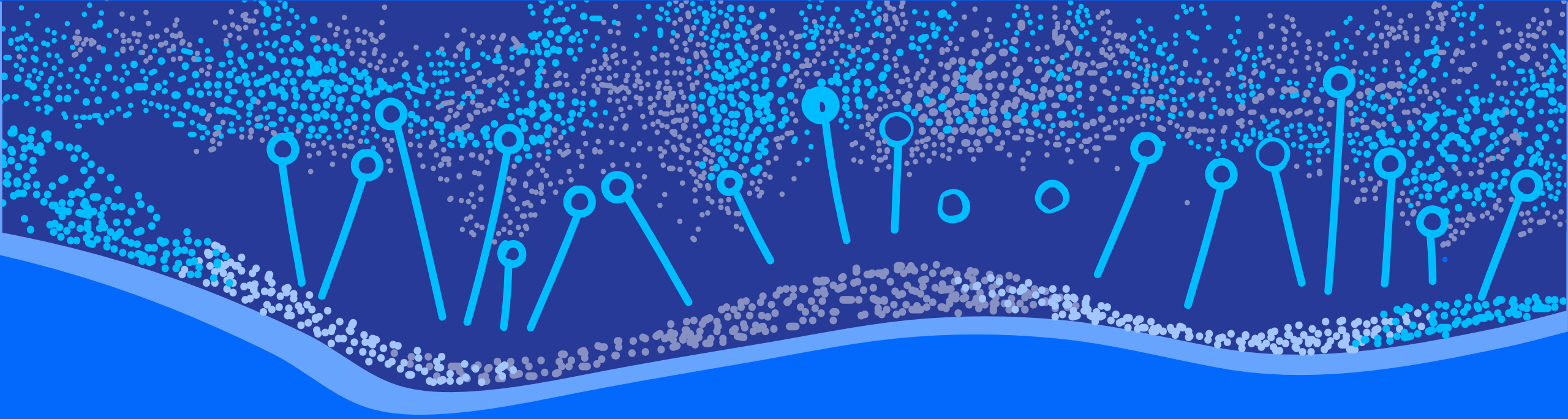
Redesigning the rules: How regulation can enable a smarter, fairer energy system

