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Thursday, 16 April 2026

Ms Anna Collyer
Chair
Australian Energy Market Commission
Sydney

Lodged online: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Ms Collyer,

Security framework enhancements rule changes (ERC0424, ERC0428)

Transgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper for two rule change processes on the framework for planning and procuring system security services (the Consultation Paper).

Transgrid operates and manages the high voltage electricity transmission network in New South Wales (NSW) and the Australian Capital Territory (ACT), connecting generators, distributors and major end-users. As the largest transmission network service provider in the National Electricity Market (NEM), and located centrally within it, Transgrid plays a critical role in delivering least cost outcomes for consumers while maintaining power system security and resilience through the energy transition.

Transgrid is the system strength service provider (SSSP) for NSW and is responsible for delivering system strength services in accordance with requirements set by AEMO. Transgrid was the original proponent of the *Efficient management of system strength on the power system* rule change and has been actively involved in the development and implementation of the current framework. While significant progress has been made, Transgrid recognises that experience with the existing framework has identified practical limitations that now warrant targeted reform.

This submission focuses on three key themes:

- better alignment of planning, assessment and procurement timeframes with realistic delivery lead-times;
- ensuring the Network Support and Control Ancillary Services (NSCAS) framework can operate effectively when unexpected or near-term gaps emerge;
- maintaining fit-for-purpose allocation of roles and responsibilities while improving frameworks for non-network solutions.

If you require any further information or clarification on this submission, please feel free to contact Oliver Derum, Manager of Policy and Advocacy, via oliver.derum@transgrid.com.au.

Yours sincerely



Alex McPherson
General Manager of Regulation and Policy

1. Response to consultation paper

Transgrid welcomes the opportunity to respond to the AEMC Consultation Paper on the proposed *Security framework enhancements* rule changes.

Transgrid supports targeted enhancements that improve the timeliness, clarity and accountability of arrangements for procuring system security services so that risks can be identified and addressed ahead of transition points such as generator retirements and major network reconfiguration.

The current system security frameworks are still relatively new, and we expect some of the implementation challenges identified are likely to be addressed as the arrangements mature through practical experience and ongoing stakeholder engagement. However, we agree that there is opportunity for important targeted adjustments that build on progress to date and will be critical to the timely delivery of new system security solutions. AEMO's Rule Change proposal addresses many of these adjustments and so Transgrid supports progressing AEMO's Rule Change proposal separately to the AEC/CEC proposal.

In our view, reforms should prioritise:

1. Better alignment of planning, assessment and procurement timeframes with realistic delivery lead-times and a target to address risks ahead of transition points;
2. Ensuring the NSCAS framework can operate effectively when unexpected or near-term gaps emerge;
3. Maintaining fit-for-purpose allocation of roles and responsibilities while removing areas of ambiguity.

Transgrid is committed to a collaborative approach to ensure the efficient and timely delivery of system security services. Transgrid would welcome continued engagement with the AEMC and other stakeholders over the course of this Rule Change assessment.

2. Timing misalignment risks late delivery of system security services

For clarity, text in [blue](#) highlights the specific consultation question Transgrid is responding to.

Consultation questions 1 and 2 have been answered in combination in the section below:

1. *What are your views on the issues relating to the timing of system security procurement against transition points?*
2. *What are your views on the characterisation and materiality of issues relating to the assessment and procurement processes for system security investments?*

System security investment exhibits the inherent trade-off between:

- 1) planning further into the future, where uncertainty is higher and there is a risk of selecting a less efficient portfolio of solutions; and
- 2) planning over a shorter horizon, where there is greater certainty, but a higher risk that required solutions are not delivered in time.

Striking the right balance is critical: overly short planning timeframes can jeopardise system security with the potential to lead to constraints on inverter-based resources, shifting outages and, in some cases, unserved energy. The asymmetric risk of over- and under-investment, and early- and late investment in system security services was identified by the AEMC Reliability Panel in April 2025¹.

Transgrid's experience is that the existing security frameworks do not support the timely delivery of system security services. Procurement lead-times and regulatory processes are misaligned with generator closure timeframes, creating a growing exposure to system security shortfalls.

