



**Government
of South Australia**

Department for
Energy and Mining

Firm Energy Reliability Mechanism

Market Liquidity Obligation
Consultation Paper

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Acknowledgement of Country

As guests here on Kurna land, we acknowledge everything this Department does impacts on Aboriginal country, the sea, the sky, its people and their spiritual and cultural connection which have existed since the first sunrise. Our responsibility is to share our collective knowledge, recognise a difficult history, respect the relationships made over time, and create a stronger future. We are ready to walk, learn and work together.

Revision History

Version	Release Date	Comment
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Glossary

Abbreviation or Term	Description
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator also referred to as a Scheme Regulator
ASL	AusEnergy Services Limited also referred to as the Scheme Administrator
Capacity Commitment	As defined in the FERM Regulations, means – (a) an indication by a recognised electricity entity in an NOI to provide long duration dispatchable electricity capacity at a specified level over a commitment period; or (b) a commitment by a long duration capacity provider to provide long duration dispatchable electricity capacity at a specified level under a FERM contract
DEM and Department	Department for Energy and Mining
Existing designated electricity entity	As defined in the FERM Regulations, a person who is registered by AEMO as a Generator or Integrated Resource Provider
FERM	Firm Energy Reliability Mechanism: the Scheme established by the FERM Regulations in relation to the provision of long duration dispatchable electricity capacity.
FERM contract	As defined in the FERM Regulations, a contract under Part 5 for the provision of long duration dispatchable electricity capacity (including a deemed FERM contract)
FERM MLO	An obligation under Regulation 33 of the FERM Regulations, on a recognised electricity entity or new designated electricity entity to undertake certain contracting activity or maintain a certain contracting position
FERM Regulations	The National (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025



Abbreviation or Term	Description
FERM RO	An obligation on certain Market Customers to undertake certain contracting activities, and to take related steps, in the NEM by purchasing a certain number of contracts, or having a certain net contracting position, over a particular period
(Scheme) FV	Scheme Financial Vehicle
FET	Firm Energy Target: A five-year target (MW) of long duration dispatchable electricity capacity for South Australia for a specified period declared by the Minister
Long Duration Firm Capacity or LDFC	Generators > 30MW capacity that is able to dispatch at a rated output for eight hours (or more) of continuous output
Long Duration Capacity Provider	As defined in the FERM Regulations, a person – (a) who is – (i) an existing designated electricity entity capable of providing long duration dispatchable electricity capacity; or (ii) a new designated electricity entity expected to be capable of providing long duration dispatchable electricity capacity; and (b) who is recognised by the Minister from time to time as being an entity suitable to be a participant in the scheme after taking into account any criteria specified in the Minister's guidelines
Market Customer	Is a term of the NEL and refers to a Market Participant that purchases electricity supplied through a transmission or distribution system and consumes it at a market connection point
Market Participant	Is a term of the NEL and refers to an entity that is registered to participate in the NEM. This includes generators, retailers, and other entities involved in the production, distribution, and sale of electricity
Minister	Refers to the South Australian Minister for Energy and Mining
Minister's guidelines	Guidelines that will be published, from time to time, detailing scheme elements such as eligibility criteria, bid assessment process, performance obligation and any market liquidity and reliability obligations



Abbreviation or Term	Description
MLO	Market Liquidity Obligation: A rule that applies during an RRO forecast reliability gap, requiring certain generators to buy and sell standard electricity futures contracts on approved exchanges in the lead-up to the gap. This ensures enough trading activity so retailers can secure contracts to manage reliability risks, meeting their obligations under the RRO
MLO Generator	A generator that is listed on the AER MLO Register under Rule 4A.G.12(a) of the NER and therefore subject to the MLO
MMO	Market making obligation
MW	Megawatt
MW/h	Megawatt hour
NEL	National Electricity Law, contained in Schedule 1 to the <i>National Electricity (South Australia) Act 1996</i>
NEM	National Electricity Market
NEM Review	A review into how Australia's largest electricity grid and market will operate in the coming decades, undertaken by an independent expert panel which reported to the Energy and Climate Ministerial Council in late 2025
NER	National Electricity Rules, the rules made under the NEL
NOI	As defined in the FERM Regulations, means a Notice of Intention under regulation 20 of the FERM Regulations
Prompt quarter	A term used in trading that refers to the current quarter
REE	A Recognised Electricity Entity, as defined in the FERM Regulations, means an existing designated electricity entity that falls within the definition of long duration capacity provider
(Scheme) Regulator(s)	A person or body appointed to undertake scheme regulation functions



Abbreviation or Term	Description
Regulators' guidelines	Guidelines that will be published from time-to-time detailing scheme regulation functions and processes
Reliability	A reliable power system ensures demand is met through sufficient generation capacity, taking into account both seasonal variability and longer-term demand trends
Reliability gap	Refers to a forecast shortfall in electricity supply for a NEM region, identified when forecasted unserved energy exceeds the reliability standard. A reliability gap triggers the RRO which is then addressed via the MLO
RRO	Retailer Reliability Obligation: A requirement for electricity retailers and some large users to secure a minimal level of contracts ahead of a forecast reliability gap. It typically applies up to three years before the reliability gap
SA MMO	A MMO that is established under the FERM MLO powers provided for in Regulation 33 of the FERM Regulations and which adopts the MMO framework and parameters proposed by the NEM Review and which will transition to the NEM-wide MMO upon its establishment following required legislative changes - indicatively in Q3 2027 per the NEM Review Roadmap

Background

The Firm Energy Reliability Mechanism supports the State's energy transition

The Firm Energy Reliability Mechanism (FERM or scheme) seeks to support the provision of secure, reliable and affordable electricity supply for South Australia, through ensuring there is sufficient long duration firm capacity in the State's electricity system.