Rainer Korte | Commissioner

3 December 2025

Australian Energy Market Commission

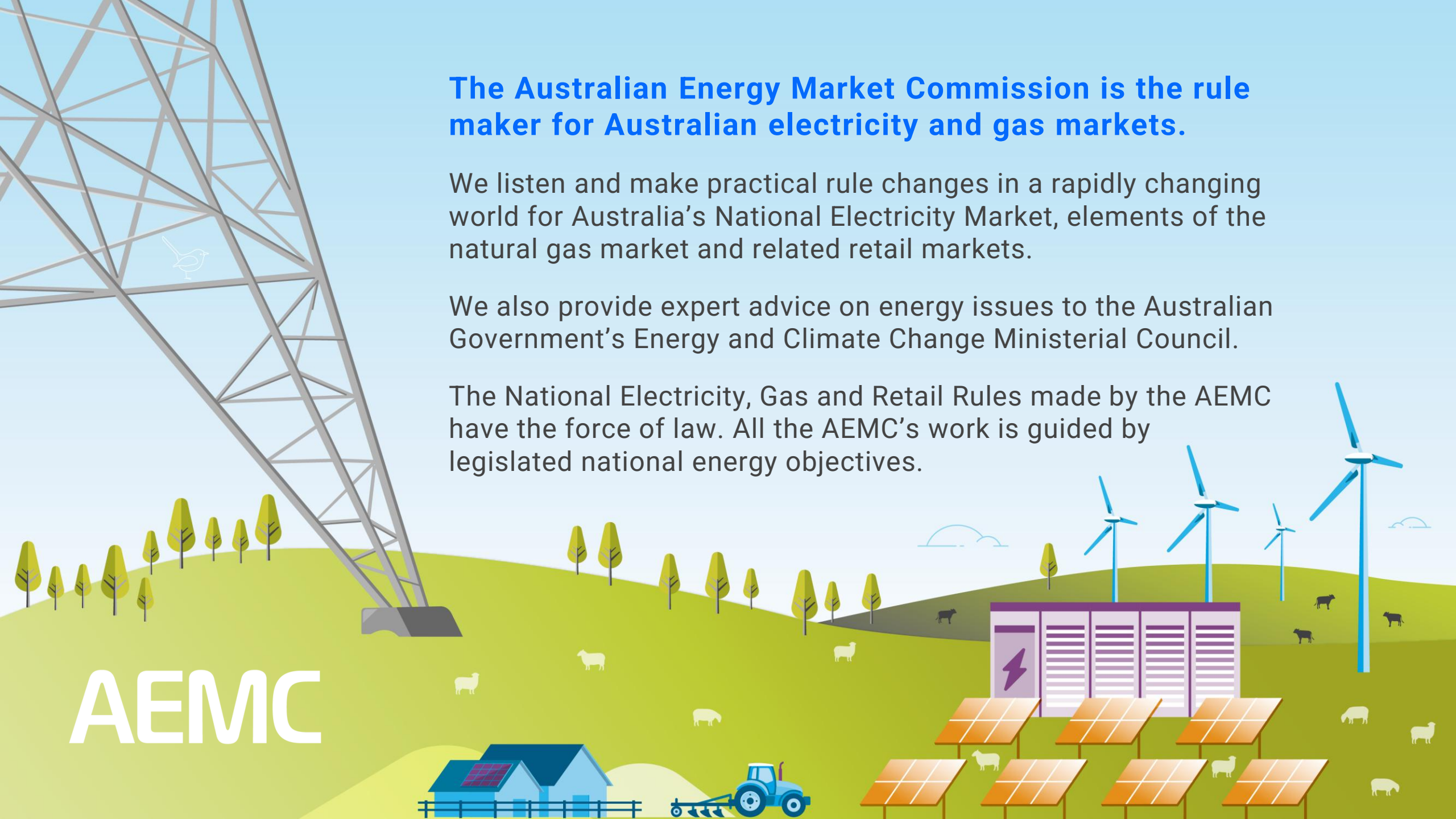
AEMC



ACKNOWLEDGEMENT OF COUNTRY

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora Nation. We pay respect to all Elders past and present, and the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

The world changed here . . .



The Australian Energy Market Commission is the rule maker for Australian electricity and gas markets.

We listen and make practical rule changes in a rapidly changing world for Australia's National Electricity Market, elements of the natural gas market and related retail markets.

We also provide expert advice on energy issues to the Australian Government's Energy and Climate Change Ministerial Council.

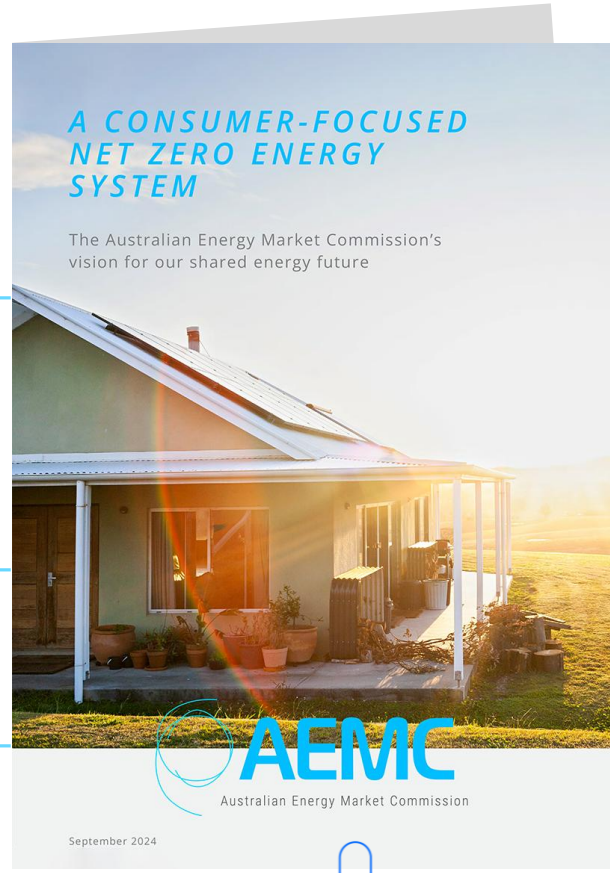
The National Electricity, Gas and Retail Rules made by the AEMC have the force of law. All the AEMC's work is guided by legislated national energy objectives.

