

20 February 2026

NSW Department of Climate Change, Energy, the Environment and Water

Submitted via email



Energy Security Safeguard: Rule Change Paper

The Australian Financial Markets Association (AFMA) is responding to the NSW Department of Climate Change, Energy, the Environment and Water's (the department) consultation on the Energy Security Safeguard (ESS): Rule change paper (the paper).

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as gas, carbon, electricity and environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and government treasury corporations to fund managers, energy firms, and industry service providers. Many AFMA members are key participants in both the ESC and PDRS markets.

AFMA broadly welcomes the proposed rule changes and opportunities for expansion that have been identified to help support the ongoing success of the ESS and PDRS.

Key Points

- **AFMA supports proposals that incentivise stacking**
 - **AFMA supports the intent to introduce or re-introduce methodologies and activities**
 - **AFMA supports proposals to incentivise C&I and multi-dwelling residential batteries**
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1. Changes to existing activities

As AFMA expressed in our submission to the statutory review, the ability to stack certificates has been important to the schemes' economics for participants.¹ Therefore, AFMA supports allowing battery installation incentives from the PDRS's BESS1 and the Cheaper Home Batteries Programme to be stacked and the proposed staking pathways.

AFMA has continued to express our position that developing new scalable and durable methodologies to safeguard continued supply is important. On this basis, AFMA is not opposed to reactivating previous activities/ methodologies such as insulation activities. Similarly, we support making both multi-split and large air conditioners eligible under the ESS and PDRS, as well as recognising fuel switching activity as an energy saving activity.

AFMA agrees that increasing the participation of batteries in VPPs could play an important role in helping support the grid during challenging periods and we support the options being considered but believe that expanding the battery size eligibility, removing the requirement that solar be installed and changing the capacity holder would be the easiest to implement, least challenging for consumers and significantly increase participation by those with batteries already installed. AFMA supports actions being taken by state government's that encourage consumers to easily aid during periods of high demand.

¹ <https://www.afma.com.au/policy/submissions/2025/r30-25-ess-and-pdrs-reviews.pdf?ext=.pdf>

As the department may be aware, Commonwealth DCCEEW is in the process of introducing a minimum energy performance standard (MEPS) with a measurement approach as an opportunity to harmonise standards across state-based and commonwealth environmental product schemes. We encourage NSW to consider any impact this has on the proposed rule changes relating to heat pump water heaters.

2. Exploring new opportunities

AFMA supports the proposals to incentivise C&I and multi-dwelling residential batteries and agrees that support through the PDRS can help shorten payback periods and accelerate uptake.

As noted above, while we are encouraged by the Department's intent to explore new opportunities and develop new methodologies, we think the focus should be on methodologies that can be scaled. Our members have a number of practical concerns about the extent to which your proposals concerning EV charging are likely to appeal to consumers. As the department is aware, customer participation in Virtual Power Plants is relatively low with customers generally preferring to use stationary batteries for home backup rather than participating actively in the market. Additionally, to date, take up generally has not been particularly high and our members have identified some key challenges in both scalability and customer appeal. While smart charging apartments was identified as a priority use case, there are practical implementation issues such as responsibility and control between residents and complexes/ stratas and technology compatibilities as well as V2G considerations.

AFMA Recommendations

- i. The department remain focused on:
 - a. Introducing or reintroducing scalable methodologies to support supply and demand
 - b. Policy aimed at easing challenging demand periods

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

Monica Young

Monica Young

Policy Manager