



RELIABILITY PANEL AEMC

Level 15, 60 Castlereagh Street Sydney NSW
2000
GPO Box 2603 Sydney NSW 2001
T 02 8296 7800
E aemc@aemc.gov.au
ABN 49 236 270 144
www.aemc.gov.au

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Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

By email: anna.collyer@aemc.gov.au

Dear Anna

National Electricity Rules – Rule Change Request to amend the reliability standard.

I am writing to submit the Reliability Panel's (the Panel) rule change request to amend the level of the reliability standard.

The request gives effect to the Panel's recommendations from the **2026 Reliability Standard and Settings Review (RSSR)**, published on 23 April 2026, which considered the reliability standard and settings for the period **1 July 2028 to 30 June 2032**.

The RSSR focuses on supply reliability in the National Electricity Market (NEM), including the contribution of generation, storage, demand response, and interconnectors to meeting customer demand. It does not cover distribution or transmission outages, force majeure events, or broader system security issues, which account for most customer outages and are addressed through other mechanisms. Within this reliability domain, the Panel may make recommendations to enhance the effectiveness of the reliability framework, including the operation of market price settings and considering any security implications.

The Panel requests that the Australian Energy Market Commission (AEMC) consider making the enclosed proposed Rule under section 91 of the National Electricity Law (NEL).

The proposed rule would promote the National Electricity Objective (NEO) by best balancing the cost of new generation and the level of reliability that customers value

The rule change request proposes **relaxing the reliability standard to 0.003% USE** (99.997% reliability) to **better serve consumers by maintaining stable market price settings** and aligning the standard with the **reliability level consumers value**.

The enclosed rule change request includes:

- Recommendations from the 2026 RSSR final report
- A proposal to progress the rule change request under a fast-track process
- A statement of the issues being addressed by the proposed rule
- A description of the proposed rule to modestly relax the reliability standard and how the rule addresses the issues identified
- A description of how the proposed rule will contribute to the achievement of the National Electricity Objective (NEO) and its expected costs and benefits.

Please do not hesitate to contact me should you have any questions.

Yours sincerely

Rainer Korte
Chair, Reliability Panel
Commissioner, AEMC



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**RELIABILITY PANEL
RULE CHANGE REQUEST**

**AMENDING THE NATIONAL ELECTRICITY MARKET
RELIABILITY STANDARD**

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1. Background to rule change request

1.1 Overview of Panel's RSS reviews and the reliability standard and settings

Under the NER, the Panel is required to review the reliability standard (standard) and the reliability settings (settings) every four years. The Panel completed the 2026 RSSR in April 2026.¹

These reviews require the Panel to assess and consider whether the current form and level of the standard and settings remain suitable for expected and evolving market conditions, or whether the Panel recommends that changes should be made to ensure these mechanisms continue to meet their intended purpose as well as the requirements of the market, market participants and consumers.

The core objective of the existing reliability framework in the NEM is to deliver efficient reliability outcomes through market mechanisms to the largest extent possible. These mechanisms provide strong financial incentives for participants (generators, retailers, aggregators and customers) to make investment, retirement and operational decisions that support reliability.

The standard and settings are key components of the NEM's reliability framework. The NEM reliability standard is expressed as the expected unserved energy (USE) in a region. The existing standard is set at a maximum USE of 0.002% of the region's total energy demand for a given financial year.² It is an ex-ante standard used to signal to the market the required level of supply to meet regional demand. Operationally, AEMO will continue to manage the system to always maintain a reliable supply of electricity.