AEMC

Achieving a consumer-focused net zero energy system

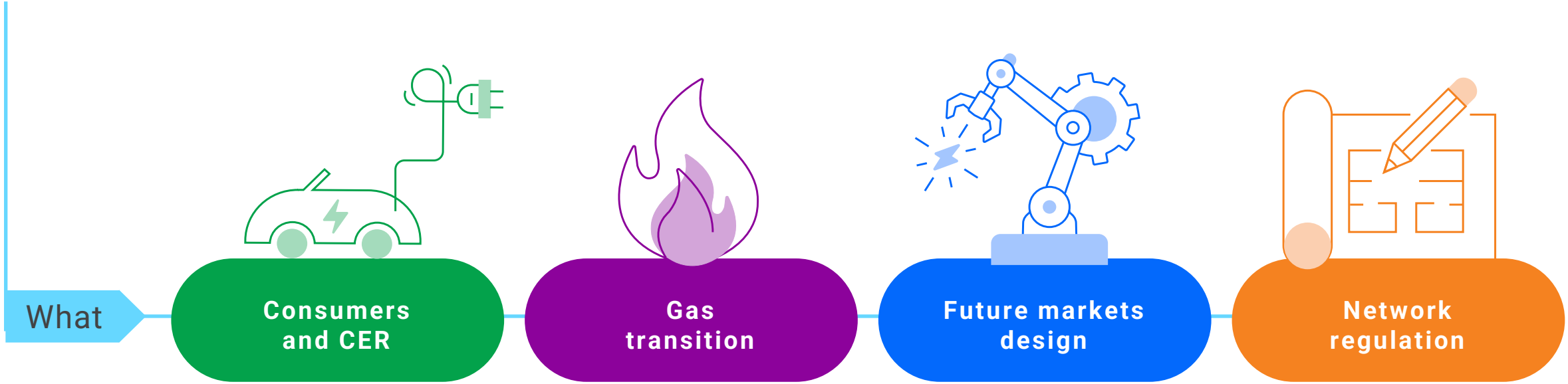
We consulted and reflected on the challenges most likely to require ongoing effort from policymakers, regulators and stakeholders. From this work, we published our strategic narrative, which identifies eight key challenges and opportunities to achieve:

- Equitable energy outcomes across households.
- Energy system security and reliability.
- Cross-portfolio coordination of relevant energy and net zero policies.
- Levels of social trust that will support change.
- Delivery of capital, labour and other resources.
- Meeting community and environmental needs alongside infrastructure requirements.
- Accessible data that supports the evolving energy system.
- Transition planning for the role of gas.



AEMC energy reform priorities

Work program priorities FY26



Delivering improved consumer outcomes and enabling better CER integration.

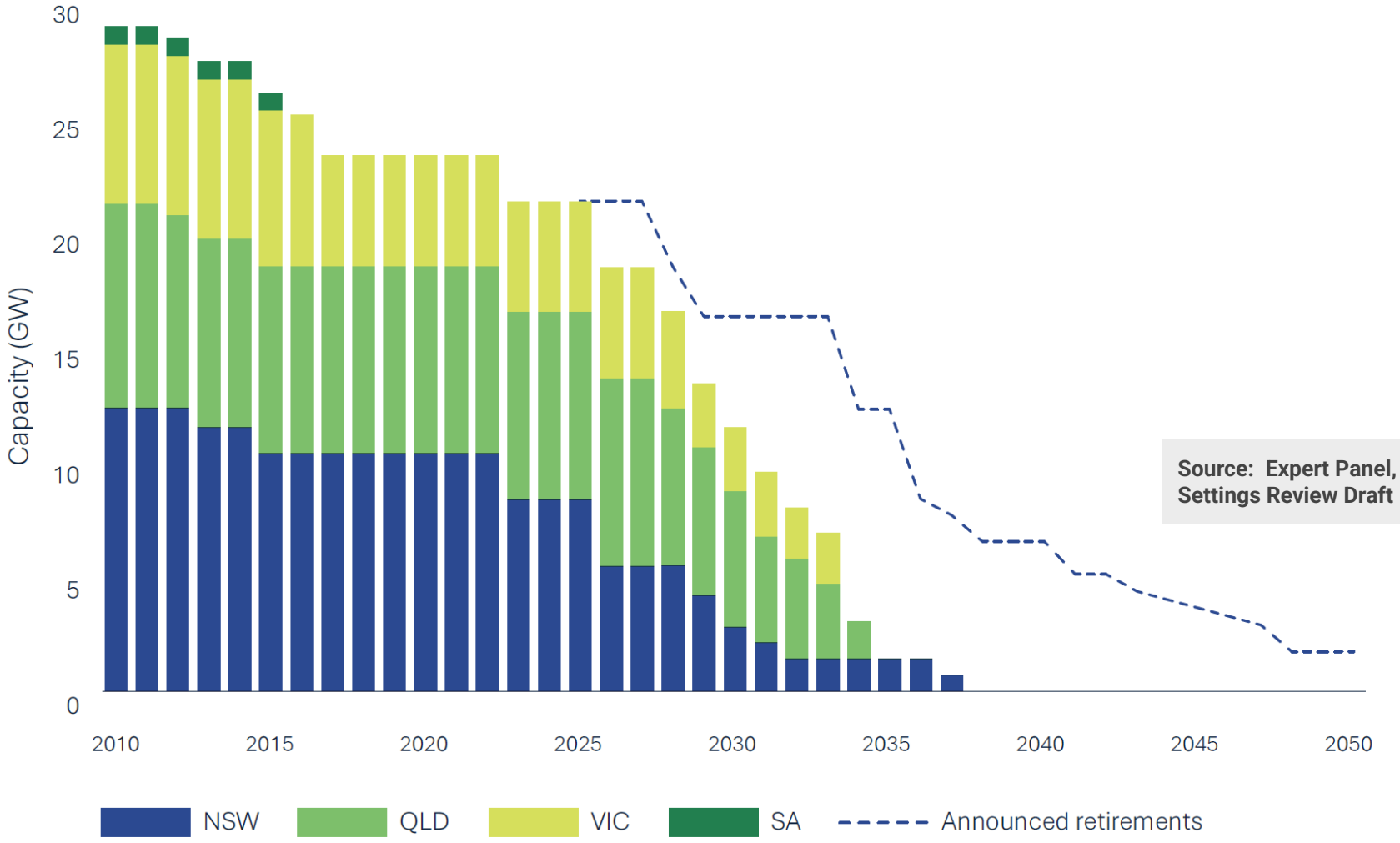
Clarifying the future roles of gas in the net zero transition.