The scheme was established in September 2025, under the [National \(South Australia\) \(Firm Energy Reliability and Orderly Exit Management\) Regulations 2025](#) (FERM Regulations). The FERM Regulations provide the legal and operational framework to support implementation of the scheme (see Figure 1).

Regulation 33 of the FERM Regulations provides for the introduction of market liquidity and reliability obligations on certain market participants to support the scheme's objectives.

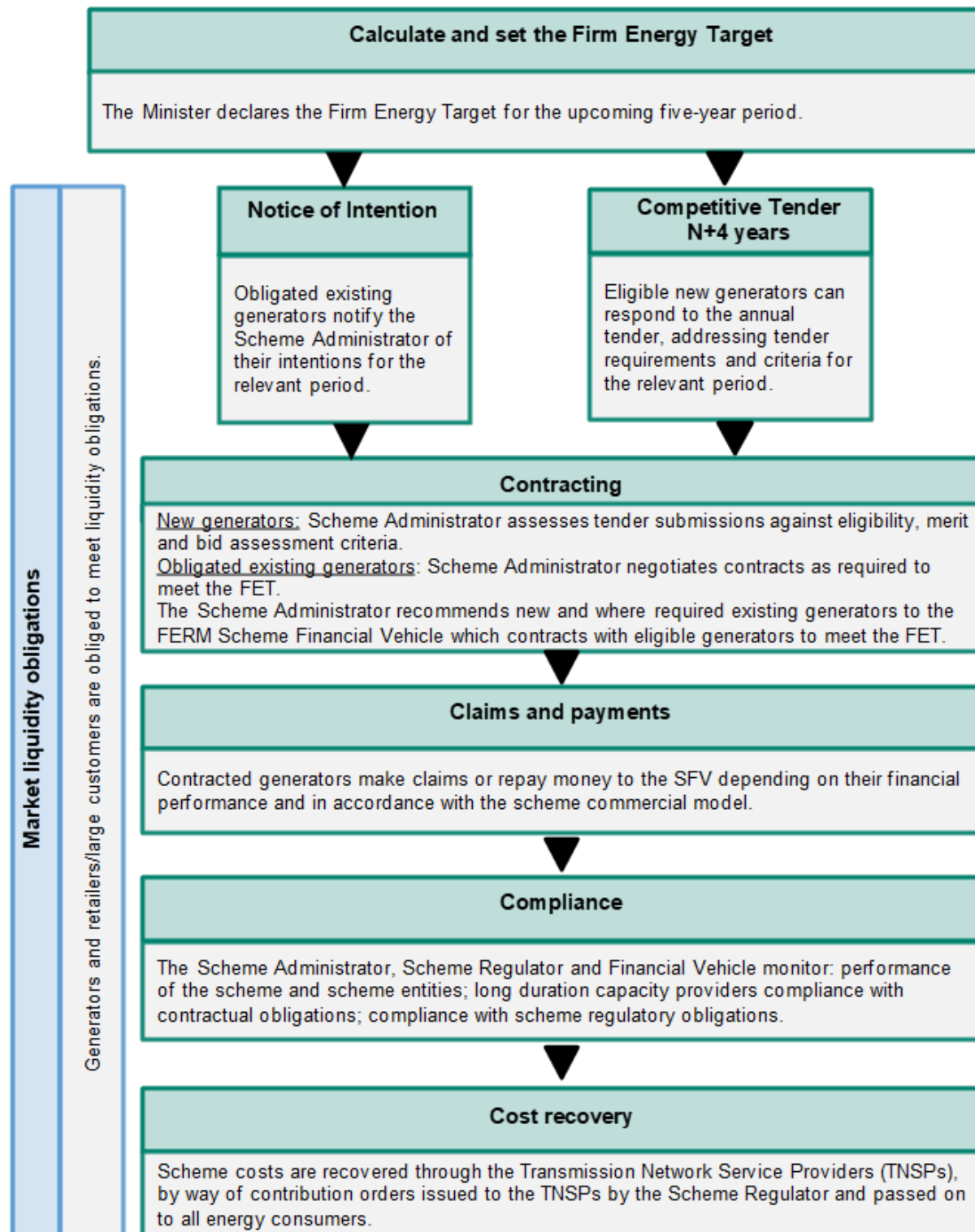
The **reliability obligation** is an obligation on specified Market Participants to undertake certain contracting activities, and to take related steps, in the National Electricity Market (NEM) by purchasing a certain number of contracts, or having a certain net contracting position, over a particular period, in accordance with requirements specified in Minister's guidelines.

The **market liquidity obligation** is an obligation on specified long duration firm capacity (LDFC) providers to undertake certain contracting activities, and to take related steps, in the NEM by offering a certain number of contracts, or having a certain net contracting position, over a particular period, in accordance with requirements specified in Minister's guidelines.

These obligations were included in the FERM Regulations to address stakeholder concerns expressed during the FERM concept design (Stage One) consultation that an unintended consequence of the scheme would be further erosion of the already low liquidity in South Australia. The obligations were designed to:

- Improve contract market liquidity enabling more predictable revenue streams to enhance the commercial viability of existing long duration capacity assets so they can continue operating until planned retirement, and of new assets by ensuring they are financially viable, reducing the risk to investors.
- Minimise the level of underwriting support provided to FERM contracted assets by supporting them to maximise their ability to generate revenue from market-based activity.
- Ensure electricity retailers are financially and operationally prepared to meet their customers' demand, especially during periods of market stress, thereby enhancing market stability and consumer protection.

Figure 1 - FERM overview



Improving market liquidity is critical to increase competition and improve consumer outcomes

Liquid contract markets are critical to supporting efficient and effective electricity systems. Low liquidity is associated with depressed market competition and inflated electricity prices as independent retailers and other market customers are unable to secure affordable electricity contracts to manage their risk¹.

