

# Review of the reliability standard and settings guidelines

## Updated guidelines on how to assess the reliability standard and settings have been published

The Reliability Panel (Panel) has published its final report and guidelines relating to the reliability standard and settings. These guidelines set out the principles, assessment approach and assumptions that the Panel must comply with when conducting its review of the reliability standards and settings which will commence in the second half of 2021.

## The reliability standard and settings guidelines

The first Guidelines were made in 2016 and have not been reviewed since. The Panel believed that it was timely to review and update the Guidelines given that the power system is undergoing a rapid period of material change and because there have been significant changes in the market since the Guidelines were first established in 2016. The Panel also considered that the Guidelines need to remain relevant and applicable as the power system and market continue to evolve over the next decade. The Guidelines have been reviewed in accordance with the National Electricity Rules (NER).

In making its decision to update the Guidelines the Panel had regard to their purpose, which is to provide useful and transparent information to market participants about how it intends to conduct future RSS reviews. It also considered stakeholder input received during the review, including to the consultation paper and in stakeholder meetings.

The Panel has considered the need for the:

- flexibility to review the reliability standard and settings given the changing market, and also
- importance of stability for participants given the impact that this has on investment decisions.

Both elements are important in promoting the long-term interests of consumers: making sure market arrangements are fit for purpose for the transition and minimising unintended costs and consequences, while (given that some electricity assets are long-lived) promoting investment certainty. The Panel is of the view that the Guidelines provide a balance between maintaining stability for participants and allowing flexibility for the Panel to be able to assess and adjust the reliability standard and setting components to meet changing circumstances.

The Guidelines allow the Panel to consider all the reliability standard and setting components and determine if the approach remains fit for the intended purpose. However, the Panel must apply a range of criteria to any assessment it undertakes, and to any changes recommended in its final report for the RSS review. Any recommended changes from the RSS review must then be submitted as a rule change request to the AEMC.

The criteria and process set out in the Guidelines aims to provide market participants with some certainty about the circumstances for when the Panel is able to assess and recommend a future change to the reliability components, while the rule change process imposes an additional level of rigour to any proposed changes.

The Guidelines set out in detail the requirements the Panel must follow when undertaking its assessments and recommendations to change the reliability standard and settings. The updated Guidelines include the following:

- **Assessment framework**, specifically the key principles it will apply for assessing whether the reliability standard and settings will, or are likely to, contribute to the achievement of the National Electricity Objective (NEO). These largely mirror the principles from the 2016

guidelines.

- **Assessment approach**, including the NER requirements and other criteria that the Panel must apply when undertaking its assessments of the form and level of the reliability standard and settings. The assessment approach also sets out the materiality criteria the Panel must meet before recommending any change to the reliability standard and settings in its final report. The determination from the 2016 guidelines that only certain components of the reliability framework can be re-examined in a future reliability standard and settings review has been removed. Changes to the assessment approach mean that the reliability components can be at least considered but can only be changed where the Panel's assessment meets the requirements of the Guidelines and other factors considered relevant.
- **General principles to inform the modelling** the Panel will use in each review. The general principles largely mirror the 2016 guidelines, noting that the prescriptive inputs for modelling have been removed from the Guideline.

The final report sets out the Panel's changes to the 2016 guidelines, specifically, the assessment principles approach and modelling requirements. Neither the final report, nor the Guidelines, form a view or conclusion as to what the Panel's actual assessment of the reliability standard and settings will be. Rather, the purpose of the Guidelines is to set out the principles and assumptions that the Panel will use in conducting RSS reviews. The Panel will consider and assess the reliability standard and settings in its RSS review. The process for the next RSS review is outlined below.

### **Next steps and 2021-22 RSS review**

The Panel will formally commence the next reliability standard and settings review by publishing an Issues Paper in mid 2021. This is timely given the ESB's work on post 2025 market design, which is due to Energy Ministers in mid 2021. The Panel is collaborating with the ESB so that the processes can dovetail where necessary and so that, to the extent possible, the reliability framework can be designed in a holistic manner.

Under the NER, the Panel must follow the Rules consultation procedures for its RSS review. This consists of the release of the Issues Paper and the first round of stakeholder consultation, followed by the release of a draft report and a second round of stakeholder consultation. As required by the NER, the Panel will include its conclusions and recommendations in a final report that will be submitted to the AEMC as soon as practicable after the completion of the review.

As noted, where the Panel recommends that the current standard or settings should change, then it would need to submit a rule change request to the AEMC in order to implement these changes. The AEMC would then consider these proposed changes through the usual rule change process, allowing further opportunities for stakeholder input and consultation.

The Panel anticipates that, given the significance of this review, as well as the interest to date from stakeholders, there will be multiple opportunities for stakeholders to engage and participate in the process, including through bilateral meetings, public forums and formal submissions.

### **Background to the review**

The Panel undertook its review of the Guidelines in accordance with the required consultation processes set out in the NER. Table 1 sets out the processes followed by the Panel which included publishing a consultation paper that sought stakeholder feedback, holding a public stakeholder meeting at the request of a stakeholder and undertaking some additional bilateral stakeholder consultations in relation to the issues raised in the consultation paper. The Panel has published the final report, with the updated Guidelines as a standalone document on the AEMC website.

**Table 1: Timeline for the review of the guidelines**

<b>ACTION</b>	<b>DATE</b>
Consultation Paper	4 March 2021
Stakeholder Submissions closed	8 April 2021
Public Stakeholder forum	27 May 2021
Final report and Guidelines published	1 July 2021

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