

Reliability Standard and Settings Review Public Meeting

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**RELIABILITY
PANEL**

Parkroyal Melbourne Airport Hotel
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About the Reliability Panel

- Specialist body within the AEMC and comprises industry and consumer representatives
- Responsible for monitoring, reviewing and reporting on reliability, security and safety of the national electricity system and advising the AEMC in respect of such matters
- Required to carry out a review of the reliability standard and reliability settings once every four years
- Required to follow the rules consultation procedures in carrying out this review

Purpose of the review

- Market environment and market arrangements are constantly evolving
- The review will:
 - Determine whether the existing reliability standard is appropriate for the current market arrangements
 - Determine the form and level of the reliability standard that should apply from 1 July 2016
 - Recommend the appropriate reliability settings to apply in the NEM from 1 July 2016 to achieve the reliability standard chosen
 - Propose processes for implementing any changes arising from the review

Scope of the review

- The following must be considered as a part of this review:
 - Reliability standard
 - Reliability settings:
 - Market Price Cap (MPC)
 - Cumulative Price Threshold (CPT)
 - Market Floor Price (MFP)
- The review may take into account any other matters that the Panel considers relevant
- The review is to consider potential impact of any proposed changes to spot prices, forward contract prices and contract liquidity, investment, reliability and market participants and customers

Reliability standard

- “Reliability” refers to the reliability of the generation and bulk transmission sectors
- The reliability standard is expressed as maximum unserved energy
- This is the maximum amount of electricity expected to be at risk of not being supplied to consumers
- Current set at 0.002% of USE per annum, or 99.998% level of reliability
- This equates to interruption of supply to every consumer in a region for approximately 10 minutes every year

Market Price Cap

- The NEM consists of a competitive generator energy-only market
- The main source of income for generators is revenue generated from the spot market and derivative contracts
- Spot prices therefore act as a signal for the amount of generation investment required and efficient mix of generation capacity
- The MPC encourages generation investment and continuation of generation, while not imposing inefficient costs on consumers
- It is the maximum wholesale market spot price
- Currently set at \$13,100/MWh (indexed to CPI)

Market Floor Price

- The MFP is different to the MPC as it does not act as a signal for investment
- It encourages generation offload at times of very low demand and excess generation
- It is the minimum wholesale market spot price
- Currently set at $-\$1,000/\text{MWh}$ (nominal)

Cumulative Price Threshold

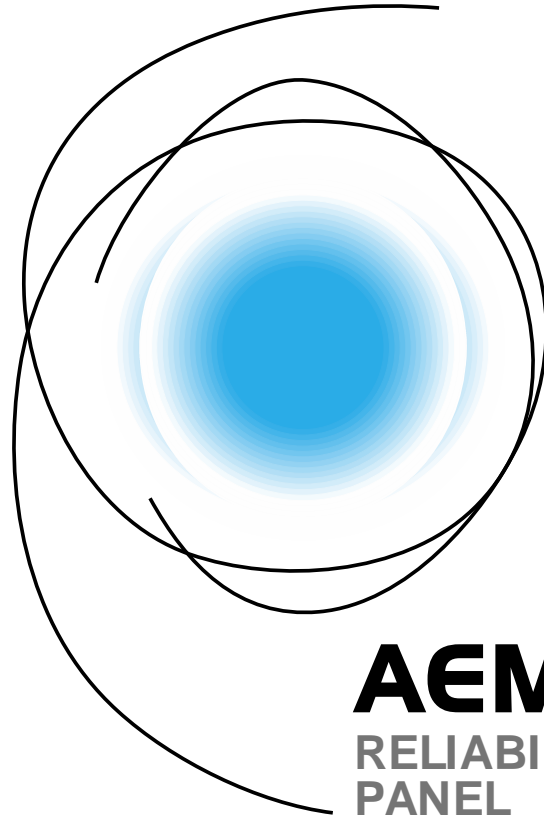
- The CPT is designed to limit financial exposure to spot market during prolonged periods of high prices, while not hindering investment
- It should therefore only be applied in extreme circumstances
- The threshold applies to the sum of the trading interval spot prices over a rolling seven day period
- Currently set at \$197,100 (indexed to CPI)
- If this threshold is exceeded, the Administered Price Cap (APC) is applied to spot prices of \$300/MWh

ROAM's role in modelling

- ROAM's draft modelling is the main reason for this public meeting
- AEMC engaged ROAM on behalf of the Panel
- Conduct quantitative modelling to support Panel with this review
- Provide quantitative and qualitative analysis on a range of issues relating to the non-reliability impacts of the reliability settings
- ROAM are not providing a recommendation on the level of these reliability settings
- Previously involved with the modelling for the 2010 reliability standard and settings review

Milestones for the review

- Issues paper published: May 2013
- Consultation on issues paper closed: June 2013
- Next steps:
 - ROAM's draft report: December 2013
 - Panel's draft report: February 2014
 - Consultation on draft report closes: March 2013
 - Panel's final report: April 2014
- Panel recommendations as a rule change request to the AEMC after the final report is published



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