

AEMC Terms of Reference

Reliability Panel

2026 Reliability Standard and Settings Review

This document sets out the terms of reference for the 2026 Review of the Reliability Standard and Settings review (RSS review), which the Reliability Panel (the Panel) is to complete by 30 April 2026, consistent with the National Electricity Rules (NER).

1. Context

The reliability standard and settings (market price cap, market price floor, cumulative price threshold, administered price cap) are essential elements of the national electricity market's (NEM's) reliability framework. These elements aim to encourage sufficient investment in generation, storage or demand response capacity to meet consumer demand for energy while protecting market participants from potential substantial risks that threaten the overall stability and integrity of the market.

In accordance with the NER, the Panel is required to undertake a Review of the Reliability Standard and Settings (RSS review) every four years.¹

This four-yearly review allows the Panel to assess and consider whether the reliability standard and settings:

1. remain suitable for expected and evolving market conditions; or
2. should change to ensure they continue to meet their intended purpose, including the requirements of the market, market participants and consumers.

Reliability standard

The reliability standard is an ex-ante standard used to indicate to the market the required level of supply to meet demand on a regional basis. The Australian Energy Market Operator (AEMO) operates the system to meet the reliability standard, which it operationalises in day-to-day operations, including informing the market if the reliability standard is not being met.

The reliability standard is not zero per cent since this would be too costly. Instead, it represents a trade-off between the prices paid for electricity and the cost of not having energy when it is needed. In effect, increasing levels of reliability results in increased costs for end-use consumers. The reliability standard should be set at a level that provides a balance between delivering reliable electricity supplies and maintaining reasonable costs for customers i.e. an economic trade-off between reliability and affordability, based on what consumers value.

The NER specifies the form and level of the reliability standard.² The current reliability standard for generation and inter-regional transmission elements in the NEM is expressed in terms of the

¹ NER cl 3.9.3A(d).

² NER cl 3.9.3C(a).

expected unserved energy (USE) in a region. It is set at a maximum of 0.002% of the total energy demand in that region for a given financial year.³

Reliability settings

The reliability settings are closely linked to, and derive direction from, the 'reliability standard'. These form a price envelope for spot prices and consist of the following:

- **Market Price Cap (MPC)**, which places an upper limit on high dispatch prices in the wholesale market.⁴ The MPC for the 2025-26 financial year is set at \$20,300/MWh.⁵
- **Market Floor Price (MFP)**, which places a lower limit on low dispatch prices in the wholesale market.⁶ The value of the MFP is currently set at -\$1,000/MWh.
- **Cumulative Price Threshold (CPT)**, which represents the limit of aggregate dispatch prices over a period of 7.5 days (2,160 dispatch intervals) that, when surpassed, triggers an Administered Price Period (APP).⁷ The CPT for the 2025-26 financial year is set at \$1,823,000.
- **Administered Price Cap (APC)**, which is the prevailing dispatch price that applies during an administered price period after a set of sustained high dispatch prices exceed the cumulative price threshold.⁸ The value of the APC is currently set at \$600/MWh.

Together, the settings are designed to incentivise investment in sufficient generation capacity and demand-side response to deliver the reliability standard while providing limits that protect market participants from periods of very high or very low prices.

2. Scope of the 2026 Review

The Panel is to carry out the 2026 RSS review in accordance with the requirements in clause 3.9.3A of the NER, the 2021 Guidelines,⁹ and the rules consultation procedures set out in rule 8.9 of the NER. Where relevant, the Panel will also consider the new emissions reduction limb of the revised National Energy Objective (NEO) in accordance with the 2024 Panel guidance.¹⁰

For the 2026 RSS review, the Panel must consider the reliability standard and settings that should apply for the next four-year period, that is from 1 July 2028 to 30 June 2032.

The NER sets out several requirements related to assessing the reliability standard and each of the settings.

The guidelines set out the principles, assessment approach and assumptions that the Panel must comply with when conducting RSS reviews.

When the Panel undertakes an assessment of the reliability standard and settings in an RSS review, it must set out its conclusions and recommendations in a final report. The Panel must submit this report to the AEMC as soon as practicable after the completion of each RSS review.

³ There is an interim reliability measure currently in the NER that will expire on 30 June 2028.

⁴ NER clause 3.9.4.

⁵ Under NER clause 3.9.4, the Commission is required to adjust the MPC in line with CPI by 28 February each year.

⁶ NER clause 3.9.6.

⁷ NER clause 3.14.1.

⁸ NER clause 3.14.1.

⁹ AEMC Reliability Panel, [Review of the Reliability Standard and Settings Guideline](#), 1 July 2021.

¹⁰ AEMC Reliability Panel, [Guide to applying the emission reduction component of the National Electricity Objective](#), 4 April 2025.

The Panel may submit a rule change request to the AEMC if it decides to recommend changes to the reliability standard and/or settings.¹¹ Any recommended change to the reliability standard or settings would then be considered through the AEMC rule change process.

3. Matters for consideration

In addition to the matters set out above, the Panel is requested to consider the following specific matters in its 2026 RSS review:

- the changing generation mix and market environment
- impact of Government policies
- the increasing focus on the need to maintain system security, including the introduction of new procurement mechanisms the evolving nature of consumers' interactions with and participation in the NEM, and
- the impacts of changes to NEM frameworks and market reforms in progress, including but limited to:
 - the recommendations and direction stemming from the Commonwealth's NEM Wholesale Market Settings review, and
 - the introduction of other policy reviews by AEMC and jurisdictions, and
- interaction with the contract market.

