AEMC

INFORMATION

2026 Reliability Standard and Settings Review

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

The National Electricity Rules (NER) require the Panel to review the reliability standard (standard) and reliability settings (settings) every four years. The Panel includes representatives from across the National Electricity Market (NEM), including small and large consumers, generators, distributed energy resources, networks, retailers and the Australian Energy Market Operator (AEMO). Following an extensive period of analysis, modelling and consultation, the Panel has made recommendations regarding the reliability standard and market price settings to apply from 1 July 2028 to 30 June 2032.

The Panel's role is to recommend a reliability standard and associated market price settings that signal investment in an appropriate mix of generation, storage, interconnection and demand response that is balanced with the level of reliability consumers value. 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).

The reliability standard has direct implications for market price settings. Higher standards generally require stronger price signals, such as a higher market price cap, to incentivise additional investment to avoid rare outage events, whereas lower standards reduce system costs but are associated with higher expected outage costs.

In developing its recommendations, the Panel has undertaken detailed economic modelling, engaged extensively with stakeholders through multiple rounds of consultation, and sought independent quality assurance of the modelling from Intelligent Energy Systems (IES). IES concluded that the Panel's modelling is robust and reliable, and provides a sound basis for determining the efficient level of the reliability standard and the associated market price settings.

The reliability standard represents a targeted level of reliability over the investment timeframe. It does not imply that supply-related outages occur year by year. AEMO will continue to operate the power system in real time to meet all consumer demand and has a range of in-market and out-of market tools available to do so.

In the final report, the Panel is making the following **recommendations**:

- We recommend the reliability standard be updated to 0.003 per cent expected unserved energy (USE) for the review period (99.997 per cent reliability). We have concluded that the revised standard:
  - better serves the long-term interests of consumers, resulting in minimal day-to-day impacts on reliability outcomes consumers experience, while avoiding increases in costs that would be required to meet the current standard of 0.002 per cent USE (99.998 per cent reliability)
  - is generally consistent with the value customers place on a reliable supply of electricity
  - aligns with the underlying increases in the costs of new gas peaking generation.
- We recommend retaining:
  - the **MPC at $22,800** (2022 dollars) and **CPT at $2,325,600** (2022 dollars)
  - the **MFP at -$1,000/MWh** and recommend that the Commission consider revising the rules to require the market to automatically clear at the MFP during Minimum System Load level 3 (MSL3) conditions
  - the **APC** and **AFP** at **$600/MWh** and **-$600/MWh**, respectively.

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The Panel acknowledges recent geopolitical developments affecting global commodity markets. While the modelling was completed prior to the latest period of volatility, the Panel is confident that both the modelling methodology and results are robust for the relevant review period and not materially affected by current movements in international gas and fuel markets.

The long-term interests of consumers are best promoted by a reliability standard of 0.003 per cent unserved energy

The Panel balances the expected impact of supply outages and the cost of avoiding them

A reliable power system has adequate capacity (generation, demand response, interconnection, and energy storage capacity) to meet consumer needs. As our system transitions, it requires sufficient investment to replace retiring thermal generators and meet increasing demand, as well as effective operational signals to maintain a real-time balance between supply and demand.

The core objective of the reliability framework in the NEM is to use market mechanisms to deliver efficient reliability outcomes to the greatest extent possible. These mechanisms provide financial incentives for participants (generators, retailers, aggregators, storage and customers) to make investment, retirement and operational decisions that support efficient levels of reliability in the long-term interests of consumers.

The reliability standard and settings are key components of the NEM's reliability framework. They aim to encourage sufficient investment in capacity to meet consumer demand for energy, while, in conjunction with derivatives markets, providing ways for market participants to manage financial risks that could otherwise threaten the overall stability and integrity of the market:

- The **reliability standard** defines an efficient level of reliability, expressed as the level of USE that represents an efficient economic trade-off between reliability and affordability based on what consumers value. Balancing the impact of outages against the cost of avoiding them.
- The **reliability settings** are set to achieve market outcomes consistent with the standard by defining a price envelope that provides sufficient revenue to support investment while also limiting the potential for extreme high, low, and cumulative price impacts. They are the:
    - MPC – which places a limit on dispatch prices in the wholesale market, and is the primary investment signal to deliver investment and meet the reliability standard.
    - CPT – which acts to manage the risk of high prices over a sustained period by triggering an administrative price period (APP).
    - APC and AFP – which place upper and lower limits on dispatch prices that apply during an APP after a period of sustained high prices caused the CPT to be breached.