A number of interventions have sought to improve liquidity in the NEM including:

- The establishment of the Market Liquidity Obligation (MLO) to support the Retailer Reliability Obligation (RRO) in June 2019.
- The ASX's introduction of voluntary market making, also in June 2019.

These interventions have not met expectations, and liquidity has continued to decline in South Australia.

To address the impact of the energy transition on market liquidity - caused by the withdrawal of thermal generation which has traditionally underpinned electricity contracts – and to support scheme objectives, a market liquidity obligation was incorporated into the FERM.

The FERM market liquidity obligation is enabled under the scheme's regulations

Regulation 33(1)(b) specifies that a 'recognised electricity entity, or a new designated electricity entity who is a party to a contract under regulation 24, is required to act in accordance with any market liquidity obligation'².

The market liquidity obligation is defined as 'an obligation to undertake certain contracting activities, and to take related steps, in the NEM by offering a certain number of contracts, or having a certain net contracting position, over a particular period, in accordance with requirements specified by the Minister's guidelines'³.

The FERM Regulations also outline that 'The Minister's guidelines may (without limitation) make provision for:

- (a) the application of an obligation as it applies to certain Market Customers, recognised electricity entities, or new designated electricity entities who are parties to

¹ See for example the Australian Competition and Consumer Commission Retail Electricity Pricing Inquiry – Final Report and NERA Economic Consulting 'Costs and Benefits of Additional Market making in the NEM' 2019, pp 44-45

² [National \(South Australia\) \(Firm Energy Reliability and Orderly Exit Management\) Regulations 2025](#), Regulation 33(1)(b)

³ [National \(South Australia\) \(Firm Energy Reliability and Orderly Exit Management\) Regulations 2025](#), Regulation 33(2)(b)



- contracts under regulation 24, or in relation to certain contracts or contracting positions; and
- (b) the nature of an obligation; and
- (c) the transfer of an obligation to another a person; and
- (d) any other matter that is considered by the Minister as being necessary or expedient for the purposes of this regulation⁴.

Stakeholders provided feedback on the FERM market liquidity obligation

A range of stakeholders provided feedback on the proposed FERM market liquidity obligation (FERM MLO), outlined in Table 1, during the scheme's detailed design (Stage Two) consultation.

Feedback received from existing LDFC providers, including the vertically integrated operators, highlighted concerns about the potential regulatory burden and compliance costs associated with a market liquidity obligation. Developers and proponents of new projects and technologies supported obligations that would strengthen and deepen contract markets, supporting new entrants.

A number of stakeholders expressed a preference for a market making obligation (MMO) despite this not being articulated as an option in the consultation paper. Additionally, a number of participants noted that the NEM Wholesale Market Settings Review Expert Panel (NEM Review or Expert Panel) was expected to release its draft report and recommendations within weeks and urged DEM to harmonise with its approach.

The NEM Wholesale Market Settings Review also recommended a market intervention to address liquidity

The NEM Review was established in November 2024. Its remit included developing recommendations for wholesale market settings to promote investment in firmed, renewable generation and storage capacity in the NEM.

The Expert Panel released its draft report on 6 August 2025. Recommendation 6A of the draft report was that a direct, permanent and mandatory market intervention be introduced to the NEM to address the market dynamics of renewable-dominated systems, including low and declining liquidity.

⁴ [National \(South Australia\) \(Firm Energy Reliability and Orderly Exit Management\) Regulations 2025, Regulation 33\(3\)](#)

Stakeholders recommended that the FERM MLO harmonise with a NEM-wide approach

Acknowledging stakeholder preference for a harmonised approach, DEM elected to delay the introduction of any FERM MLO requirements and to further engage with industry and stakeholders with the aim of finalising the obligations for release mid-2026.

The NEM Review recommended a NEM-wide market making obligation

In Q3 2025, the NEM Review released further detail regarding its proposed market intervention - a NEM-wide market making obligation – and across Q3 and Q4 2025, consulted extensively with stakeholders to refine the proposed MMO framework.

At the Energy and Climate Ministerial Council on 16 December 2025, NEM Energy Minister's agreed in-principle with the Expert Panel's core recommendations (noting Queensland did not provide in-principle support) including relating to the development and implementation approach for a NEM-wide MMO, implemented initially in South Australia via the FERM Regulations applying to firm capacity and cap contracts, with the development of a NEM-wide framework across firming, bulk and shaping services in 2026 by the Commonwealth in consultation with jurisdictions, for indicative establishment in Q3 2027 following relevant NEL/NER changes (see Box 1 and Figure 2).

Box 1: NEM Review Recommendation 6

Recommendation 6: Energy ministers should establish a permanent market making obligation (MMO) framework in the National Electricity Law (NEL) and National Electricity Rules (NER) for a small number of key derivative contracts.

The NEM Review MMO and the proposed FERM MLO frameworks are similar

On 16 December 2025, the NEM Review's Final Report and Supplementary Materials were published on the Department for Climate Change, Energy, the Environment and Water (DCCEEW) website: [National Electricity Market wholesale market settings review | energy.gov.au](https://www.energy.gov.au/nem-review).

The draft FERM MLO framework outlined in the draft Minister's guidelines and boundary assumptions published as part of Tender 1 and the MMO framework proposed by the NEM Review share many similarities including relating to obligated participants and trading platforms. Minor differences include proposed eligible products and minimum trading requirements (see Table 1).

Noting the similarity in objectives of the approaches, and the broad similarity in proposed frameworks, DEM has elected to harmonise the FERM MLO framework with the NEM MMO framework, adopting this as the scheme's market liquidity obligation. This harmonised



approach will support a smooth transition to the national approach endorsed by Energy Ministers to be implemented under the NER/NEL. The SA MMO framework supersedes the draft FERM MLO parameters previously published.

