



Statement of scope

The Energy Security Board (ESB), in collaboration with the market bodies (AEMO, AEMC and AER), has set out a pathway to transition the National Electricity Market (NEM) into a modern energy system fit to meet consumers' evolving wants and needs. The ESB's Post-2025 electricity market design addresses essential change in a world of expanding consumer choices, new technologies, and large-scale capital replacement as old thermal power stations leave the market¹.

Background and context

The ESB provided its final advice to the Energy National Cabinet Reform Committee (National Cabinet) on 27 July 2021 in a manner that set out a pathway of reforms and a timetable for their implementation, towards the year 2025 and beyond. National Cabinet approved the Post-2025 reform recommendations on 29 October 2021.

In presenting its final advice, the ESB divided the work into four interrelated reform pathways:

- **Resource Adequacy Mechanisms (RAMS):** Investment in the right mix of resources (generation, storage and demand response) is in place prior to anticipated plant closures, and plant exit does not cause significant price or reliability shocks to consumers through the transition
- **Essential System Services (ESS) and Ahead Mechanisms:** Resources and services are available when needed to manage the complexity of dispatch and to deliver a secure supply to customers.
- **Transmission and Access (TA):** The network is capable of meeting the future demands of the power system, including providing for appropriate investment signals to support investment that can deliver the energy transition at lower cost.
- **Integrating DER and Flexible Demand (DER & FD):** New opportunities are created for consumers about how they receive and use energy and are rewarded for doing so flexibly.

The four pathways are complemented by a **Data Strategy** for the NEM, developed by the ESB, which recognises that digitalisation and data are critical to enabling each of the reform pathways.

¹ Energy Security Board website. Last accessed 13 May 2022. Available at <https://esb-post2025-market-design.aemc.gov.au/>.

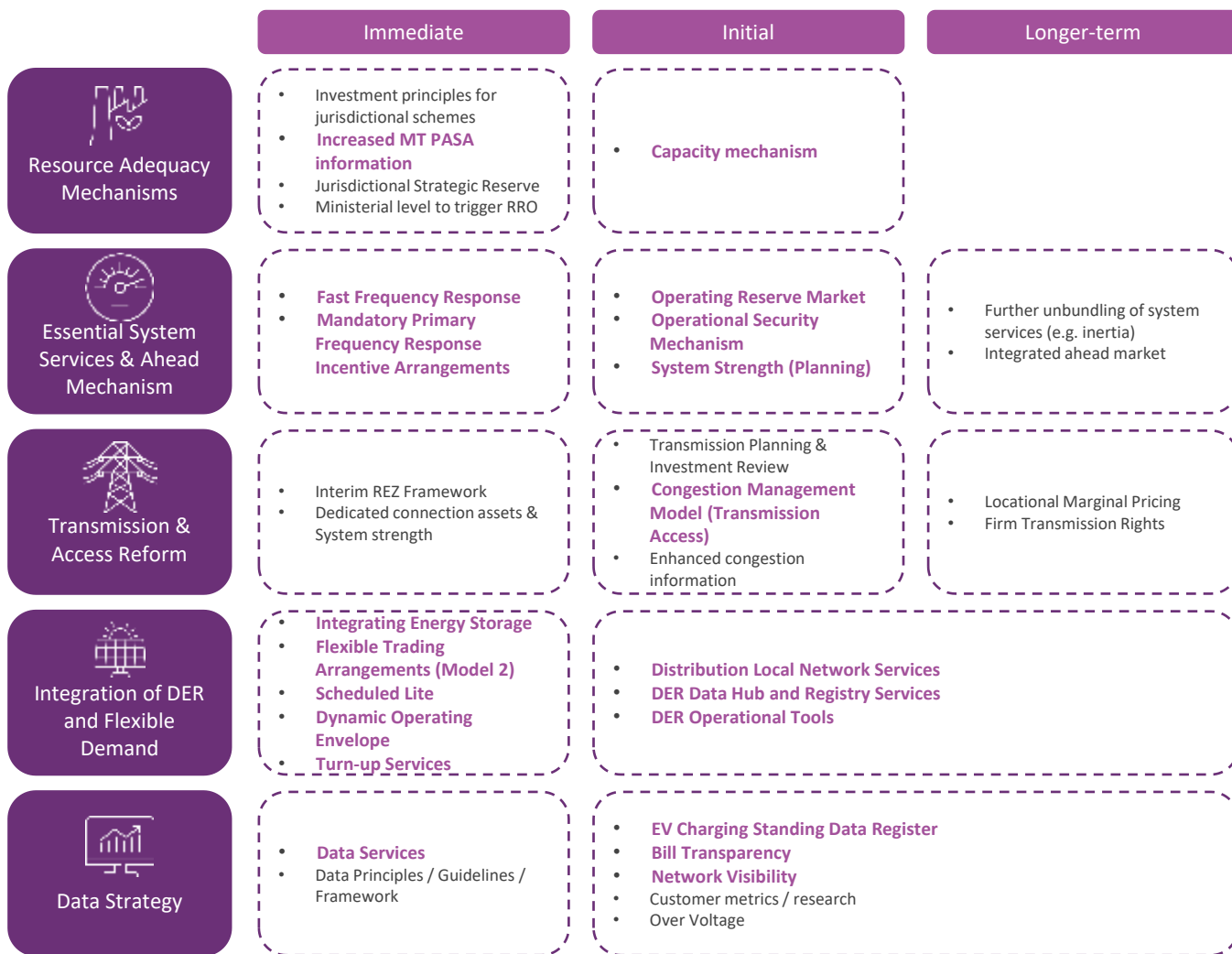
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With all the reforms in place, the NEM will²:

