

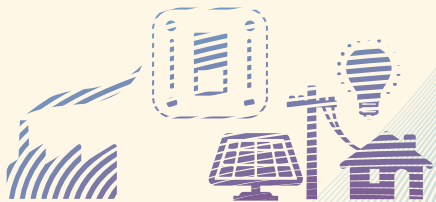
# HOW WE'RE HELPING TO LOWER THE COSTS OF EMERGENCY RESERVES

ENHANCEMENT TO THE RELIABILITY AND EMERGENCY RESERVE TRADER FINAL DETERMINATION 2 MAY 2019

## Emergency reserves have always been part of the national electricity market.

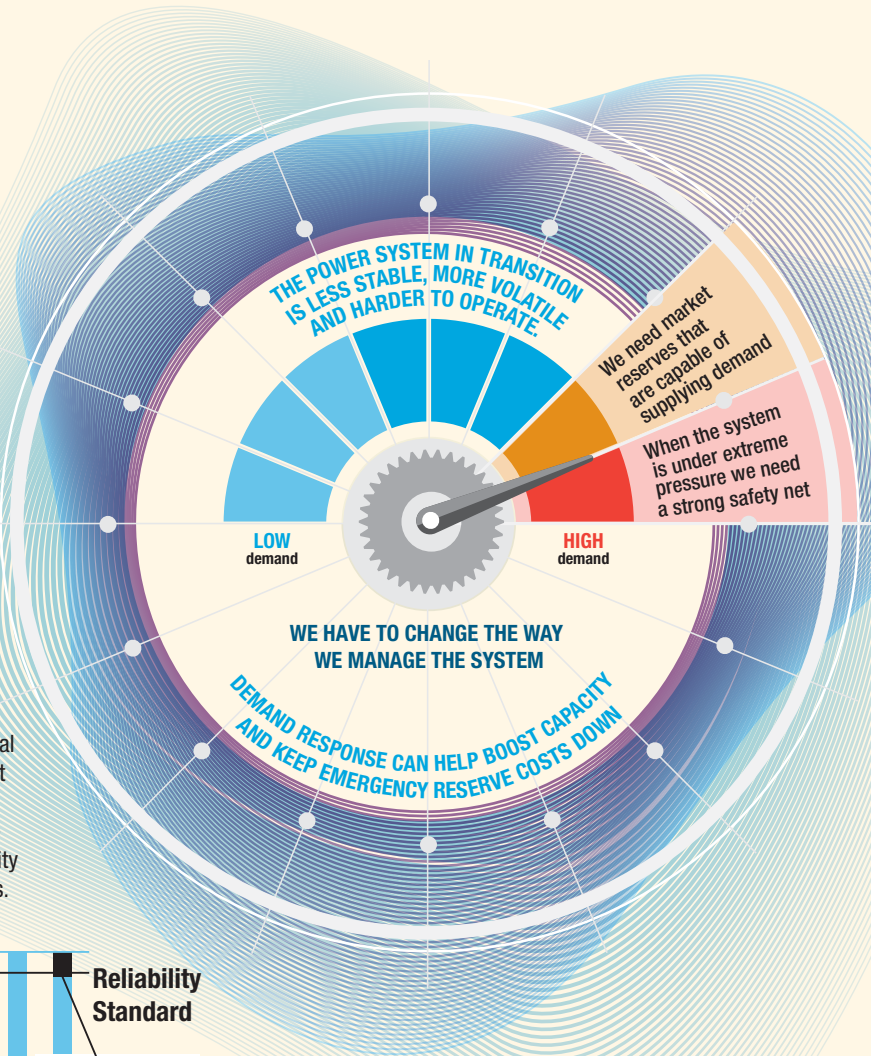
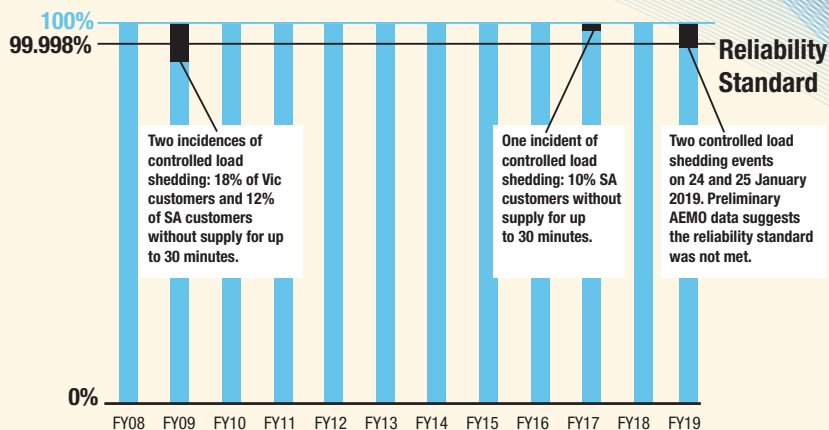
The reliability framework says AEMO should target zero load shedding in real time. Load shedding only happens after AEMO forecasts not enough market reserves; sees insufficient response from the market to step up reserves; and has no emergency reserves available.

Rotational load shedding is used in selected areas to maintain system balance and stop uncontrolled blackouts cascading across the system.



## Percentage of consumer demand met by available generation

The market has historically operated well within the reliability standard but supply-demand conditions are tightening. Commercial investment is challenged by uncertainty over the mechanisms that will be used to implement government policies and increasing temperatures can drive demand to peak when power systems are already under strain. We have been working with AEMO as a priority so the operator can manage these changing operational dynamics.



## NEW RERT for new times



**improving incentives for customers to reduce demand to minimise the need for emergency reserves:** We want incentives for more demand response so retailers and demand response providers can, for example, reward customers who reduce energy use during heatwaves. Costs of emergency reserves will be recovered, where possible, from customers who caused the need for the RERT.



**increasing transparency:** AEMO will provide regular updates on how the RERT is procured and used, and how much it costs.



**clarifying the trigger:** the RERT can be triggered if AEMO forecasts a breach of the reliability standard which requires enough generation to service 99.998% of consumer demand. This clarity helps the market plan operations and budgets.



**increasing the lead time to buy reserves to 12 months:** so the RERT can become part of the planned retailer reliability obligation (RRO). The RRO has two triggers. The three-year trigger requires retailers to bring dispatchable firm capacity to market if there is a supply gap three years out. If retailers have not filled the gap 12 months out then AEMO can use the RERT.



**encouraging a lower-cost competitive market response:** We want the market to deliver lower cost reliability so we can reduce the need for emergency reserves. There are new requirements for emergency reserve providers to enable this.



**providing guidance to AEMO on costs:** in relation to the appropriate costs of emergency reserve contracts, for it to consider when entering into emergency reserve contracts.



**providing AEMO with flexibility:** AEMO has flexibility and discretion as to how the reliability standard is incorporated in its day-to-day operations, particularly through its modelling and forecasting of power system risks.