Getting market designs right for the changing energy systems.

Updating network regulation to support improved consumer outcomes.

Australia's coal-powered generation is closing

Nearly all of Australia's ageing coal-powered generation is expected to close by 2035



Source: Expert Panel, Wholesale Market Settings Review Draft Report, August 2025

Integrated System Plan provides a roadmap for the energy transition

AEMO

2024

Integrated System Plan (ISP)

AEMO has published the 2024 ISP, a roadmap for the transition of the National Electricity Market (NEM) to meet future energy needs and enable a net zero economy by 2050.

At a high level, the ISP presents the 'optimal development path' (ODP), which is the lowest-cost path to the NEM's energy future of net zero by 2050. The ODP sets out new grid-scale generation, firming, storage and transmission needed in the NEM, and has an annualised capital cost of $122 billion to 2050.

Western Australia and the Northern Territory are not part of the NEM, and have their own independent power systems.

Consultation

AEMO's 2024 ISP takes into account feedback from a wide range of different groups and sources, including workshops, webinars, public forums, other engagements and submissions.

- **2,100** stakeholders engaged
- **12** webinars hosted
- **85** presentations and reports
- **220** written submissions

Inputs to the ISP include:

- Government policies on renewable energy and storage
- Emissions reduction policies and targets
- Requirements of the National Electricity Objective and Rules
- Demand forecasts
- Technology capabilities and costs
- Reliability and security needs
- Relevant sector forecasts (gas, hydrogen)
- Consumer energy resources

Net benefits

The ODP is the lowest-cost path through the NEM's transition to a net zero future.

It calls for around 10,000 km of new transmission projects by 2050 to connect new generation across the power system. These transmission projects would reduce costs for consumers by delivering benefits that would recoup their $16 billion investment costs, save consumers a further $18.5 billion in avoided costs, and deliver emissions reductions valued at $3.3 billion.

Actionable projects

Seven transmission projects have been progressed since the 2022 ISP to 'actionable' status, allowing more coordinated and effective community consultation to commence earlier.