The AEMC originally adopted the three-year horizon because three years was considered the shortest workable period to allow SSSPs to consider the full range of solutions². In practice, the complexity of system security modelling and the length of the regulatory process, coupled with supply-chain and delivery constraints, has materially extended the lead-time for system security solutions well beyond these original expectations.

Transgrid supports extending the notice period for generator closure beyond 3.5 years

Transgrid considers that the current generator closure notification period of 3.5 years is insufficient to enable timely replacement of system security services. Transgrid supports AEMO's proposal to extend the notification period commensurate with the realistic development and delivery timelines for system security solutions.

The notice period should be informed **by** practical experience, reflecting the end-to-end time required to scope, assess, procure and deliver system security solutions. Transgrid's current experience with long lead-time synchronous condensers is that approximately 8 years is required to complete the Regulatory Investment Test for Transmission (RIT-T), procurement, delivery, and associated regulatory approvals (noting this is likely the longest lead time solution for system strength). This is a clear mismatch against current requirements. However, an 8-year notice period is also likely to be untenable to generators, given the uncertainty in the market eight years in advance. This reinforces the benefit of streamlining the regulatory approval process wherever possible, to enable more timely procurement. If sufficient streamlining can be achieved, 6 years could be a suitable notice period. This is discussed further in the following sections.

Although Transgrid supports a longer notice period, we note that a longer notice period could increase the likelihood of closure notifications being subsequently revised, with proponents issuing notice to provide optionality of an earlier than intended closure, with no limitations in the rules preventing extending operations once notice is given. This was observed in the [media release](#) for the notification of potential retirement of Gladstone Power Station ("The notice period can be extended at any time"). This may add further uncertainty to planning the power system, including for new entrant generators.

Transgrid supports extending the binding period beyond 3 years

Transgrid supports extending the binding period from three years and suggest an increase to six years, matching the timing requirements outlined above, if sufficient streamlining can be achieved (see sections below).

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

² 2021, AEMC, Efficient Management of system strength on the power system final determination, pg 188

However, the AER's recent Guidance Note³ appears to reduce the practical value of a formal binding period, suggesting that binding requirements should be treated as a starting point rather than a fixed obligation. On that interpretation, SSSP system strength obligations (and associated compliance requirement) become more dynamic. Transgrid supports the flexibility that AER's Guidance Note provides in this area. However, it introduces a material inconsistency with the interpretation of the NER, which Transgrid suggests the AEMC consider.

Transgrid understands the intent of the AER's guidance is to mitigate the risk of over-procurement, including where connecting parties elect to self-remediate rather than pay the system strength charge. However, it is unclear whether the guidance is also intended to enable SSSPs to increase procurement where inverter-based resource uptake exceeds forecasts. For example, where state-led renewable energy zone development materially differs from AEMO's Step Change scenario or where, in the future, data centre connections could exceed forecasted uptake.

Post-RIT-T provisions for material changes in circumstances

The current material change in circumstances (MCC), and dispute provisions, add potential delay and uncertainty to regulatory processes that are already lengthy.

New MCC rules (NER Clause 5.16.4(z4), shown below) can be triggered by iterative changes to key inputs (including the ISP), meaning proponents and SSSPs can be required to revisit analysis repeatedly as the power system evolves. This risks a perpetual MCC 'loop', because the power system and project pipelines are changing so quickly that MCC reassessment can become effectively continuous.

For the purposes of paragraph (z3), a material change in circumstances includes, but is not limited to:

- (1) a change to the key assumptions used in identifying the identified need described in the project assessment conclusions report;*
- (2) for a RIT-T project contemplated by clause 5.16.4(k)(10), one or more RIT reopening triggers applying to the project having been triggered; or*
- (3) a change in circumstances which, in the reasonable opinion of the RIT-T proponent, means that the preferred option identified in the project assessment conclusions report may no longer be the preferred option.*

As an example, the Queensland, Victoria and New South Wales RIT-Ts for system strength all took 2+ years, with additional time required after the RIT-T for procurement processes before contract award. Meanwhile, the Integrated System Plan will have been re-iterated four times (2024 and 2026 draft and final ISPs) before synchronous condensers will have been procured, potentially triggering new analysis each time. The result is that decision-making may be repeatedly deferred. We note that this challenge exists for all RIT-Ts, not just system security.

There could be an opportunity to revise MCC rules in this context.