The long-term interests of consumers are best promoted by a reliability standard of 0.003 per cent USE

Based on extensive economic modelling, analysis, and stakeholder engagement, the Panel's **final recommendation** is that the reliability standard for 1 July 2028 to 30 June 2032 be **0.003 per cent** expected USE per region per year (99.997 per cent reliability).

The review highlighted that the reliability standard has become less aligned with observed outcomes and consumer experience, which is a key reason why the Panel recommends evolving the reliability standard rather than further tightening the market price settings. The change to the reliability level (from 99.998 per cent) is driven by:

- a reduction in the value of customer reliability (VCR)
- an increase in the costs of new generation capacity
- the size and duration of modelled USE events.

The recommended standard will have **minimal day-to-day impacts on the reliability outcomes consumers experience**, increasing the planned long-term target from an average of 10 minutes to 16 minutes of unserved energy per year, while **avoiding increases in costs** required to meet the current 0.002 per cent standard. In the current cost-of-living environment, **the Panel considers it particularly important to avoid increases in market price settings that would raise consumer bills without delivering commensurate benefits**.

Importantly, in real time, the system will continue to operate at very high levels of reliability,

The system will continue to operate at very high levels of reliability, supported by a range of out-of-market and jurisdictional tools

supported by a range of out-of-market and jurisdictional tools. These measures are intended to complement, rather than replace, the market-based reliability framework.

As the Panel has previously acknowledged, consumers' experience of reliability is expected to remain high. However, during rare and extreme events, when both market-based and out-of-market measures are fully utilised and exhausted, a subset of consumers may experience reliability shortfalls.

The proposed revision to the reliability standard represents a modest relaxation of the long-term target, equivalent to moving from approximately three hours to five hours of rotational load shedding for around half the population once every ten years. This reflects a potential small increase in rare but controlled operational load shedding used to manage supply-demand imbalances during periods of resource inadequacy.

Moreover, given that more than 99 per cent of the outages customers experience are due to distribution network outages, not insufficient generation, we consider our final recommendation best promotes the long-term economic interests of consumers by aligning the standard with the value consumers place on reliability.

The Panel recommends no changes to the market price cap and cumulative price threshold over the review period

The MPC and CPT should together be sufficient to support investment outcomes consistent with the reliability standard while also limiting potential systemic financial risks. On balance, the Panel is not convinced that further increasing the market price settings at this time would improve long-term consumer outcomes. **The currently scheduled settings strike an appropriate balance between supporting critical investment and the reliability customers ultimately experience**.

The Panel agrees with stakeholders that unwarranted revisions to the market settings over the review period could undermine investment certainty. As such, the Panel has decided to recommend a change in the reliability standard rather than further increasing the market price settings to deliver a higher required level of investment.

The Panel recommends retaining the current MFP and linking it to MSL events

The Panel's final recommendation is to retain the MFP at -$1,000/MWh. Our analysis indicates that this level rarely binds, and when it does, it adequately allows the market to clear. We found that there are minimal benefits to consumers from changing the MFP.

However, the Panel recommends that the market automatically clear at the MFP during MSL3 conditions. This is analogous to how, during load shedding events, prices are set at the MPC. Such a trigger would transparently reflect system needs and may minimise the need for AEMO intervention to manage MSL events. The Panel will submit a separate rule change request to the AEMC on this proposal, to allow for a full consultation process.

The Panel recommends retaining the current administered price cap and floor

The Panel's final recommendation is to retain the APC and AFP at $600/MWh and -$600/MWh for the review period. The APC was increased from $300/MWh to $600/MWh in 2022–2023 to align with typical generator costs, the gas market price cap, and to continue to ensure supply availability during an APP. The Panel considers that the current level maintains the intended price signal.

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