- allow consumers to benefit from rapidly changing technologies in our power system;
- unlock the value of flexible demand and distributed energy resources;
- work alongside government schemes which are delivering on their policy commitments including emissions reduction; and
- provide clear signals for timely and efficient investment to deliver reliable, secure, and affordable electricity for consumers.

The ESB has identified three different time horizons – immediate, initial and longer-term – to provide its view of when each recommended reform should be implemented.

Figure 1. Summary of ESB Post-2025 market design recommendations



Note: Items in purple reflected in NEM2025 Program Scope as further detailed below.

² Energy Security Board website. Last accessed 13 May 2022. Available at <https://esb-post2025-market-design.aemc.gov.au/>.

NEM2025 Program: In-scope initiatives

One of the main enablers for many of the Post-2025 reforms is the development of supporting IT systems and business processes. An initial assessment of the impacts associated with the delivery of the reforms was prepared by AEMO and formed part of the ESB's final advice to Ministers.

AEMO has since undertaken a series of planning activities in conjunction with the Reform Delivery Committee³ (RDC) to better understand the scope and scale of the ESB's reform initiatives that need to be delivered as part of the NEM2025 Program.

From these planning activities, AEMO and the RDC determined those Post-2025 reform initiatives selected for inclusion in the NEM2025 Program to:

- have multi-participant implementation actions; and
- require investment in IT systems or business processes across AEMO and/or market participants.

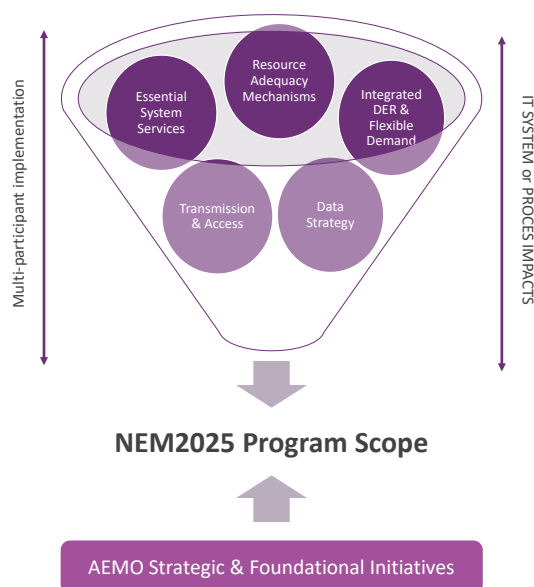
From the full scope of the ESB's final recommendations, a number of reform initiatives were identified to be included in the NEM2025 Program.