³ 2024, AER, Efficient management of system strength framework – Guidance Note

Post-RIT-T provisions for disputes

The current RIT-T dispute process provides accountability for TNSPs to correctly apply the RIT-T. While we support the intent of this process, there are risks that the dispute process can lead to a prolonged assessment and unnecessary delays. For example, eligible parties are not required to substantiate concerns to a clear evidentiary standard or engage in the RIT-T process at all, and eligibility testing by the AER occurs late in the process. We recommend consideration of opportunities to improve the dispute process for time-critical system security projects.

Collectively, the MCC and potential dispute processes increase the overall duration until regulatory approvals, risking delays to the timely delivery of the necessary system security services.

Streamlined RIT-T

Transgrid supports consideration of streamlining regulatory processes to enable timely delivery of solutions, particularly where risks are urgent or time-critical (where system security needs are typically compliance driven and time-critical). Examples of streamlining could include:

- An 'equivalent economic analysis' style process [used](#) for the procurement of synchronous condensers in South Australia;
- AEMO's Transition Plan for System Security being used to identify urgent minimum-level system security needs, which then drives a single stage RIT-T for TNSPs. This single stage RIT-T could be in the form of a non-network Expression of Interest process and the Project Assessment Conclusions Report; or
- Two stage RIT-T, with the Project Specifications Consultation Report replaced with an Expression of Interest process.

Any streamlining or alternative to the RIT-T should balance the benefits of consultation, oversight and industry engagement against the need to deliver timely outcomes, noting that meaningful engagement and non-network solutions can materially improve decisions.

For example, non-network Expression of Interest should remain a vital step. For system strength, Transgrid received more than 60 non-network solution submissions, which formed a material component of the assessed portfolio and contributed significant value for consumers.

Access to early works

Transgrid supports access to early works funding or staged contingent project application process to enable more timely delivery of system security solutions. In particular, the ability to stage or 'split' a portfolio can improve efficiency for consumers by:

- Allowing urgent and low-regret components to proceed without being delayed by other elements of the portfolio.
- Enabling more flexible procurement approaches, for example, early works could be used to secure long-lead items and a subsequent Contingent Project Application could secure the remaining balance of plant works.
- Improving estimate accuracy by enabling further studies to be completed (consistent with staged contingent project applications for Humelink and other actionable ISP projects).

The early works framework set up for Actionable ISP projects provides a useful template to expand for system security projects.

3. Transgrid supports improvements to the NSCAS backstop

This section responds directly to consultation question 3:

3. What are your views on the issues raised with the NSCAS framework as a backstop mechanism for system strength and inertia requirements?

Transgrid supports changing the requirements to declare gaps for the minimum level

Transgrid agrees with AEMO that the NSCAS framework does not currently operate as an effective backstop mechanism for system security. Under the existing rules, NSCAS gaps can only be declared when minimum level system strength requirements change, limiting its ability to respond to emerging gaps.

System strength needs can change materially depending on the availability of system strength solutions, particularly synchronous generators such as coal, hydro and gas or synchronous condensers. Any change to the availability of these units from modelled scenarios could eventuate in a gap to the minimum level, meaning the NSCAS trigger may not be available when it is most needed.

Transgrid therefore supports AEMO's proposal to allow an NSCAS gap to be declared for any expected shortfall against the minimum level and agrees with AEMO's assessment that more than three years is required to procure efficient solutions. In that context, Transgrid supports extending the forward period over which an NSCAS gap may be declared to align with the binding period and notice period for generator closure.

Transgrid supports expanding the NSCAS framework for the efficient level

Transgrid supports expanding the circumstances in which an NSCAS gap can be declared to include a gap against stable voltage waveform system security requirements. However, more detail is required to assess this proposal fully; for example whether an NSCAS gap is triggered for any efficient-level 'gap', or only those gaps that are projected to lead to an unserved energy event, and how NSCAS gap declarations consider AER's Guidance Note (on using the binding requirement as a starting point only).

4. Commentary on governance and transparency for system security

This section responds directly to consultation questions 4 and 5:

4. What are your views on governance and transparency in the security frameworks?

Transgrid considers that the current allocation of roles and responsibilities for identifying and delivering system security services is appropriate, where AEMO establishes the need (being the minimum fault level requirements and IBR forecasts) and SSSPs assess and deliver solutions (non-network or network) to meet the need.

