrid submits that:

- a material change in circumstances has occurred;
- the proposed actions are reasonable, proportionate and consistent with the NER; and
- reapplication of the RIT T is not justified in the circumstances.

Transgrid therefore seeks the AER’s approval of the actions and timeframe set out in this notice in accordance with clause 5.16.4(z5A)(1).

³ AEMO, December 2025, 2025 Transition Plan for System Security