Table 1. NEM2025 Program – In-scope initiatives below provides a summary for each of the initiatives.

A NEM Reform Implementation Roadmap has been prepared in collaboration with the RDC which details an integrated timeline for implementing the reform initiatives that comprise the NEM2025 Program⁴.

The scope of the initiatives is current as of April 2022 and the publication of the NEM Reform Implementation Roadmap. As policy and or rule changes evolve throughout the life of the program, the scope of the initiatives will be revised and updated.

Figure 2. Determining the NEM2025 Program



³ The RDC brings together a strategic group of representatives from across the energy sector, including representatives from the AEMC and AER, to facilitate deep and effective collaboration to develop the NEM Reform Implementation Roadmap that appropriately prioritises and sequences reform implementation considering interdependencies with a least cost whole-of-system intent – ultimately for the benefit of the consumer. Further information on the RDC is available [here](#).

⁴ The NEM Reform Implementation Roadmap available at the RDC section of AEMO's website [here](#).



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Table 1. NEM2025 Program – In-scope initiatives

Pathway	Initiative name	Description	Status
Resource Adequacy Mechanism	Increased MT PASA Information	<ul style="list-style-type: none"> Establishing the reporting of a unit's status through reason codes via Medium Term Projected Assessment of System Adequacy (MT PASA) and reporting of recall times via MT PASA when triggered through a reason code 	Open Rule Change
	Capacity Mechanism	<ul style="list-style-type: none"> Establish of a mechanism to explicitly value capacity intended to create a clear, technology neutral, long-term signal for investment to ensure reliable supply is maintained 	Under policy development
Essential System Services	Ramping/Operating Reserves	<ul style="list-style-type: none"> Unbundling reserves from energy to separately value flexible, responsive resources, through one or more new markets, and in doing so provide a separate and explicit signal for their provision 	Open Rule Change
	Frequency Performance Payments (part of PFR Incentive Arrangements rule)	<ul style="list-style-type: none"> Maintain mandatory PFR requirements beyond the June 2023 sunset date and design of a new cost allocation system for Regulation FCAS, known as 'Causer Pays' based on, and which supports, tight dead-band MPFR 	Open Rule Change
	Fast Frequency Response	<ul style="list-style-type: none"> Establish two new market ancillary services – very fast raise and very fast lower – to operate alongside the existing contingency FCAS markets 	Final determination
	Operational Security Mechanism	<ul style="list-style-type: none"> Provide a valuation, procurement and scheduling process for ESS by producing a least-cost, inter-temporal optimised dispatch schedule which considers attendant technical constraints and costs for unit commitment and system security 	Open Rule Change
	System Strength (Planning)	<ul style="list-style-type: none"> Evolve the framework to address the need for a more forward-looking, coordinated solution for the supply and demand of system strength in the NEM through key elements including TNSP led procurement of system strength, new access standards for relevant generators, loads and market network service providers, and enablement of a new charging mechanism providing for a price signal to connecting parties 	Final determination
Transmission and Access	Congestion Management Mechanism	<ul style="list-style-type: none"> Establish a model to support transmission access reform to better manage access risk, incentivise congestion relief, and provide for investment and operational efficiencies 	Under policy development
Integrating DER and Flexible Demand	Integrating Energy Storage	<ul style="list-style-type: none"> Establish an Integrated Resource Provider (IRP) registration category to better integrate and utilise energy storage and hybrid systems in the NEM and allow aggregators of small generators to provide ancillary services 	Final determination
	Flexible Trading Arrangements Model 2	<ul style="list-style-type: none"> Enable end users to establish a private metering arrangement (PMA) for controllable resource(s) within their electrical installation, and to have these resources managed by a separate financially responsible Market Participant (FRMP) Establish a framework for 'minor energy flow' metering installations not currently considered in the NEM metering framework to reduce barriers further, create greater flexibility for the introduction of new technologies and enable access to retail competition for legacy connections in the NEM 	Pending Rule Change
	Scheduled Lite	<ul style="list-style-type: none"> To establish an 'opt-in' framework through lowering barriers and providing incentives for flexible demand, aggregated portfolios of DER and small generation resources (between 5 MW and 30 MW) to either: <ul style="list-style-type: none"> provide greater visibility to the market operator about intentions in the market, or to participate in dispatch of energy and ancillary services 	Under policy development
	Dynamic Operating Envelopes	<ul style="list-style-type: none"> Establish DOE to better manage congestion on the distribution network and allow for more flexibility in exporting through various key reforms including: <ul style="list-style-type: none"> Establishing new connection agreements with customers Development of capacity allocation principles Establishing new obligations on the retailer/aggregator to operate DER within these limits, where they are operating DER on behalf of customers and Creating new standards for interoperability and cyber security 	Concept/trial