Transgrid is of the view that there has not been sufficient time since previous Rule Changes concluded to assess if material change is needed in this regard. Each region has recently completed their RIT-T for system strength and are in various stages of procuring initial solutions within their intended portfolios. It is difficult to assess if change is needed, given:

- First stage procurement processes for grid-forming BESS and synchronous condensers are not completed.

- Transmission Annual Planning Report obligations for providing market signals on system security services have not been implemented post RIT-T completion yet.
- Security Enablement Procedures for actioning solutions are still under consultation.
- The Transition Plan for System Security is being refined and improved (as observed between 2024 and 2025 reports).

Transgrid recognises that there are potential barriers to non-network participation in the practical operation of the current RIT-T framework. These are discussed further in Section 5.

Question 5: What are your views on the proposed solutions from both proponents?

AEC/CEC proposed an independent body to set system strength requirements rather than AEMO

Transgrid considers AEMO is the most appropriate body to set system strength requirements for each SSSP, given the technical complexity of the task and the need for deep system-wide expertise. AEMO has system-wide visibility and modelling inputs from the ISP. Introducing additional parties into this role risks duplicating effort and increasing complexity without commensurate benefit.

AEMO's system strength requirements are integrated into their wider system planning obligations with the Integrated System Plan. This leads to an efficient use of resourcing and clear alignment between wider system planning and planning for system strength which would be more complex to achieve by another body.

AEC/CEC proposed shifting responsibility for identifying system security solutions from SSSPs to AEMO

Each SSSP has completed an initial RIT-T for system strength which provides an extended outlook for investment required to meet their system strength requirements. This is a challenging task with extensive power system modelling of each SSSP's network. Shifting this responsibility to AEMO will duplicate modelling requirements and will lead to inefficient outcomes.

Each SSSP is subject to the same regulatory framework for assessing the optimal portfolio of solutions for their network ensuring consistency between processes. Differences in outcomes is a product of the differences between networks, available solutions (such as synchronous generators and grid-forming BESS) and the urgency of the need. Variation between portfolios and technology mixes is an outcome of the optimisation, signifying efficient outcomes, rather than a failure of standardisation.

Across the RIT-Ts, preferred portfolios have included a significant mix of network and non-network solutions, including synchronous condensers, synchronous generation and grid-forming BESS. Transgrid expects stronger market signals to emerge (including price discovery and progressively clearer technical specifications) as SSSPs, proponents and OEMs build experience in deploying system strength solutions. This is already occurring as procurement progresses, including commencement of Transgrid's initial tender for up to 2 GW of grid-forming BESS.

In light of this, Transgrid recommends that any rule changes focus on targeted, incremental reforms, and allow recent rule changes to continue to mature before considering broader structural redesign of the framework.

Standardised procurement and technical specifications

There is a trade-off between prescriptive regulation (to standardise procurement processes and technical specifications for system security services) and retaining flexibility to respond to evolving understanding, technologies and market conditions. Currently, SSSPs must comply with the RIT-T framework, the AER's expectations for prudent and efficient procurement and ensure contracts align with AEMO's Security Enablement Procedures, which provides a reasonable level of consistency across regions. Since, system security is undergoing rapid change, further prescription may reduce the industry's ability to adapt, potentially resulting in less efficient outcomes.

At the same time, clearer market signals regarding the services required could assist proponents to make better-informed design decisions and align project capabilities with the services needed to securely operate the power system.

Transgrid supports clearer technical specifications for system strength services, particularly for grid-forming BESS, to support improved design and tuning decisions during project development. It is important these decisions are made early, as once an OEM is selected and a connection agreement is complete, it can be an onerous process to change a project's technical performance and capabilities. However, overly prescriptive requirements risk constraining innovation and failing to account for regional differences. Any specification should therefore balance consistency with flexibility by being voluntary.

Transgrid supports the development of industry-wide voluntary service specifications for provision of both the minimum and efficient levels of system strength from grid-forming batteries. This would provide clearer signals of expected performance ('what good looks like') while retaining flexibility and supporting innovation as technical capabilities continue to develop.