Table 1: Comparison of published draft FERM MLO and NEM Review's MMO parameters

	Superseded FERM MLO	NEM Review MMO (and proposed SA MMO)
Obligated Participants	Existing REEs and new designated electricity entities party to a FERM contract	Trading groups with $\geq 5\%$ market share of firm capacity (excluding non-grid scale batteries)*
Commencement	Existing REEs from 1 July 2026 Designated electricity entities party to a FERM contract from 1 Jan 2029 onwards (subject to COD)	Application in SA for firm capacity from 1 July 2026 Application NEM-wide (opt-in basis) on bulk, shaping and firming energy by Q3 2027
Contract types	Standard ASX-type contracts (caps, morning/evening peak) weather derivatives, solar/wind shaping	Initially cap contracts for firm capacity. Other products to be identified ⁵
Volume	Not specified however guidance stated that volume obligation would be no more than 20% of an asset's Capacity Commitment	Minimum 2% of registered capacity or 3MW (whichever is the lessor) offered per trading day
Parcel size	Minimum offer size of 1 MW	1 MW
Bid/offer spread	Maximum 5% (or \$1/MW/h) bid/offer spread (sell-price basis)	Maximum 5% bid/offer spread (sell-price basis)
Contract length/specifics	Contracts must cover the Obligation Period (18:00-21:00 ACST/ACDT 1/1 – 31/3 and 1/7-30/9)	Offered in the prompt (current) quarter plus 11 subsequent quarters (12 quarters/3 years total)
Contract Firmness Rating	Minimum firmness rating of 0.8	-
Trading Platforms	Traded on approved exchange or platform (ASX can be assumed to be an approved exchange)	Traded on approved exchange or platform
Non-physical participants	-	Non-physical players participation subject to specific rules depending on organisation type*

⁵ Note that baseload and shaping products will also be included in the NEM-wide MMO framework to be indicatively established in Q3 2027 following relevant NEL/NER changes and will be identified by the Contracts Co-design Group

Exemptions	-	5 days per 20 rolling day period to cover unforeseen circumstances (e.g. ICT outage, Corporations Act 2001 duties, etc).
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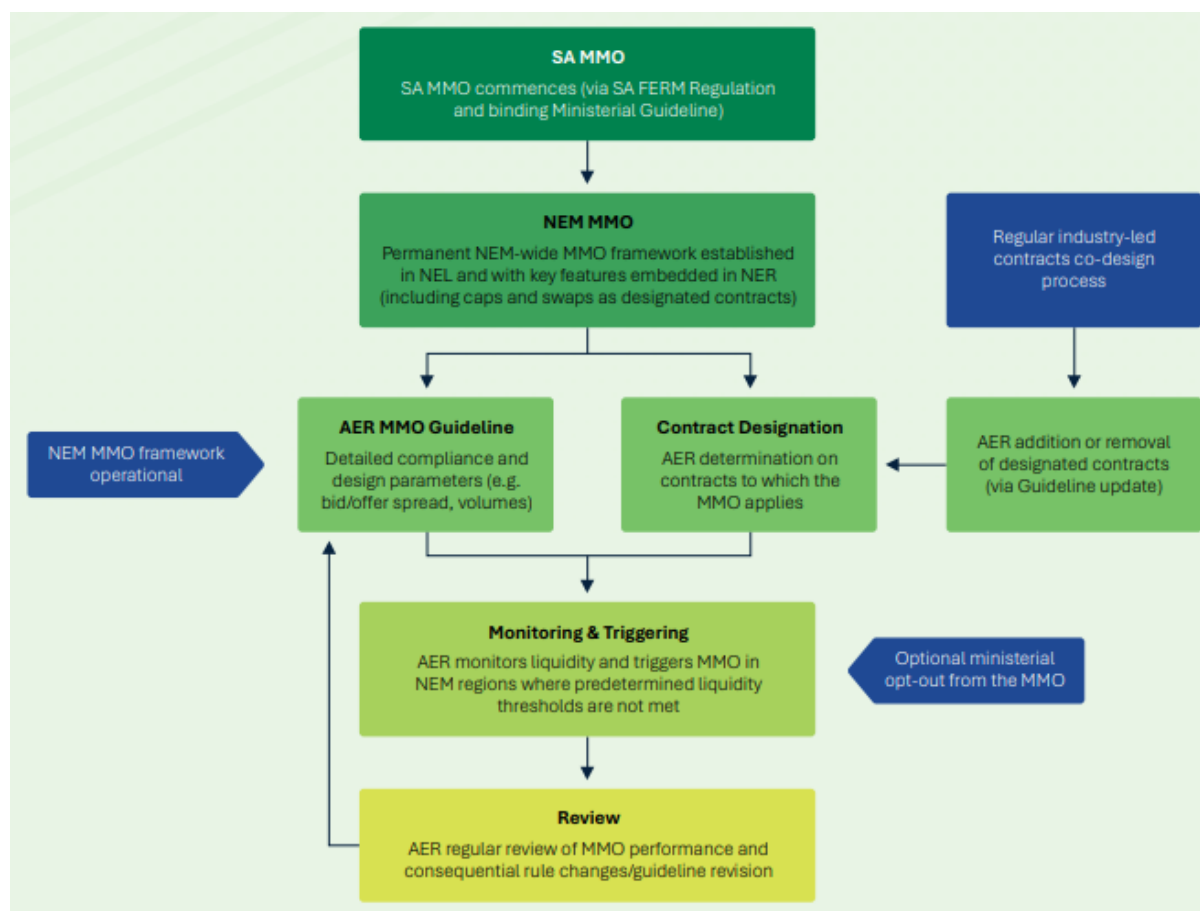
* Note that the SA MMO may deviate in regard to this element. See remainder of this section for additional information

The MMO will be implemented on firm capacity in South Australia

As proposed by the NEM Review, the MMO will initially be implemented in South Australia enabled by the FERM Regulations and limited to firm capacity (SA MMO).