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Pathway	Initiative name	Description	Status
	Distribution/Local Network Services	<ul style="list-style-type: none"> To identify ways to make it easier for DER aggregators to trade local network support services with DNSPs/Distribution System Operators (DSOs), through greater visibility of local network constraints aligning the definitions of local services and how they are traded between regions 	Concept/trial
	Turn-up Services	<ul style="list-style-type: none"> Increase the capability and capacity of load to respond to low or negative price signals during times of abundant variable renewable energy, which is correlated to periods of minimum system load 	Concept/trial
	DER Data Hub and Registry Services	<ul style="list-style-type: none"> Establish a DER Data Hub to provide efficient and scalable data exchange and registry services for DER between industry actors and potential augmentation of DER Register to enable more efficient and permission-based sharing and access to information 	Concept/trial
	DER Operational Tools	<ul style="list-style-type: none"> To identify and develop, in collaboration with DNSPs, new DER operational tools that may be required by each party, which can work together to maintain efficient and secure power system operations at times when up to 100% of system load can be met with DER 	Concept
Data Strategy	Data Services	<ul style="list-style-type: none"> Provide new services which facilitate greater safe, timely and appropriate access to and public-good benefits from data sets held by AEMO and other market bodies, supporting improved policy, planning and research 	Under policy development
	EV Charging Standing Data Register	<ul style="list-style-type: none"> Ensure that agencies and market participants have sufficient visibility of emerging electric vehicle supply equipment (EVSE) for effective planning and management of the system 	Under policy development
	Bill Transparency	<ul style="list-style-type: none"> Efficient arrangements to provide ongoing transparency of consumer bills and the impacts of different services and circumstances, to support better consumer protections and understanding of consumer needs in the market transition and streamline current inefficient retail reporting. 	Under policy development
	Network Visibility	<ul style="list-style-type: none"> Optimise benefits from DER and network assets for all customers, by informing market stakeholders making DER planning decisions and managing network capacity risks 	Under policy development

In addition to the NEM2025 Program reform initiatives, AEMO has identified a subset of initiatives as potential prerequisites. Each of these initiatives represents either a:

- **Foundational** investment in an AEMO legacy system to deliver an uplift to base capability on which reforms are dependent; or
- **Strategic** investment where system uplift is required at some time in the future and AEMO sees the opportunity for this life-cycle type investment to be brought forward and delivered in the same timeframes as the reforms for efficiency purposes.

These initiatives have subsequently been grouped into the following categories:

- **Group A – Identity and Data:** Supports the tools that enable efficient identification, authorisation and transfer of data.
- **Group B – Operational and System Tools:** Strengthens the tools needed to operate the power system. These initiatives will be monitored as dependent projects and will be delivered in accordance with the AEMO Operational Tools Roadmap.
- **Group C – Dispatch and Short-Term Market Operations:** Supports the ongoing viability of core short-term market functions.
- **Other:** Initiatives supports the ongoing viability of retail market functions and telemetry services providing greater visibility to AEMO and market participants.