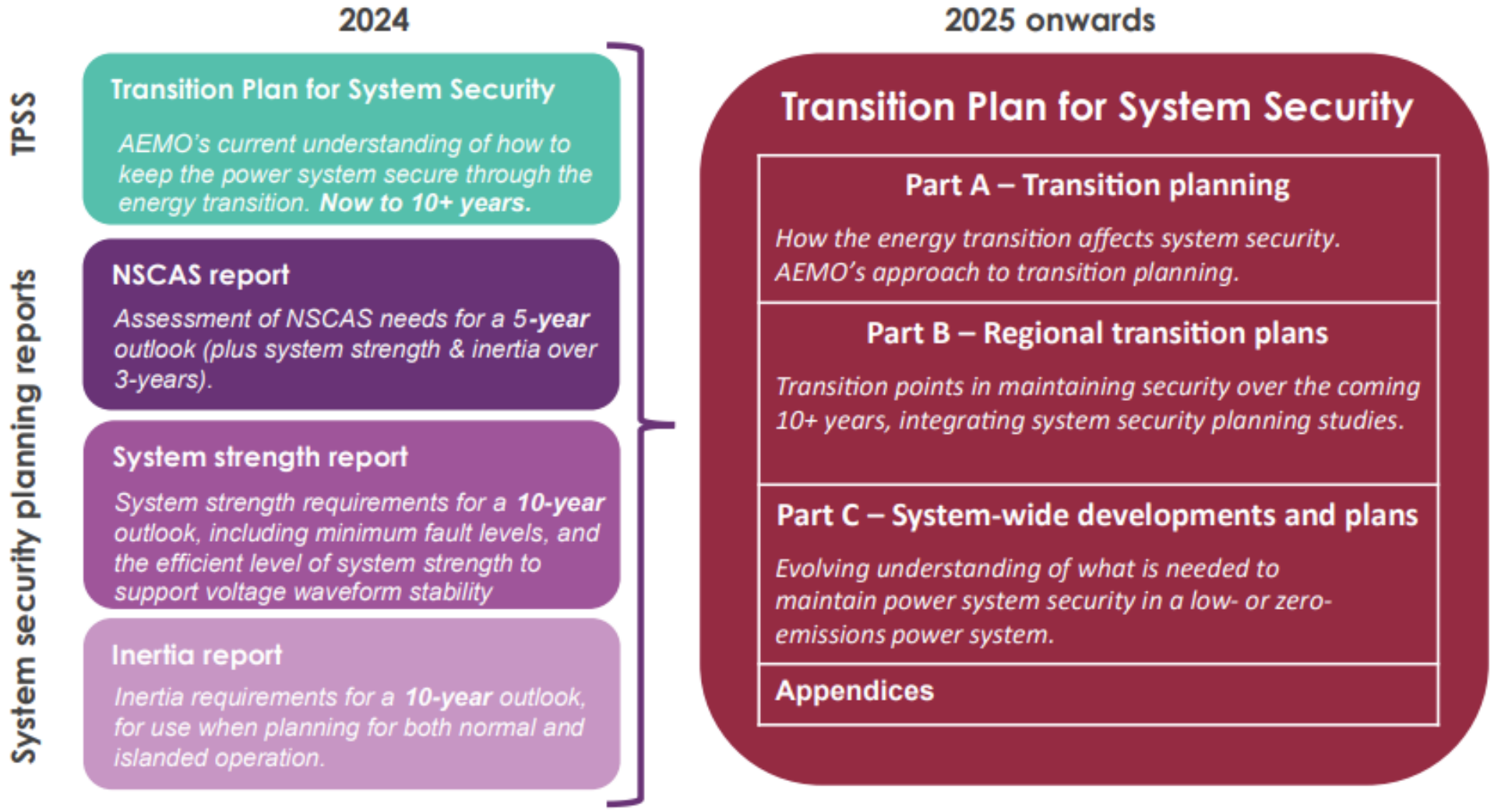
Work for both new and previously actionable projects should progress to deliver these projects to schedule.

- Hunter-Central Coast Renewable Energy Zone (REZ) Network Infrastructure project
- Sydney Ring South
- Gladstone Grid Reinforcement
- Mid North South Australia REZ Expansion
- Waddamana to Palmerston Transfer Capability Upgrade
- Queensland SuperGrid South
- Queensland-New South Wales Interconnector Connect (QNI Connect).

Key facts and figures ('Step Change' scenario)

Transition Plan for System Security

Maintaining system security through the energy transmission is critically important

