

Reliability Panel AEMC

FINAL GUIDELINES

RELIABILITY PANEL GUIDE TO
APPLYING THE EMISSIONS
COMPONENT OF THE NATIONAL
ELECTRICITY OBJECTIVE

OCTOBER 2023

GUIDELINES

INQUIRIES

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ABOUT THE RELIABILITY PANEL

The Panel is a specialist body within the Australian Energy Market Commission (AEMC) and comprises industry and consumer representatives. It is responsible for monitoring, reviewing and reporting on reliability, security and safety on the national electricity system, and advising the AEMC in respect of such matters. The Panel's responsibilities are specified in section 38 of the National Electricity Law.

ACKNOWLEDGEMENT OF COUNTRY

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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1 RELIABILITY PANEL GUIDE TO APPLYING THE EMISSIONS COMPONENT OF THE NATIONAL ELECTRICITY OBJECTIVE (NEO)

1.1 Introduction

The Reliability Panel (Panel) forms part of Australian Energy Market Commission's (AEMC) institutional arrangements and has detailed functions and powers conferred on it within the National Electricity Law (NEL). It is the responsibility of the Panel to monitor, review and report on the safety, security, and reliability of the national electricity system and perform any other functions or powers given to it under the NEL or National Electricity Rules (NER).

The Panel is comprised of members who represent a range of participants in the National Electricity Market, including small and large consumers, generators, network businesses, retailers, and AEMO.

The Panel applies the national electricity objective (NEO) in its work in accordance with the NER and as specified in terms of reference from the AEMC.¹ This includes the Panel's work on the reliability standard and settings, the frequency operating standards and the system restart standard, among other projects.

The Panel supports the upcoming change to the NEO to include government emission reduction targets. This document sets out how the Panel proposes to apply the emissions component to its work.

1.2 What are the changes to the NEO?

The national electricity objective (NEO) refers to the long-term interests of energy consumers with respect to specified matters, within an economic efficiency framework.²

In September 2023, the list of matters forming part of the long-term interests of energy consumers in the NEO was updated to include:

"the achievement of targets set by a participating jurisdiction -

- for reducing Australia's greenhouse gas emissions; or
- that are likely to contribute to reducing Australia's greenhouse gas emissions."³

1 The AEMC may give the Panel terms of reference in relation to specific Panel determinations and reviews under clause 8.8.3 of the National Electricity Rules (NER). Terms of reference outline the scope of the Panel's determination or review and commonly include a requirement to consider the NEO. In addition, the NER specifies that the Panel must have regard to the NEO in relation to specific tasks, e.g. clause 8.8.3 in relation to the system restart standard and clause 8.8.4 in relation to protected event declarations.

2 More information on this efficiency framework can be found in our guide *How the National Energy Objectives Shape Our Decisions*. The national energy objectives are set out in these sections of the energy laws: National Electricity Law (NEL) section 7; National Gas Law (NGL) section 23; National Energy Retail Law (NERL) section 13.

3 NEL section 7(c), as inserted by the *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (SA).

1.3 The new emissions component of the NEO is one of several considerations the Panel will balance

The emissions reduction component has become one of a number of components (alongside price, quality, safety, reliability, and security of supply) that the Panel will consider and will have the discretion to balance in making its decisions.

The Panel will consider and balance the emissions reduction component alongside other components of the NEO, in a way that promotes the long-term interests of electricity consumers overall.

1.4 Where relevant, the Panel will consider the impact of its recommendation or determination on the ability to meet emissions reduction targets

Where the Panel has decided or is otherwise required to consider the NEO in making a recommendation or determination, the Panel will consider impacts on emissions reduction targets with reference to any government guidance and AEMC guidance. The AEMC has published its [guide to applying the emissions objective](#) after the changes to the NEO have taken effect and may also publish further materials on estimating emission reduction volumes.

This approach is consistent with the NER, which requires that, in undertaking any review and preparing any report and recommendation, the Panel must take into consideration the policy statements, directions, or guidelines published by the AEMC from time to time (clause 8.8.3).

However, the Panel will retain the flexibility to determine how to apply the AEMC's guidance on emissions to specific Panel reviews and determinations. The Panel may use a range of qualitative and quantitative techniques to assess the likely emissions reduction benefits and costs of its recommendations and determinations.

1.5 Discretion to apply the emissions objective to existing projects

The Panel can choose whether to apply the updated NEO to existing projects.⁴ The Panel has decided to consider the updated NEO for each relevant Panel project – both existing and new – from the time the change to the NEO commenced.

While this will not necessarily mean a change of direction for Panel projects, we will consult on the impact of the emissions considerations as part of our normal consultation processes for the relevant projects.⁵

⁴ Statutes Amendment (National Energy Laws) (Emissions Reduction Objective) Bill 2023 section 8.

⁵ For the Review of the form of the reliability standard, the Panel will publish a Directions Paper in August 2023. For the Protected Event declaration, the Panel may complete its final determination in October, before the change to the NEO takes effect for the Panel.