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The following tables provide a summary of each foundational or strategic initiative considered within the scope of the NEM2025 Program.

Table 2. AEMO Foundational/strategic initiatives – Group A Identity & Access

Pathway	Initiative name	Description
Foundational	Identity Access Management	<ul style="list-style-type: none"> A unified mechanism to authenticate participant users and applications when accessing AEMO services enabling a single pane of glass for participants accessing AEMO applications while consolidating and improving overall cyber security controls
	Industry Data exchange	<ul style="list-style-type: none"> Unified access to AEMO services across all markets using modern authentication and communication protocols providing for consolidation of data exchanges into a single industry-wide mechanism across wholesale and retail applications, lowering barriers to entry and reducing overall costs
Strategic	Portal Consolidation	<ul style="list-style-type: none"> A single pane of glass user experience for participants accessing all AEMO browser-based services.
	Consolidated Master Data Repository (CoMaSTR)	<ul style="list-style-type: none"> An internal master data management platform hosting information about power system asset data (e.g., NMI standing data, DER devices) used by AEMO market systems providing participants with a single source of truth and data quality management.

Table 3. AEMO Foundational/strategic initiatives – Group B Operational & System Tools

Pathway	Initiative name	Description
Dependent Projects	Operational Decision-Making Tools	<ul style="list-style-type: none"> A refresh of the user interfaces and decision-making tools used by the AEMO control room operators to reflect the increasing demands of managing the grid. Multiple disparate User Interfaces converged into single user experience platform.
	Business Rules Engine	<ul style="list-style-type: none"> An internal AEMO technology capability within which business rules and processes are defined. Core market platforms will leverage this capability as a foundation building block.
	Operational Data Store	<ul style="list-style-type: none"> Establishing a capability for storing high volume of operational transactional data at near-real-time.
	Forecasting Platform Uplift	<ul style="list-style-type: none"> A converged modelling platform that supports model development, interfaces for forecasting-as-a-service providers and layered blended models across several modelling domains e.g. demand and VRE.
	ST PASA Replacement	<ul style="list-style-type: none"> Review of the Pre-dispatch (PD) and Short Term (ST) PASA methodology and supporting systems and processes.

Table 4. AEMO Foundational/strategic initiatives – Group C Dispatch & Short-Term Market Operations

Pathway	Initiative name	Description
Strategic	Dispatch Target State	<ul style="list-style-type: none"> A technology uplift of AEMO backend market platform services to replace legacy technology. In the case of bids/offers this could leverage 5MS deliverables.
	Bids/Offers Target State	
	Constraints Target State	

Table 5. AEMO Foundational/strategic initiatives – Other

Pathway	Initiative name	Description
Strategic	FRC Target State	<ul style="list-style-type: none"> Implement a consolidated Asset and Participant Relationship Management system (APRM); that enables unification of services onto a shared platform and simplification of Participants' and AEMO processes.
Foundational	SCADA Lite	<ul style="list-style-type: none"> A low-cost mechanism to support telemetry services reducing barriers to entry for smaller generators and demand side resources and providing greater visibility to AEMO and market participants

NEM2025 Program: Delivery scope

AEMO has delivered many large reform-driven programs of work. However, the NEM2025 Program represents the most comprehensive reform package sought to be implemented since the NEM's inception in 1998. As a result, it needs careful planning and high levels of industry engagement to be successful.