Development of a broader NEM-wide MMO that also captures bulk and shaping services will be led by the Department for Climate Change, Energy, Environment and Water over 2026, as part of the broader NEM reform package, and introduced under the NER/NEL. The SA MMO implemented under the FERM Regulations will transition to the NEM-wide MMO when established, anticipated in Q3 2027.

Figure 2: Permanent MMO framework proposed by NEM Review



Source: [NEM Review Supplementary Materials](#)



We invite stakeholder feedback on critical issues to the SA MMO design

This consultation invites stakeholders to provide feedback on critical issues or risks relating to the SA MMO framework and design. As outlined above, the proposed framework aligns with the national framework developed by the NEM Review Expert Panel and agreed in-principle by NEM Energy Ministers (excluding Queensland).

Any variance from these parameters adopted in South Australia under the SA MMO will introduce complexity to the subsequent transition to the NEM-wide approach, potentially increasing the administrative burden for participants that operate in more than one jurisdiction and undermining the benefits of adopting a harmonised NEM-wide approach. As such, on a first principles basis, the Department proposes to broadly adopt the MMO framework developed by the NEM Review unless stakeholders can provide compelling evidence to support deviation from this approach.

Any feedback on the MMO for bulk or shaping products, or for the broader NEM-wide MMO, should be addressed to DCCEEW: NEMreview@dcceew.gov.au.

SA MMO Design

This section details the SA MMO design parameters, reflecting the MMO framework proposed by the NEM Review and outlined in its [Supplementary materials](#), including relating to:

- Obligated participants
- Commencement
- Products
- Trading obligation (volume, size and contract duration)
- Bid/offer spread and other trading requirements
- Trading platforms
- Exemptions
- Reporting obligations.

All Recognised Electricity Entities are obligated MMO participants

Regulation 33(2)(b) of the FERM Regulations specifies that a recognised electricity entity (REE) or a new designated electricity entity that is party to a FERM contract is required to act in accordance with any market liquidity obligation. Regulation 33 (3)(c) provides for the Minister's guidelines to specify the transfer of this obligation to another party.

The list of recognised electricity entities is published on the DEM website: [List of Long Duration Capacity Providers](#). The list will be updated and republished regularly to ensure all LDFC providers that are eligible to participate in the scheme are captured. This includes any

new assets that are a counterparty to a FERM contract, or any LDFC assets that become operational in South Australia.

While this approach differs slightly to the one proposed in the NEM-wide MMO - which is based on percent of state's total firm capacity - the outcome is similar and generally captures the same assets (see Table 2).

To support commercial and operational flexibility and harmonise with a NEM-wide approach, it is proposed that the Minister's guidelines be drafted to allow:

- Obligations to be levied, and can be met, at a corporate group rather than asset, level.
- Obligated participants can elect to nominate an entity that will undertake their trading activity on their behalf e.g. this could be outsourced to another party (i.e. a broker).

Consultation question:

1. Do the proposed approaches of allowing obligated participants to participate at the group level (for REE's that are part of a larger corporate group) or to nominate a trading entity (e.g. for obligated parties that may not have trading resources/capability or if their trading resources are unavailable) provide sufficient operational and commercial flexibility? Are there any risks with this approach?

It is noted that the NEM Review recommended an approach to the participation of non-physical participants. It is not proposed to implement this in the SA MMO, however, it is anticipated that this will be included in the NEM-wide MMO framework that is being developed for indicative establishment by Q3 2027.

SA MMO to commence by 1 July 2026

Barring significant implementation challenges, the SA MMO will commence no later than 1 July 2026.

It is considered this timeframe provides obligated participants sufficient time to prepare for the introduction of the SA MMO including to establish internal processes and procedures.

SA MMO products will be limited to cap contracts

It is proposed to initially limit SA MMO products to standard ASX-style cap contracts (or equivalent). This accords with the position of the NEM Review that was informed by its Contracts Co-Design Pilot Working Group. It also considers factors such as SA market size and observed contracting activity, for example AER analysis indicates that cap contracts are



the primary hedging instrument employed in South Australia due to the unique market conditions⁶.

Alternative or additional MMO products for firm capacity – as well as the MMO products for bulk and shaping energy – will be identified via the Contracts Co-Design process as it is implemented and matures.

Consultation question:

2. Do you have any concerns with the proposal to initially limit SA MMO products to ASX-style cap contracts?

SA MMO minimum daily trading volumes are 3MW or 2% of a trading group's total firm capacity in South Australia

To harmonise with the NEM-wide MMO, it is proposed to replicate the MMO daily trading volume obligation proposed by the NEM Review. This will require obligated entities to post daily bid/offers for 3 MW or 2% of the corporate group's South-Australian based firm capacity, whichever is the lower. Where the 2% results in a fraction of a MW, it is proposed the requirement will be rounded down to the nearest whole MW (e.g. if the 2% of the group's capacity equates to 2.56 MW, then the requirement will be rounded down to 2 MW). Anticipated FY 2026/27 minimum daily trading volumes based on generation data for REE's is provided in Table 2.

It is noted this daily trading obligation differs from the draft Minister's guidelines and the published FERM MLO boundary assumptions which did not specify a daily trade obligation and instead indicated an upper contracting obligation (no more than 20% of the REE's capacity commitment).