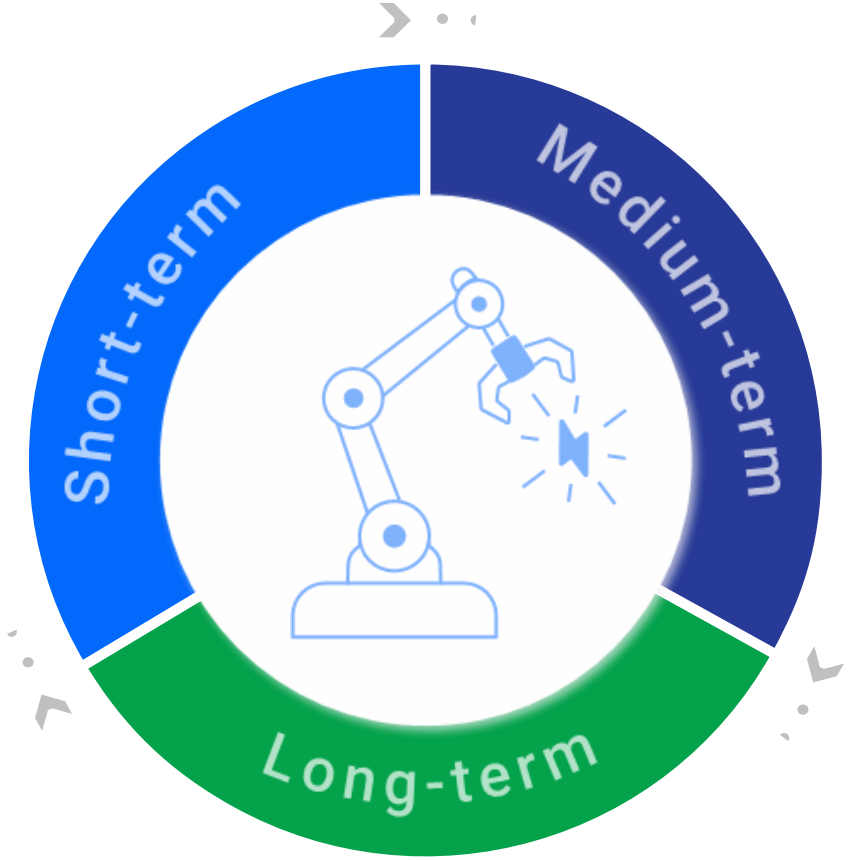


Source: AEMO – 2025 Transition Plan for System Security – December 2025

NEM wholesale market settings review draft findings

Emerging trends in the short, medium, and long-term markets

Emerging pressures in the sport market



Liquidity and access challenges in the contract market

Structural barriers to long-term investment

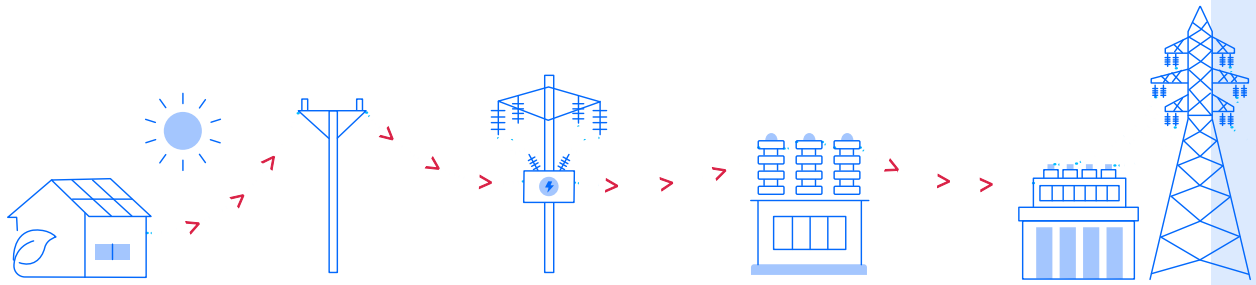
NEM wholesale market settings review draft recommendations