The key principles underpinning delivery of the NEM2025 Program are to:

- **Work collaboratively with industry:** While AEMO is ultimately responsible for delivering the NEM2025 Program, it will be supported by comprehensive engagement and collaboration with industry. In particular, the NEM2025 Program aims to provide industry with a clear forward view of the periodic deployments of capability aligned with the ESB's reform timelines via the NEM Reform Implementation Roadmap. This will assist industry with their own planning and delivery activities to be ready for each reform as it is operationalised.
- **Deliver effective solutions:** The NEM2025 Program will work closely with ESB and industry to ensure the solutions that are developed meet the ESB's reform objectives and are aligned with AEMO's target state architecture⁵.
- **Deliver as efficiently as possible:** The NEM2025 Program will be structured to be delivered as efficiently as possible. This will be realised through the optimal bundling and sequencing of projects within the Program, as well as through Program governance and management that continually monitors Program costs.

The NEM2025 Program will take a 'One Program' approach that provides for central governance and a structured methodology to assessing change impacts to AEMO, industry and stakeholders over the life of the Program. Further the 'One Program' approach ensures a level of consistency in delivery across all initiatives from their conception through to completion while still allowing for tailored implementation at an individual initiative level.

The implementation of IT systems and processes will form a significant component of the NEM2025 Program. However, the activities (and therefore resources) to successfully bring the individual initiatives into live operation are inevitably much broader, as shown in Table 6. NEM2025 Delivery Scope

These activities shown below are to be supported by a dedicated program structure and program management function. These have been developed in alignment with AEMO's Enterprise Portfolio Office (EPO). The EPO will provide standards, methodologies, processes and tools mandated across the enterprise, and these will be used by the NEM2025 Program.

⁵ AEMO has commenced detailed work to articulate its conceptual target state architecture. While this work is broader than the NEM2025 Program, it is critical that what the NEM2025 Program designs and delivers is in alignment with this target state architecture, as the Program will be a key contributor towards achieving the desired future state.

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Table 6. NEM2025 Delivery Scope

Function	Description	Included activities
Solution Assurance & Design	Provides the overarching alignment of business and technology strategic outcomes through roadmaps, architectures and transformational change impact management. Also provides the sequencing and integrated release planning of design and delivery; Supports the program in the procurement and ongoing management of vendors including performance and execution to contract	<ul style="list-style-type: none"> • Technical Architecture • Business Architecture • Product Release Planning & Integrated Design • Contract Management/Performance • Vendor Engagement/Management
Delivery	Delivery of all business and technology changes as required to support the Post-2025 Reforms and in-scope projects; Supports the delivery streams in the delivery of quality outcomes and the alignment to program and AEMO standards and practices through testing and verification	<ul style="list-style-type: none"> • Requirements Development & Design • Business Process, Procedure and Work Instruction Development • Delivery Management (Business and Technology) • Testing (Integration, E2E, Performance and UAT) • Industry Test/Market Trials • Environment Management
AEMO Operational Capability	Management of the change implementation within AEMO, including internal stakeholder engagement and communications, organisational and staff transition, business readiness, and staff training and coaching.	<ul style="list-style-type: none"> • Internal stakeholder management • Internal (AEMO) communications • AEMO organisation and staff transition • Business (AEMO) readiness • Training and coaching
External Stakeholder Engagement	Centrally lead and coordinate all communications and engagement with industry, government, media, and other external stakeholders to build awareness and understanding, and co-design, implement and embed the NEM2025 Program.	<ul style="list-style-type: none"> • Forums and working group facilitation • External stakeholder and industry support and engagement • External stakeholder and industry communications
Industry Readiness	Facilitation of the change implementation with industry including, representing the NEM2025 Program with industry stakeholders, and leading and coordinating all industry readiness, transition, and participant training activities.	<ul style="list-style-type: none"> • Program advocacy and industry engagement • Industry transition planning and co-ordination • Readiness planning and coordination • Participant training

The delivery scope for the NEM2025 Program excludes activities relating to the development of policy and/or rules or related change processes, market design, funding and cost recovery. These are managed outside the direct responsibility of the NEM2025 Program, but are identified as dependencies with clear lines of communication to ensure a co-ordinated approach. Further, the delivery scope is not intended to cover the implementation of changes (e.g. system, process or guideline related) by industry participants beyond those activities identified above, these are the responsibility of individual participants.