The reliability settings are price mechanisms, derived from the reliability standard, designed to incentivise investment in sufficient generation capacity and demand-side response to promote consumers' long-term interests. The settings also provide limits that protect market participants from periods of very high or very low prices, both temporarily and on a sustained basis. The settings consist of the:

- market price cap (MPC), which places an upper limit on dispatch prices in the wholesale market.³
- cumulative price threshold (CPT), which represents the limit of aggregate dispatch prices over a period of seven days (2,016 trading intervals) that, when surpassed, triggers an administered price period (APP).⁴
- market floor price (MFP), which places a lower limit on dispatch prices in the wholesale market.⁵
- administered price cap (APC), which is the prevailing dispatch price that applies during an APP after a set of sustained high dispatch prices exceed the cumulative price threshold.⁶

1.2 Overview of the 2026 RSSR recommendations

The Panel recommended a reliability standard of 0.003 per cent USE, thereby maintaining stable price settings and better aligning with the reliability level that customers value

The Panel has recommended that a reliability standard of 0.003 per cent (from 0.002 per cent) USE best reflects the value customers place on reliability and the system costs of achieving reliability. The reasons for this recommendation, including the impacts of a new reliability standard, are discussed in subsequent sections of this rule change request.

The Panel recommended no change to the MPC or CPT

Although customer bills are most sensitive to average wholesale prices rather than the level of the market price cap, the Panel's modelling indicated that to retain the current reliability standard across

¹ Reliability Panel, *2026 RSSR Final Report*, 23 April 2026, [available here](#) on the AEMC website.

² Clause 3.9.3C(a) of the NER.

³ Clause 3.9.4 of the NER.

⁴ Clause 3.14.1 of the NER.

⁵ Clause 3.14.1 of the NER.

⁶ Clause 3.14.1 of the NER.

all regions (0.002 per cent USE), the market price settings would need to be raised to levels potentially exceeding the value customers place on reliability. While the modelling is a forecast based on a number of uncertain inputs and assumptions, it is consistent with observed underlying trends: the higher expected capital cost for gas firming and a reduction in the value customers place on reliability.

On balance, the Panel was not convinced that further increasing the market price settings above currently scheduled increases and indexing would improve long-term consumer outcomes. The current settings strike the right balance between supporting critical investment and the reliability customers ultimately experience. We agree with stakeholders that revisions to the market settings over the review period could increase investment uncertainty and would be based on variables that are relatively uncertain and highly volatile. As such, the Panel has decided to recommend a change in the reliability standard rather than further increasing the market price settings to deliver the required level of investment.

The Panel recommended retaining the existing MFP

The Panel considered that the current floor price is adequate to allow the market to clear when there is excess supply. The MFP rarely binds, and the incidence of floor pricing has been declining in recent years. The Panel, however, noted that there is a weak correlation between very low prices and excess supply. The 2026 RSSR, therefore, also recommended that a transparent framework be developed similar to that which applies the MPC prior to the initiation of load shedding. This could then trigger the application of the MFP during MSL3 events. This would ensure the price signal for generation to offload and for price-responsive load to turn on is maximised. Further, this maximises the incentive for the efficient coordination and aggregation of CER and load.

The Panel has submitted a separate rule change request to give effect to this proposed change to the Rules.

The Panel recommended no change to the form of the CPT

The Panel assessed three alternative forms that the CPT might take. These were:

1. Only cumulating prices above a certain threshold (for example, above \$300/MWh).
2. Only cumulating prices in specific time blocks aligned with peak demand (e.g., 4-7pm).
3. Changing the cumulation period, either shortening or extending (e.g., 3-day, 2-week or longer cumulative period).

After examining the alternative formulations, the Panel's final recommendation is that the current form of the CPT adequately manages financial risks, retaining the incentive for retailers and generators to enter their own risk management contracts, while mitigating excess risks that could cascade through the market. Furthermore, the current form of the CPT maintains a degree of agility while providing effective price signals and imposing no unnecessary regulatory burden on market participants or harming the effective operation of derivatives markets.

2. Request to make a fast-tracked rule

2.1 Request for a fast-tracked rule

The Panel requests that this rule change be treated as a fast-tracked rule under section 96A of the NEL. The Panel considers this appropriate and in consumers' interests, as it would avoid the need for a lengthy rule change process, given that two rounds of consultation have already been undertaken by the Panel.

Under section 96A of the NEL, the requirements for considering a fast-tracked rule are:

- (a) An electricity market regulatory body has submitted a rule change request and has consulted with the public on the nature and content of the request, and
- (b) The AEMC is of the opinion that the consultation was adequate, having regard to the nature and content of that request and the kind of consultation conducted by the electricity market regulatory body.

