# SUBMISSION

## RELIABILITY PANEL: 2026 RELIABILITY STANDARD AND SETTINGS REVIEW DRAFT REPORT (REL0094)

### 29 JANUARY 2026

## INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the *Reliability Panel: 2026 Reliability Standard and Settings Review Draft Report.*

We agree with the Panel that the reliability standard and settings should:

- Balance the delivery of the reliable level of electricity supply which meet customer's expectations while minimising costs for consumers
- Maintain regulatory stability and minimise uncertainty for market participants to maintain the efficient investment signal for both demand and supply based resources

In our view, these should reflect the Value of Customer Reliability (VCR) and the lowest cost marginal dispatchable unit in the NEM that can efficiently meet the Standard.

We also note that the reliability standard and settings to be determined under this review will apply to the period 1 July 2028 to 30 June 2032. During this period there is forecast retirement of more than 8GW firm schedulable thermal generation fleet across the NEM Mainland regions. This firm schedulable generation capability is forecast to be replaced by intermittent renewable energy generation and energy limited energy storage resources, whether BESS or PHES.

From that perspective, we appreciate that the Panel is placed in a difficult position for the current review as there remain many uncertainties for the NEM for 2028, including:

- the VCR used in this review is for calendar year 2026-2027, and in our view, was set in an environment not conducive to an accurate or reliable outcome, and
- by 2028, BESS is likely to be the lowest cost marginal dispatchable unit in the NEM that can efficiently meet the reliability standard rather than the open-cycle gas turbine (OCGT) that the Panel has used.

However, even with these uncertainties, we believe that the recommendations of the current review can be improved.

## LEVEL OF THE RELIABILITY STANDARD

We agree with the Panel that since the 2022 Review, the cost of OCGT has increased, and VCR has decreased.

We agree with the Panel's analysis that a reliability standard from 0.002 to 0.004 per cent unserved energy (USE) is consistent with the current VCR. However, we disagree with the Panel that the reliability standard at the midpoint of this range (or 0.003% USE) is most aligned with maintaining consistent market price settings and consider that a reliability standard of approximately 0.004% USE is more appropriate.

We form the basis of this ropinion using the data presented in the draft report, that shows that:

- for Victorian and South Australian regions the economically efficient curves extend through to 0.005%,
- while for NSW and Queensland regions the economically efficient level is up to 0.003% USE.

We also note the principles in the draft report for setting the reliability standard and market settings:

> *"In setting the standard level, the Panel must ensure the outcome is fit-for-purpose across all regions, so that it adequately protects consumers in every state while not over-investing in any one area."*

As such, we would argue that the reliability standard should be set using a weighted average calculation so as to better represent the curves of economic efficiency in all mainland regions, which we believe will be closer to 0.004% USE. We note that a reliability standard of 0.004% USE could on average result in loss of supply of approximately 21 minutes per customer on an annual basis due to wholesale market reliability issues and that this would continue to represent on average less than 1% of the loss of supply issues historically experienced by consumers.

## THE RELIABILITY SETTINGS

### *Market Price Cap (MPC) and Cumulative Price Threshold (CPT)*

We agree with the Panel's analysis that to maintain the current Standard of 0.002% USE would require an increase in the MPC/CPT combination. We also note the analysis of the economically efficient limits of MPC/CPT combinations at different levels for the NEM Mainland regions. However, we do not agree with the Panel's view that:

> *"Analysis shows that the current market settings would result in reliability outcomes of approximately 0.003% USE."*

As discussed above, whilst 0.003% USE may be appropriate for the NSW and Queensland regions for the current levels of the MPC and CPT, the data indicates this would be an unsatisfactory outcome for the Victorian and South Australian regions. As discussed earlier in this submission, we consider that using a weighted average calculation so as to ensure the MPC/CPT will be reasonably appropriate for all NEM regions, and will likely result in a reliability standard of approximately 0.004% USE.

### *Market Floor Price*

We note the draft report conclusions that the frequency of (or close to) market floor price (MFP) outcomes in the NEM's wholesale spot market has significantly reduced and agree with the Panel's view that following recent changes in the NEM:

"*MFP and near-MFP events are rare and becoming less frequent*".

For this reason, we support the Panel's recommendation to retain the MFP at its current values of -$1,000, noting that the Panel has also provided enough evidence in the draft report to warrant further consideration of a higher MFP.

However, we do not support the Panel's recommendation for automatically placing the spot price at the market floor during a declared MSL3 events. Our analysis suggests that the recently declared MSL2 events were likely created by AEMO's practice of not defining BESS charging as demand. Further, should all MSL3 events be settled at market floor prices, we believe that dispatchable units would withdraw from the market prior to the start of the MSL3 event in order to be directed, and therefore receive compensation above what they would otherwise settle at. We already see this occurring for LOR events and consider it highly likely for MSL3s.

We see the automatic setting of settlement price at the floor price through the proposed intervention as preventing efficient market outcomes and costing our members more.

## CONCLUDING REMARKS

While we acknowledge the difficult market environment the Panel has endured in the current review, we believe a better outcome is achievable that is more reflective of a "whole of NEM" approach, rather than the "minimal change" approach that the Panel has chosen to follow.

We also consider that the Panel needs to review its thinking on MSL3 automation of settlement price with the view of "how generators and the market will respond" based on how they respond to other market interventions, rather than the current pure economically derived rational scenario.

The EUAA welcomes further discussions with us around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.

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