Table 2: Anticipated REE's group level SA MMO volume obligation (FY2026/27)

Group	Anticipated SA MMO Daily Trade Volume (MW)
Engie (Synergen Power Group)	3
AGL	3
Origin	3

⁶ Australian Energy Regulator 'Wholesale electricity market performance report 2024', pg 129



Energy Australia	3
Nexif Energy	3
Iberdrola	2
Snowy Hydro	2

Minimum daily trading volumes will apply to new LDFC assets following reaching their commercial operation date (COD), including those that are awarded a contract under FERM Tender Round One. The NEM Review implementation roadmap anticipates establishment of the NEM-wide MMO framework in Q3 2027, with the SA MMO transitioning into the NEM-wide scheme once operational. Consequently, any assets that reach COD after the transition will be subject to the NEM-wide MMO framework that is operational at that time. This is expected to include assets awarded a contract under FERM Tender Round One.

A 5% bid/offer spread is proposed to balance the risk between buyers and sellers

Limiting the spread of bid/offers promotes market competition and effective price discovery, however, several stakeholders provided feedback to the NEM Review that implementing too tight a spread may shift cost and risk onto REE's during periods of market volatility⁷.

Analysis of ASX trading data indicates that the majority of market volatility occurs in the prompt (current) and the prompt+1 quarters rather than out-quarters⁸. The NEM Review Expert Panel proposed two options to address stakeholder concerns:

- Option one: relax the bid/offer spread for the prompt quarter, for example to 10%.
- Option two: reduce the MW daily trade volume requirement during the prompt quarter, for example to 1 MW⁹.

Other key elements of the bid/offer spread include:

- Obligated parties are required to make simultaneous offers to buy and sell.
- The bid-offer spread is based on the offer (sell) price.

⁷ See for example NERA Economic Consulting, 'Costs and Benefits of Additional Market Making in the NEM', 2019, pg 21

⁸ NEM Review Expert Panel's [Supplemental Materials](#), published 16 December 2025, pg 55

⁹ See pps 54-57 of the NEM Review Expert Panel's [Supplemental Materials](#), published 16 December 2025



Additional parameters of SA MMO products and trading requirements drawn from the NEM Review Expert Panel's model include:

- The product must be offered during the specified MMO window. The NEM Review proposed two time periods for the MMO window, either 11:00 – 11:30 am (AEST) or 3:30 – 4:00 pm (AEST).
- The product must be offered in 1 MW parcels.
- The product must be offered for the prompt (current) quarter plus the following 11 consecutive quarters.

Noting that SA MMO products will be restricted to cap contracts, it is not proposed to include a requirement for products to meet a minimum firmness rating.

Additional to the requirements of the NEM-wide MMO framework proposed by the NEM Review, the SA MMO framework may include a requirement relating to the minimum time for a bid/offer to be available on the MMO exchange (unless traded), similar to the existing requirement in the MLO, either per MW parcel or for a group's combined daily MW minimum obligation.

Consultation questions:

3. Would adopting a different (relaxed) bid/offer spread (Option one), or lowering the volume requirement (Option two), in the prompt quarter be an effective risk management tool for obligated participants? Which option do you prefer?
4. What are the risks or complexities with adopting either of the options proposed in Question 3 above?
5. What is your preferred MMO trading window: 11:00 – 11:30am or 3:30 – 4:00pm (AEST) and why?
6. Are there any risks with not stipulating a minimum firmness rating for SA MMO products?
7. Do you have a view regarding the requirement for, and a potential approach to, ensuring bid/offer spreads are available for an appropriate minimum time each trade period (unless traded)?

An exemption framework will balance liquidity obligations with operational needs

To balance liquidity obligations with operational flexibility, the NEM Review proposed the development of an exemption framework that allows obligated participants to access up to five days exemption within any rolling 20-day period for the following situations:

- When meeting the MMO obligation would result in a REE or its directors breaching the *Corporations Act 2001*.
- Where a nominated MMO service provider engaged by an obligated party (e.g. a broker) or a MMO trading platform is temporarily suspended from trading.

The exemption days are intended for both planned events (e.g. scheduled system outages or staff unavailability) and unforeseen circumstances (e.g. force majeure, etc). The exemptions are not intended to be used as business-as-usual and participants are expected to manage their obligations so that exemptions remain available for genuine need when required. To support this, the NEM Review Expert Panel proposed that the use of an exemption day must be accompanied by a supporting explanation to the AER. It is proposed to implement this requirement within the SA MMO.

In addition to the exemption framework outlined by the NEM Review, it is also proposed that the SA MMO exemption framework include consideration of the interplay of the RRO/MLO and the SA MMO. This proposes an exemption from the SA MMO when a forecast reliability gap is (or has been) declared in South Australia will apply to generators listed on the [AER MLO register](#). See the below section on the interplay with the RRO/MLO for more information on this proposed exemption.

Trading platforms to be approved

To support the objective of increasing liquidity while also minimising compliance and reporting costs, SA MMO products will be restricted to trade on approved platforms. A platform approval process may be developed by the Scheme Regulator and may consider issues such as:

- If the trading platform has an adequate volume of trading of the SA MMO product and diversity of participants (buyers and sellers).
- If the rules of the trading platform include (or will include) appropriate rules to allow obligated participants to meet their obligation (e.g. relating to trading time, products specifications, etc) and support price discovery and transparency.
- If the trading platform has appropriate credit and prudential arrangements.
- If the costs and ease of trading on the trading platform are reasonable for a diversity of buyers and sellers.
- If the operator of the trading platform can provide relevant trading data to the Scheme Regulator when requested, for the purposes of monitoring compliance and enforcement.



- If the operator of the trading platform holds all licences and approvals required by law to operate the trading platform.
- If the trading platform has appropriate cyber protection and security arrangements to mitigate outages (malicious or otherwise).