The Panel considers that this rule change request meets the requirements in limb (a) outlined above, given it:

- is an electricity market regulatory body under section 87 of the NEL, and
- undertook the 2026 RSSR in accordance with the rules consultation procedures under rule 8.9 of the NER.

2.2 Summary of consultation conducted by the Panel

The Panel is composed of representatives from both industry and consumer sectors, who bring diverse views and considerations to the Panel's work.⁷ For the 2026 RSSR, the Panel undertook extensive stakeholder consultation, which included:

- two rounds of consultation inviting submissions to the Issues Paper (19 June 2025) and Draft Report (27 November 2025)
- multiple engagements with the NEM Review Expert Panel and secretariat
- individual meetings with each of the NEM jurisdictions prior to the publication of the Final Report.

3. Statement of issues being addressed

The primary objective of the reliability standard is to ensure that customers can expect the level of reliability that they value. The Panel unanimously agreed with the modelling exercise's output for the 2026 RSSR that the least-cost reliability standard is slightly more relaxed than the existing 0.002 per cent USE standard. This reflects two key changes.

- Firstly, consumer willingness to pay for reliability, quantified by the AER's Value of Customer Reliability (VCR) survey, is lower than it has been in the past.
- Secondly, the costs of firming, specifically gas-fired generation, have increased.

3.1 The current standard does not best serve the long-term interests of consumers

The Panel's analysis indicates that the system cost of reliability is minimised at around 0.003 per cent USE. Under a more relaxed reliability standard, expected unserved energy is higher, increasing costs for consumers, while under a tighter standard, costs increase due to the need for additional firming generation.

3.2 The current standard is not compatible with the market price settings

The Panel recommended retaining the current market price settings for the next review period, having determined that they remain fit for purpose and that the increases from the previous RSSR are still being implemented and their impact is yet to be fully evidenced. However, these settings are not compatible with the existing reliability standard. Achieving reliability outcomes at the current standard would require a significant increase in the market price cap.

Given the Panel's conclusion that the current market price settings and the regulatory stability they provide are appropriate for the next review period, the existing reliability standard is no longer appropriate and cannot reasonably be expected to be met through market mechanisms.

4. Proposed rule to amend the reliability standard

The Panel is proposing to amend clause 3.9.3C(a) of the NER to replace 0.002 per cent with 0.003 per cent, in line with recommendations in the RSSR final report.

⁷ See Appendix A for background to the Reliability Panel and a list of its representatives.

4.1 The proposed standard minimises costs while balancing regulatory stability

The proposed amendment reflects the Panel's finding that a more relaxed reliability standard better aligns with the level of reliability that consumers value. This assessment is based on an analysis of the system costs of achieving reliability, including consideration of the VCR. A reliability standard of 0.003 per cent USE is more cost-effective than the existing standard, with modelling indicating that the minimum point of the system cost curve occurs at around 0.0035 per cent USE. Thus, the proposed reliability standard best balances the cost of the provision of increased reliability with the cost of the impact of outages on consumers.

However, the Panel noted in its final report that stakeholders place significant value on regulatory stability and that the Panel has discretion to make gradual changes to the reliability standard, particularly given the inherent uncertainty and volatility of market modelling inputs. Panel members agreed with stakeholders that regulatory stability is important for the effective functioning of the market and for facilitating investment at the scale required to achieve long-term reliability and emissions-reduction objectives.

4.2 The proposed standard aligns with the market price settings

As discussed in sections 1.2 and 3.2, Panel members unanimously supported retaining the existing form and level of the market price settings. These settings are compatible with the proposed new reliability standard. That is, the existing levels of the MPC and CPT are sufficient to expect that new entry will deliver the level of reliability customers value. Most stakeholders also supported relaxing the reliability standard and retaining the existing market settings in submissions to the draft report.

5. Requirement to meet the National Electricity Objective

This section outlines how the proposed rule will contribute to the NEO, and its expected costs and benefits.