Transgrid also recommends that any specification for the minimum level be developed in close collaboration with protection engineers and be supported by comprehensive assessment across credible fault types, protection settings and OEM equipment to ensure correct protection system performance. Transgrid considers this could be progressed through AEMO's Type 2 trials program, which has recently commenced.

Transgrid has commenced engagement with industry and AEMO on these issues and is committed to ongoing collaboration.

5. Further regulatory issues for consideration

In this section, we outline several targeted enhancements to the Rules which provide incremental improvements for maintaining system security based on Transgrid's practical experience in both assessing and procuring solutions to-date. The following improvements are proposed:

- Improved cost recovery for supporting non-network solutions.
- Increased transparency of consumer costs in the RIT-T framework.
- Classification of system security projects as automatic contingent projects within future revenue periods.
- Removing barriers for non-network solutions in the RIT-T framework.
- Clarifying roles for remediating projects connecting to the distribution network.
- Projects tuning higher than their withstand short-circuit ratio.
- Mismatch between ISP and state planning outcomes.

Improving the cost recovery arrangements for non-network solutions

Transgrid sees merit in considering enhancements to non-network cost recovery to better support early-stage development during and after the RIT-T process. In particular, TNSPs can only recover costs relevant to a network support event incurred in the preceding regulatory year, for the year in which the network support pass through application is made. This is challenging given material costs may be incurred in earlier years (for example, legal and transaction costs to establish a contract) and in some circumstances, no network support event may ever eventuate (for example if the network need is removed or deferred materially close to the end of contract negotiations).

If a RIT-T selects a non-network solution, there is no certain way to recover the costs of assessing options and running procurement. Right now, whether these costs can be recovered is decided case by case, which creates regulatory uncertainty and is only decided in years following the costs being incurred, making it challenging to account for effectively.

Transgrid is always enthusiastic to explore non-network solutions to system needs. As the energy transition continues and the provider market becomes more sophisticated, Transgrid anticipates ever more complex non-network solutions to be viable and available. However, with increasing complexity comes increased TNSP cost and effort. To support this growth, it is critical that enhancements are made to cost recovery arrangements for non-network solutions, that allow TNSPs to fully recover costs in a timely and complete manner.

Increased transparency of consumer costs in the RIT-T framework

The RIT-T framework is structured to select the option that maximises net market benefits, rather than explicitly minimising the costs ultimately borne by consumers (which is the intent of the National Electricity Objective). In particular, payments to solution providers above marginal cost may be treated as a wealth transfer and excluded from the assessment, which can materially affect outcomes. This is particularly relevant for system security investment, which is inherently locational.

As such, the use of net market benefits can obscure the expected consumer cost of a portfolio and reduce transparency regarding the extent to which costs are being passed through. Transgrid considers greater transparency of expected consumer costs would support more informed decision-making and better alignment with the National Electricity Objective.

Classification of system security projects as automatic contingent projects within future revenue periods

Transgrid considers the contingent project criteria for system security investments warrants further review. The 'automatic' contingent project treatment introduced via transitional rules in the *Efficient management of system strength on the power system* rule change only applied to TNSPs' current revenue periods (at the time the rule change was made). It also did not require specific Contingent Project locations or triggers to be identified upfront (unlike rules for Contingent Projects in upcoming revenue proposals).

Under the National Electricity Rules, the AER's acceptance of a proposed contingent project in a revenue determination requires the project's location and scope to be sufficiently specified. For many system security investments, that level of specificity may not be feasible at the time of an upcoming revenue proposal, given the location-specific nature of system strength and the fact that AEMO's IBR forecast changes on a yearly basis (therefore it is difficult to predict all system security need over the future revenue period).

Transgrid therefore suggests consideration of deeming system security projects as automatic contingent projects in all future revenue periods (similar to actionable ISP projects). Also, not requiring specific triggers (as was done for the *Efficient management of system strength on the power system* rule change), to improve flexibility and ensure timely cost recovery once the need and preferred solution is confirmed (via a RIT-T).

Removing barriers for non-network solutions in the RIT-T framework

Transgrid has identified three barriers for non-network solutions:

(1) Length of the RIT-T process

The end-to-end RIT-T process is extensive, followed by procurement, lodgement of an ex-ante assessment (for non-network solutions) and regulatory approval. This can mean up to four years between a proponent expressing interest and contract award. While Transgrid received substantial non-network interest, many proponents that submitted at the expression-of-interest stage ultimately withdrew during the assessment process, reflecting the difficulty of maintaining participation over a prolonged and uncertain timeline.