Consultation question:

8. Are there any additional capabilities or competencies to those outlined above that the Scheme Regulator could consider in developing a platform approval process?

Scheme Regulator may establish a reporting framework to support compliance and enforcement

Regulation 33(5) provides for the Scheme Regulator's guidelines to make provision for reporting requirements.

The AER is the nominated Scheme Regulator to fulfill this function and may prepare a compliance and reporting process. It is anticipated that the AER will seek input from interested parties in this process.

Non-compliance with the SA MMO, as the scheme's market liquidity obligation, may result in imposition of civil penalties

The AER, as a Scheme Regulator, will administer the civil penalty scheme established by the FERM Regulations and be responsible for monitoring and enforcing compliance with the SA MMO obligations (as the scheme's market liquidity obligation). The AER will respond to any non-compliance in accordance with its existing [Compliance and enforcement policy](#). In particular, the FERM Regulations provide that:

- a failure to comply with the FERM MLO obligations may give rise to the imposition of a Tier 1 civil penalty.
- a failure to comply with any reporting requirements applicable to the FERM MLO may give rise to the imposition of a Tier 2 civil penalty.

Stakeholders requested clarification of the FERM MLO requirement and the interplay with the RRO/MLO

Recommendation 11e of the NEM Review is that energy ministers phase out the RRO once the MMO and related market reforms are working effectively. Noting the dependence of Recommendation 11e on other reforms, the implementation roadmap indicatively indicates this process occurring in 2027 and 2028.



To address the issue of South Australian MLO generators being concurrently subject to the trading obligations of both the MLO and the SA MMO, the proposed exemption framework outlined above includes exempting these LDFC's from the SA MMO obligations for a forecast reliability gap. MLO generators will be subject to the MLO obligations rather than the SA MMO during such a gap. The SA MMO obligation will continue to apply to all other REE's.

On 2 January 2025, the South Australia Minister for Energy and Mining triggered the RRO in South Australia for the first quarter of 2028. Under this declaration, the T-3 Reliability instrument applies to the South Australia region of the NEM for the intervals between 3:00 pm and 9:00 pm (AEST) each working weekday for the period 10 January to 17 March 2028 inclusive.

In practice, the exemption process proposes that in Q3 and Q4 2026, when the MLO period overlaps with the SA MMO, SA MLO generators would be required to meet the MLO liquidity obligation rather than the SA MMO for products that cover Q1 2028¹⁰. However, when the MLO period ends for the forecast reliability period, these LDFC's would no longer be subject to the MLO liquidity obligations and therefore would revert to being subject to the SA MMO obligations.

It is considered that the AER, as both a FERM Scheme Regulator and administrator of the RRO, is well positioned to manage this exemption process.

Consultation question:

9. Do you agree with our proposed approach to managing the interplay of the RRO/MLO and SA MMO via the SA MMO exemption process?

The FERM Reliability Obligation will be delayed

Noting the broad package of reforms recommended by the NEM Review to improve the market in the short, medium and longer terms, DEM will pause the introduction of the FERM reliability obligation on retailers and direct connect, large-load customers. The need for such a measure may be re-assessed following the implementation of other elements of the reform package.

¹⁰ For quarterly cap contracts noting that other products can be traded under the MLO

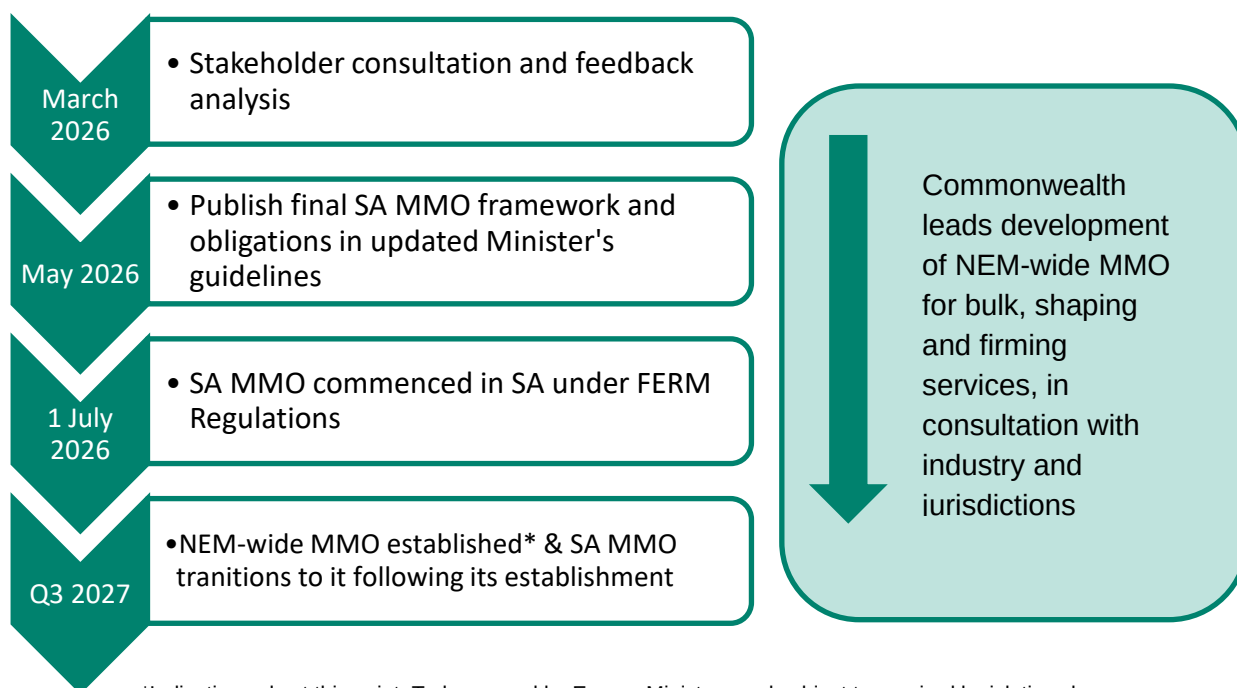
Next Steps

The implementation timetable is ambitious but also necessary and achievable

This consultation acts as a gateway to prepare industry for the implementation of the SA MMO by 1 July 2026. The proposed high-level pathway for the implementation of the SA MMO is summarised in Figure 3. We note that some stakeholders may consider the implementation timeframe as too ambitious, however commencing the SA MMO as soon as practicable is desirable to address the continued decline in liquidity in South Australia and aligns with the recommendation of the NEM Review Expert Panel.