The AEMC specifically requests the Panel to set out in its RSS review issues paper and draft report:

- how these matters may relate or intersect with the Panel's assessment of the reliability standard and settings, and
- how it will take these matters into account when undertaking its assessment of the reliability standard and settings, including in any modelling for the review.

In its final report, the Panel is asked to identify any future market or policy conditions that are likely to significantly affect the effectiveness of reliability standards and settings, any recommendations for changes to these that the Panel makes, and the responses it considers appropriate should these conditions arise.

Changing generation mix and market environment

The review will be undertaken in the context of rapid change occurring in the NEM. The generation and storage mix of the NEM is changing faster than expected and there has been an increased frequency of severe weather events and other global disruptions. These changes introduce uncertainty and are likely to continue over the next two decades.

Maintaining and reforms to system security of the power system

There are increasing challenges and complexity in managing power system security. These security challenges have and are in part caused by extreme environmental events, and the rate at which the power system is undergoing the change to higher penetrations of inverter-based resources and the accelerating deployment of CER.

A significant work program is currently being implemented or underway to address the management of system security through the transition, which the Panel should consider in its review.

¹¹ NER clause 3.9.3A(i).

Of particular relevance are the:

- **Frequency control reforms** –
 - creating two new very fast frequency response markets to encourage innovation and provide frequency control at least cost, and the
 - introduction of primary frequency response arrangements putting in place incentives to encourage parties to act in a way that will promote frequency control.
- **System strength framework**, aiming for system strength to be proactively delivered. In this way, the system will remain stable as more IBR connects.
- **Inertia framework**, to ensure that inertia is also provided in a forward-looking and efficient way to support the transitioning system.
- **Transitional services framework**, to allow AEMO to trial new ways of managing security, and to allow procurement of current security needs which are difficult to define and do not fall within any of the existing frameworks.

The evolving nature of consumer participation in the NEM

Consumer energy resources (CER) are changing the way that customers interact with the electricity market and are creating new opportunities for service providers to meet customer needs. Customers are continuing to install solar PV at high rates and are increasingly taking up home batteries, electric vehicles, and other technologies. It is important that the effects of these changes on the wholesale market are considered in the review. It is also important for the Panel to consider changes to the way people use and value electricity, including the impacts of more people working from home.

The Panel should consider recent reforms intended to facilitate the integration of CER into the wholesale market:

- The Integrating price-responsive resources into the NEM rule change,¹² which allows VPPs and other aggregated small and medium size price-responsive resources participating in the spot market to be scheduled and dispatchable in the NEM.
- The Unlocking CER Benefits through flexible trading rule change,¹³ which allows for separate metering of CER flexible load.

Changes to NEM frameworks and market reforms in progress

There are a number of market reforms and reviews that provide relevant context for the Panel's consideration of the reliability standard and settings. Some of the reforms are scheduled to be introduced prior to the timeframe that the Panel must consider.

Of key relevance is the NEM Wholesale Market Settings Review advice to Energy Ministers on the long-term suitability of the market design to deliver outcomes in line with jurisdictional targets. The Expert Panel's terms of reference identify the key focus areas of:¹⁴

- investment incentives
- consumer interaction with the wholesale market
- the changing nature of spot electricity prices

¹² See: <https://www.aemc.gov.au/rule-changes/integrating-price-responsive-resources-nem>

¹³ See: <https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading>

¹⁴ See: <https://consult.dcceew.gov.au/nem-review-initial-consultation>

- essential system services
- enhancing competition.

The Expert Panel is due to deliver its final report to the Energy and Climate Change Ministerial Council (ECMC) in December 2025. Despite the Commonwealth review focusing on post-2030 investment, some of its recommendations may have implications for the consideration of the reliability standard and/or settings. The AEMC requests that the Panel consider the potential impact of the NEM review and implementation timing when undertaking the RSS review, as well as work closely with jurisdictions and other market bodies to make sure reforms are compatible. In addition, the AEMC is undertaking a substantial work program on various rule changes relating to system security and other matters that may affect the market in the medium and longer term.¹⁵

AEMO is also undertaking work looking at the future of power system security, including through its Engineering roadmap and *Transition plan for system security*.

Other market bodies and jurisdictional governments are pursuing initiatives and work programs that may be relevant to the review. The Panel should consider these reforms, as relevant, particularly the material changes they may have on the regulatory arrangements for reliability in the NEM.

Other relevant policy changes, either internal or external to the NEM, may emerge during the 2026 RSS review which the Panel should also have regard to where appropriate.

Interaction with the contract market

The Panel, in coming to a conclusion on the reliability settings, should consider how changing the settings may affect risk management behaviour, including potential impacts on contract markets, and how this may affect investment outcomes in the NEM.

4. Process and timing

The NER requires the Panel to follow the rules consultation procedures¹⁶ in carrying out the 2026 RSS review. This includes the requirement to publish:

- an initial issues paper for stakeholder consultation at the commencement of the review
- a draft report and undertake a second round of stakeholder consultation, and
- a final report with the Panel's recommendations for the review.

The AEMC anticipates significant interest in this review and requests that the Panel hold at least one public stakeholder meeting during the review.

The AEMC also notes the importance of this review to a wide range of stakeholders throughout the sector, including existing participants, new entrants, and consumers. Therefore, we request the Panel to make stakeholder engagement a priority for the reform and encourage Panel members to ensure that a myriad of views are represented.

The Panel's final report is to be published and submitted to the AEMC by 30 April 2026.

¹⁵ For example, AEMC system security work program.

¹⁶ NER clause 3.9.3A(d); the procedures are set out in rule 8.9.