(2) Proof of technical feasibility

The RIT-T framework requires an option to have a high likelihood of being technically and commercially feasible to be included in the assessment, this is essential as it ensures solutions (non-network and network) are credible to meet system security needs. It can be challenging for non-network proponents to meet this threshold without further feasibility studies ahead of contract award.

This challenge is closely linked to the section below where the RIT-T can only assess solutions considered technically feasible at a point-in-time. It is critical to balance supporting potential high-value solutions against the time and complexity to ensure sufficient certainty of the solution to meet the need.

(3) Limited ability to incorporate solutions that emerge outside the RIT-T cycle

The current rules provide limited scope to incorporate solutions that emerge outside a RIT-T cycle. While the MCC provisions may allow some adjustment prior to contract award, this pathway can be time-consuming and, for smaller opportunistic solutions, may deliver limited benefit relative to the effort required (depending on the solution). There may be an opportunity for guidance to identify that non-network cost recovery is highly likely for 'low regret' projects, similar to AER's guidance for flywheels on syncons.

Clarifying roles for remediating projects connecting to the distribution network

SSSPs are responsible for meeting system strength requirements on their transmission network as per Clause S5.1.14(b).

A Transmission Network Service Provider who is a System Strength Service Provider must use reasonable endeavours to plan, design, maintain and operate its transmission network, or make system strength services available to AEMO, to meet the following requirements at system strength nodes on its transmission network in each relevant year

It is unclear under the current Rules whether SSSPs are responsible for system strength remediation on distribution networks. Transgrid recommends that the AEMC provide clarity on this.

SSSPs cannot directly procure or install solutions on distribution networks and Transgrid's RIT-T analysis indicates that transmission-side solutions do not typically provide a material system strength benefit at relevant distribution connection points. Therefore, Transgrid supports DNSPs taking a more active role in managing system strength for IBR connecting to their networks.

Under the *Efficient management of system strength on the power system* final determination, AEMC states “Where an option for meeting the SSS Provider’s system strength requirements involves a DNSP providing services to the SSS Provider (e.g. through installation of new equipment in its distribution network), those services will not be a regulated distribution service and will instead be a non-distribution service or an unregulated/unclassified distribution service.” To ensure effective joint planning and reduce actual or perceived conflicts of interest, Transgrid recommends that where an option for meeting system strength needs involves a DNSP providing services, it should be considered a regulated service.

Projects tuning higher than their withstand short-circuit ratio

Under the NER, an IBR proponent may use one set of model parameters during the connection process to demonstrate compliance with NER clause S5.2.5.15 but then apply another set of parameters for compliance with other S5.2.5 performance standards and those ultimately applied on-site. In practice, this allows applicants to use a model that shows compliance down to an SCR of 1.2, where the system strength charge is \$0, while using a different model for plant tuning and proposed performance standards (which is typically a higher SCR which consumes more system strength).

During the connection process, the full system strength impact assessment only considers existing/committed/anticipated plant. As such, stability is assessed against the ‘near current-state’ of the network, rather than a future state where many more IBRs may be connected. Considering only the ‘near current-state’ results in generators in some regions tuning their plant to well above an SCR of 3 (for S5.2.5), therefore ultimately consuming more system strength than was planned for under system strength RIT-Ts.

Both these issues risk insufficient system strength compared to what was planned for, and Transgrid does not see clear pathways for NSPs to request changes to plant setting (retuning) for system strength reasons.

Mismatch between state planning and the Integrated System Plan

Transgrid’s efficient-level requirements are published on an annual basis by AEMO, driven from AEMO’s most recent ISP publication (draft or final). However, in NSW, we often observe differences between AEMO’s IBR forecasts and state planning processes (for example in South West REZ, Central West Orana REZ and New England REZ) which create uncertainty for SSSPs, particularly where state-led initiatives facilitate higher levels of inverter-based resources than assumed in the ISP. Transgrid recommends that when setting system strength requirements, AEMO explicitly consider relevant state planning inputs, to better align assumptions and reduce the risk of under- or over-procurement.