As high-level guidance to the market, it is anticipated that updated Minister's guidelines with the SA MMO framework and obligations based on the parameters outlined in this paper will be released in May 2026, to support implementation of the SA MMO by 1 July 2026.

Figure 3 – SA MMO implementation approach and anticipated timeframe





Consultation questions:

10. Does the proposed implementation timeline for the SA MMO cause any concerns or are there any further considerations that the Department should be aware of?
11. What design elements could be included in the SA MMO framework implemented under the FERM Regulations to facilitate a smooth transition to the NEM-wide MMO?

We invite your feedback on the consultation questions

We welcome written submissions from interested and impacted parties, in line with the questions posed in this paper.

Submissions can be provided through one of the two following methods:

Submit via the YourSAY website: Upload your submission on the consultation page on the YourSAY website: <https://yoursay.sa.gov.au/ferm-mlo>.

Submit via email: Email your submission to dem.ferm@sa.gov.au with the subject line: FERM Market Liquidity Obligation consultation.

We will endeavour to acknowledge receipt of e-mailed submissions within three (3) business days. Submissions lodged via the YourSAY website will be acknowledged on conclusion of the consultation period.

To support transparency in the consultation process, generally the Department will publish all non-confidential submissions on its website/s (this may include the YourSAY website and/or the DEM website). If a submission is published on a website, the information it contains can be searched for on the internet.

We may choose not to publish submissions at our discretion or to withhold, or redact, certain information in a submission from publication (e.g. by not publishing a submission or parts of a submission that are out of scope of the consultation or by de-identifying personal or sensitive information).

Additionally, we will not publish confidential submissions. To claim confidentiality on behalf of a person or an organisation, the first page of a submission should clearly identify the content that should be treated as confidential. The option also exists to place confidential information in an attachment to a submission, with a request to keep the attachment confidential. Confidential submissions will not be released on the website. De-identified summaries of these submissions will not be made public without permission of the submitter.

Submissions can be made anonymously, however, as we may be unable to verify or clarify the information provided in an anonymous submission, this may impact how we consider such submissions as part of the consultation process.



You should note that under the *Freedom of Information Act 1991*, the Government of South Australia may be required by law to release a submission to a third party (including confidential submissions). We will contact the submission author using the details provided in the submission prior to its release if a request is made under the Act.

Submissions will be reviewed by relevant staff of the Government of South Australia and may be reviewed by staff from scheme entities, relevant commonwealth agencies, other NEM jurisdictions or external experts and consultants engaged in the development of the MMO or related initiatives.

Your privacy is important, but we will collect some personal information

Inherent in any public consultation is the collection of personal information. The Government of South Australia may collect a range of personal information through this consultation process including:

- Name
- Contact information (including phone, email and website)
- Organisation you represent and your role (if applicable).

We will use this personal information to contact respondents regarding the consultation (for example, to acknowledge receipt of a submission).

Additionally, through submissions we may also collect the personal views, or the views of the organisation represented, about the energy industry, the actions of participants in the energy industry, the Government of South Australia and its actions and policies, the Federal Government and the NEM Review and their actions and policies, and other matters.



Appendix One - Consultation Response Template

Please use the below template for providing any feedback on the questions posed in the consultation paper.

Organisation:	
Contact name:	
Email:	
Phone:	
Date	
Please indicate any parts of your submission to be treated as confidential	

Question:	Response
1. Do the proposed approaches of allowing obligated participants to participate at the group level (for REE's that are part of a larger corporate group) or to nominate a trading entity (e.g. for obligated participants that may not have trading resources/capability, or for instances when trading resources are unavailable) provide sufficient operational and commercial flexibility? Are there any risks with this approach?	
2. Do you have any concerns with the proposal to initially limit SA MMO products to ASX-style cap contracts?	



3. Would adopting a different (relaxed) bid/offer spread (Option one), or lowering the daily volume requirement (Option two) in the prompt quarter be an effective risk management tool for obligated participants? Which option do you prefer?

4. What are the risks or complexities with adopting either of the options proposed in Question 3 above?

5. What is your preferred MMO trading window, 11:00 – 11:30 am or 3:30 – 4:00 pm (AEST) and why?

6. Are there any risks with not stipulating a minimum firmness rating for SA MMO products?

7. Do you have a view regarding the requirement for, and a potential approach to, including a mechanism to ensure bid/offer spreads are available for a minimum time each trade period (unless traded)?

8. Are there any additional capabilities of competencies to those outlined in the consultation paper that the Scheme Regulator could consider incorporating in a platform approval process?

9. Do you agree with our approach to managing the interplay of the RRO/MLO and SA MMO via the SA MMO exemption process?

10. Does the proposed implementation timeframe for the SA MMO cause any concerns, or are there any further timing



considerations that the Department should be aware of?

11. What design elements could be included in the SA MMO framework implemented under the FERM Regulations to facilitate a smooth transition to a NEM-wide MMO?
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