5.1 How the proposed rule will contribute to the NEO

The 2021 RSS Guidelines require the Panel to be guided by the National Electricity Objective (NEO) in making its final recommendations, which is:

To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- a) *price, quality, safety, reliability and security of supply of electricity; and*
- b) *the reliability, safety and security of the national electricity system; and*
- c) *the achievement of targets set by a particular jurisdiction –*
 - i. *for reducing Australia's greenhouse gas emissions; or*
 - ii. *that are likely to contribute to reducing Australia's greenhouse gas emissions.*

In accordance with the requirements in the 2021 RSS Guidelines,⁸ the Panel also considered the following assessment principles for undertaking its assessments of the 2026 RSSR.⁹ At a high level, these are:

- allowing efficient price signals while managing price risk
- delivering a level of reliability consistent with the value placed on that reliability by customers, and

⁸ AEMC, *Review of the Reliability Standard and Settings Guidelines*, 1 July 2021, [available here](#) on the AEMC website.

⁹ A full description of these is provided in the 2021 RSS Guidelines.

- providing a predictable and flexible regulatory framework.

The proposed amendment to the reliability standard supports the long-term interest of consumers through:

- Providing a more cost-effective level of reliability that better aligns with the value customers place on reliability
- Aligning with the existing market settings, ensuring the market functions effectively and that the reliability framework continues to function in the long term.
- Emissions costs have been incorporated into the system cost analysis that informed the proposed new reliability standard.
- Fostering investment through preserving the predictability of market signals.

5.2 Expected costs and benefits of the proposed rule

The reliability standard serves several key functions

The key functions the reliability standard has are:

- As a planning standard for reliability assessments, such as the Electricity Statement of Opportunities.
- As a tool for assessing the market impact of transmission investment through the Regulatory Investment Test for Transmission administered by the AER.
- To inform the quantities of AEMO's Reliability and Emergency Reserve Trader procurement

In each of these cases, the proposed new standard better ensures that consumers receive the level of reliability that they value. RERT, transmission investment and market entry are all cost-intensive processes. The RSSR process ensures that these costs are commensurate with the value they are providing to consumers.

The market will continue to deliver to a very high level of reliability for customers

The proposed reliability standard of 0.003 per cent USE is more relaxed than the existing standard, but still represents a very high level of reliability. It is equivalently expressed as a change from 99.998 per cent to 99.997 per cent reliability. Given that the vast majority of outages experienced by consumers are caused by local network outages rather than reliability shortfalls, which are rare and typically short lived, the Panel considers that this change will have only a minimal impact on consumers' experience of reliability.

This amendment delivers a more cost effective outcome for consumers. While average reliability outcomes would be marginally lower, achieving higher levels of reliability would impose disproportionate costs on consumers. The proposed standard reflects the level of reliability that consumers value, while supporting continued market stability. Maintaining an effective reliability framework that enables the market to deliver reliability at least cost also promotes better outcomes for consumers over the long term.

Appendix

Appendix A: Background to the Reliability Panel

The Reliability Panel (the Panel) is a specialist panel established by the Australian Energy Market Commission (AEMC) in accordance with section 38 of the National Electricity Law (NEL). It is responsible for monitoring, reviewing, and reporting on the safety, security, and reliability of the national electricity system, and for advising the AEMC in respect of such matters.

The Panel's responsibilities are specified in section 38 of the NEL and rule 8.8 of the National Electricity Rules (NER). It comprises the following industry and consumer representatives in accordance with section 8.8.2 of the NER:

- Rainer Korte (Chair), Commissioner, AEMC
- Sally McMahon (Acting Chair), Commissioner, AEMC
- Stewart Bell – Transmission Network Service Provider Representative
- Suzanne Falvi – Market Customer Representative
- Joel Gilmore – Discretionary Representative, Large Renewable Generators
- Ken Harper – AEMO Representative
- Craig Memery – End use customer Representative
- Melissa Perrow – Discretionary Representative, Large Energy Users
- Damien Sanford – Generator Representative
- Mark Vincent – Distribution Network Service Provider Representative
- Rachele Williams – Discretionary Representative, CER/DER