Summary of recommendations

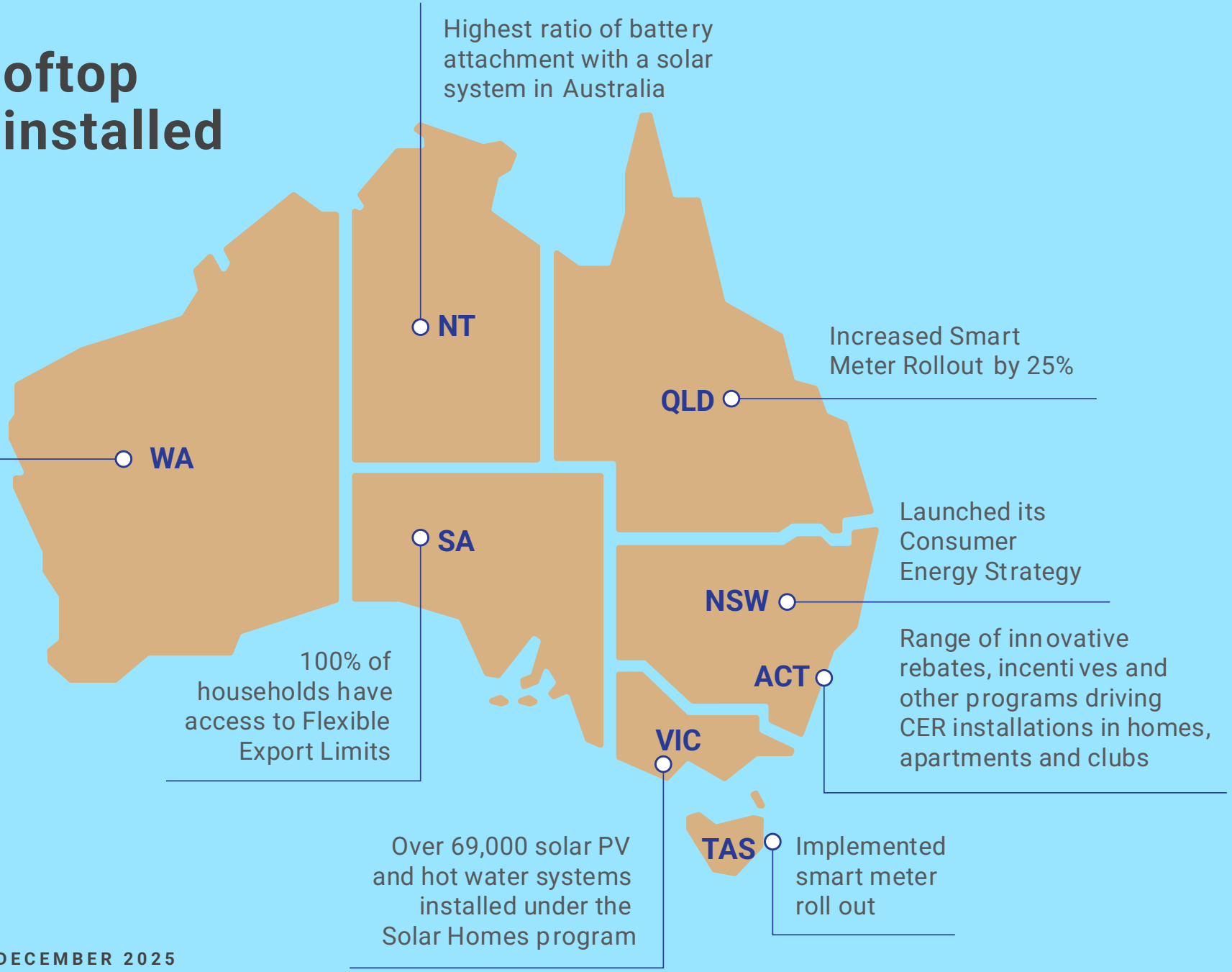
Key themes

- Reforms to support the continued efficient operation of the sport market.
- Reforms to enhance liquidity in the short-term to medium-term derivatives market.
- Reforms to support new investment in the services the NEM needs.
- Reforms to ensure consumers benefit.

1. Retain real-time regional energy only spot market
2. Require a broader range of price-responsive resources to be visible or dispatched to participate in price formation
3. Facilitate CER market participation
4. Changes to ensure the efficient and competitive operation of the spot market
5. Reliability Panel to consider adjusting the form of the market price settings
6. Establish an always-on market-making obligation for key derivative contracts
7. Ensure sufficient market information is available to support longer-term derivatives market liquidity and price discovery
8. Establish an Electricity Services Entry Mechanism (ESEM) to facilitate investment
9. Coordinated reforms to ensure existing policies and regulatory settings are aligned to the ESEM



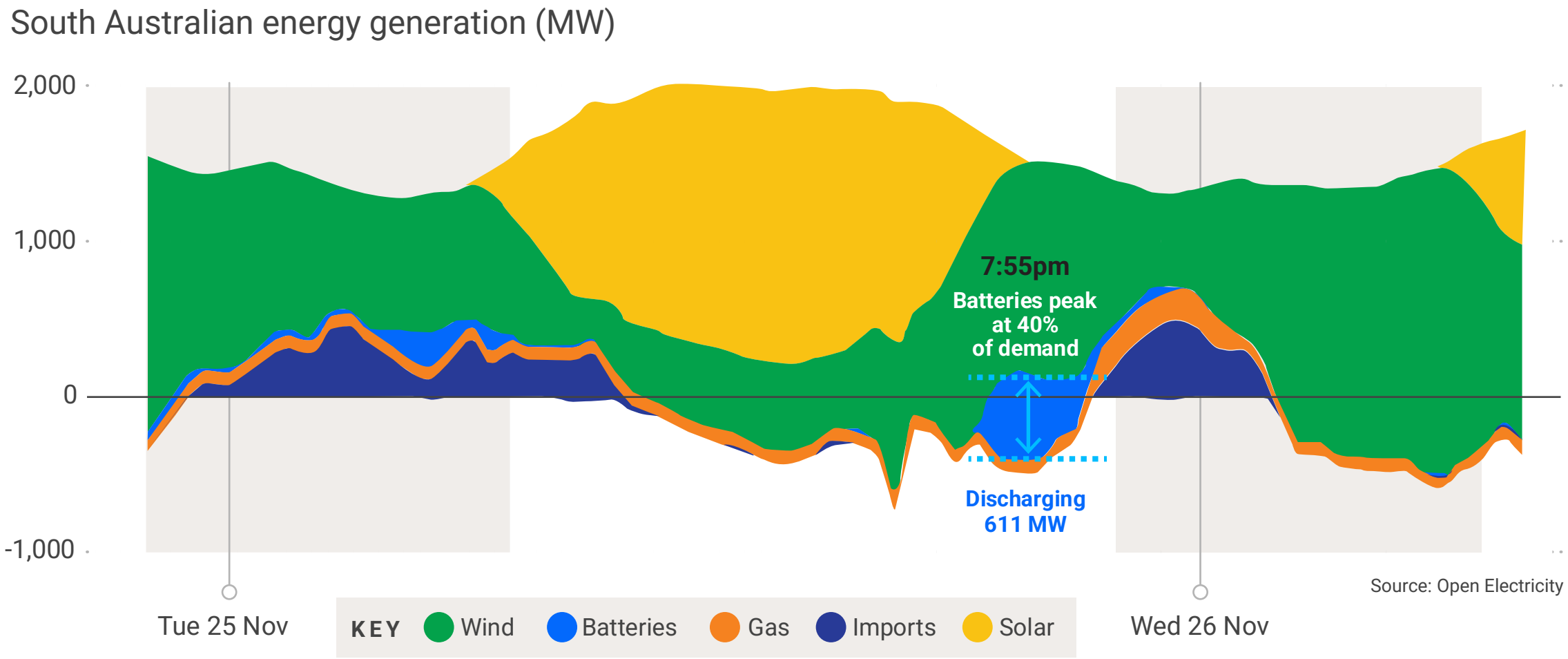
Four million rooftop solar systems installed

