

2026 Reliability Standard and Settings Review

The Reliability Panel has made draft recommendations for the 2026 Reliability Standard and Settings Review (RSSR)

The purpose of the 2026 RSSR is to establish a reliability standard that consumers value, along with the corresponding levels and forms of market settings, for the period from 1 July 2028 to 30 June 2032. These market settings include the market price cap (MPC), the cumulative price threshold (CPT), the market floor price (MFP), the administered price cap (APC), and the administered price floor (AFP).

These price settings are designed to facilitate the necessary investment in providing the supply that consumers value, while limiting excess financial risk for market participants that could threaten the proper functioning of the market.

The Reliability Panel (the Panel) is seeking stakeholder feedback on the possible values both the reliability standard and the market settings could take. The Panel has conducted extensive modelling to quantify the costs for consumers and the impacts on market participants of a suite of reliability outcomes, market settings, entry technologies, and the values customers place on reliability. The Panel has presented a range of reliability standards, within which the Panel considers the optimal standard to lie. We are seeking feedback on the reliability standard that best balances the lowest system costs, regulatory stability, and consumer outcomes.

The Panel has also presented efficient combinations of MPC and CPT that correspond to this range. These are to inform stakeholders of the market setting combinations corresponding to precise reliability standard levels and to seek stakeholder feedback on how the Panel should best trade off these settings.

We have seen increases in the capital costs of gas-fired generation and reductions in the value customers place on reliability

Since our last review of the reliability standard and settings in 2022, we have seen two key changes. First, the results from the Australian Energy Regulator's (AER) Value of Customer Reliability (VCR) survey show a lower willingness to pay for reliability among consumers. Second, while the costs of batteries have come down, the build cost and cost of capital for OCGT, as presented in AEMO's Inputs, Assumptions and Scenarios Report (IASR), are higher than those in the previous review. Taken together, these indicate that a different reliability standard could better serve the long-term interests of consumers.

The long-term interests of consumers are best promoted by a reliability standard from 0.002 per cent to 0.004 per cent USE

After extensive economic analysis and market modelling, the Panel has determined that a **reliability standard from 0.002% USE and 0.004% USE** most aligns with maintaining stability in the settings, while minimising significant impact on the reliability they experience. A more reliable standard incurs higher system costs due to the need for greater investment to achieve reliability. A less reliable standard results in greater expected unserved energy that consumers are willing to pay to avoid.

The Panel notes that a **reliability standard of 0.003% USE** is most likely to result in minimal changes to market price settings, while also balancing the customer experience of outages resulting from reliability issues. We are seeking stakeholder feedback on the level of the reliability standard that:

- balances delivering reliable electricity while minimising costs for consumers

- maintains regulatory stability and minimises uncertainty for market participants.

We are seeking stakeholder feedback on the MPC and CPT combinations to meet the range of reliability standards

The MPC and CPT work together to support investment outcomes that are consistent with the reliability standard, while also limiting systemic financial risks. For this reason, the levels of the MPC and CPT are considered together. We are not making any specific recommendations on the level of the MPC and CPT in this draft report. However, we do include a range of modelling outcomes that identify possible candidate MPC and CPT combinations for stakeholder consideration based on the range of reliability standards.

The modelling reveals different outcomes in NEM regions stemming from the characteristics of unserved energy (USE) events. Because the market price settings apply throughout the NEM, there are implications of uniform settings for reliability outcomes in different regions. The market price settings must meet the reliability standard in all regions. We are seeking stakeholder feedback on how these settings should be configured to accommodate the needs of all NEM regions, as well as how the MPC and CPT should be balanced against each other to meet the market's needs.

The Panel has recommended that the form of these market settings remain unchanged for this review period. The Panel remains open to considering these issues further in the future, but currently considers the current form of the CPT to best mitigate cascading financial risk while allowing as much as possible the normal functioning of the market.

The Panel recommends retaining the current MFP, but linking it to minimum system load (MSL) events

The Panel considers that changing the level of the MFP is unlikely to deliver tangible benefits for consumers. The current level of -\$1,000/MWh ensures the market clears while demand is low and there is excess supply by providing generators with a signal to withdraw capacity. The Panel notes that minimum system load (MSL) events do not necessarily result in floor or near-floor pricing. The Panel has made a draft recommendation to automatically set the spot price to the MFP during MSL3 events, akin to the way the price is set to the cap during unserved energy events. We are seeking stakeholder feedback on these positions.

The Panel recommends retaining the current level of the administered price cap

The Panel's draft recommendation is to retain the APC at \$600/MWh for the review period. The APC was increased from \$300/MWh to \$600/MWh in 2022–2023 to ensure that it aligns with typical generator short-run costs and would continue to ensure supply availability during an APP. The Panel considers that retaining the APC at \$600/MWh maintains the intended price signal while encouraging continued participation by thermal generation and storage during periods of extended high prices, reducing the need for AEMO interventions in the market.

We are seeking stakeholder views by 29 January 2026

The Panel is committed to seeking stakeholder feedback and providing opportunities for engagement. Submissions to this draft report close Thursday, 29 January 2026

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