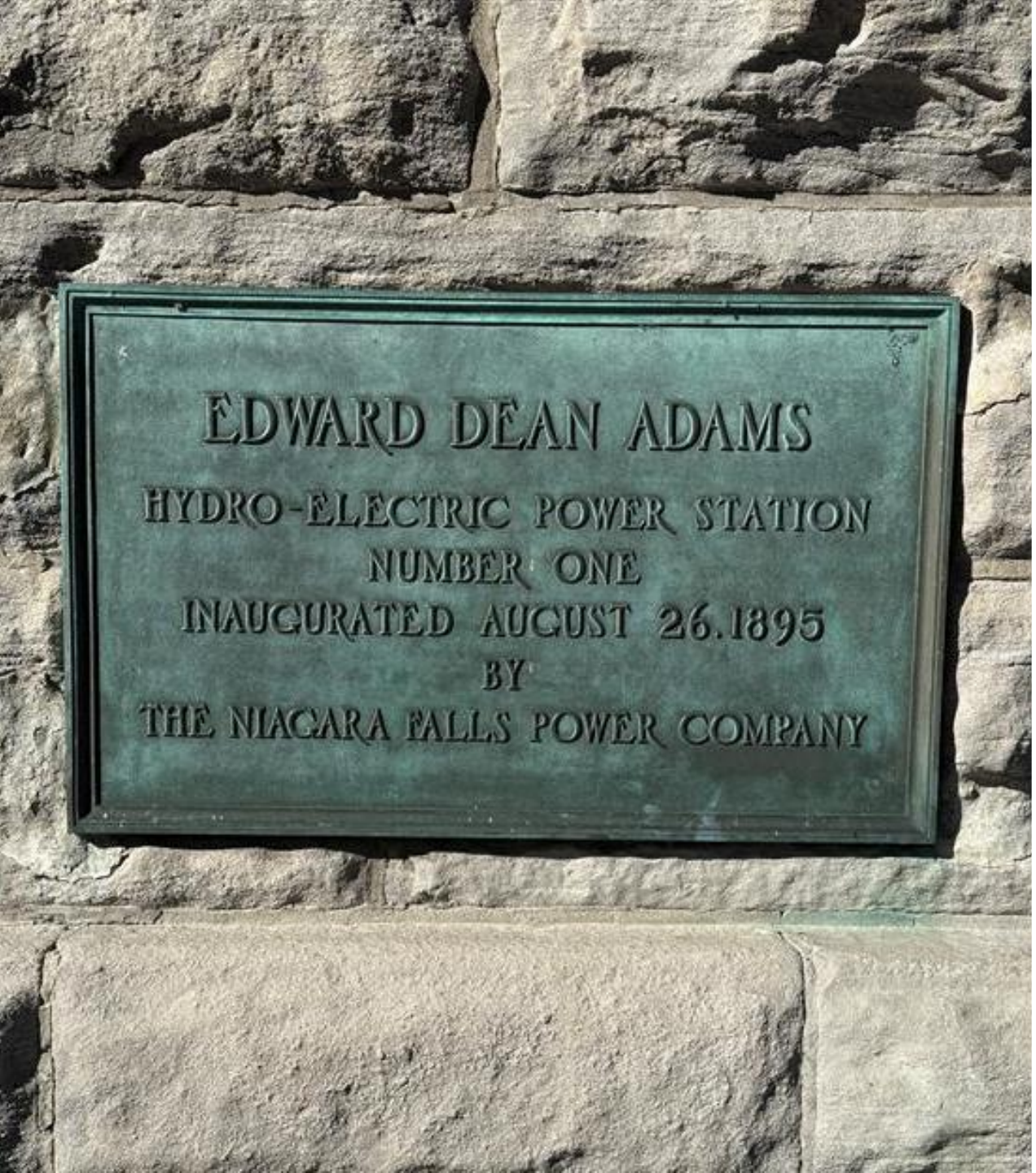


Source: National Consumer Energy Resources Roadmap – Implementation Plan Update – August 2025

Batteries in South Australia reach 40% share of demand

A year ago, South Australia's record was just 20%

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At the Australian Energy Market Commission we are always keen to keep in touch. You can learn more about who we are and what we do via our website, or email, rainer.korte@aemc.gov.au