

Reliability Panel

AEMC

Review of the Operational Arrangements for the Reliability Standard and Review of the Reliability Standard and Settings

26 June 2009

Background

On 3 March 2009, the Australian Energy Market Commission (AEMC) provided the Reliability Panel (Panel) with terms of reference to undertake the following two distinct but interrelated reviews:

- Review of the Operational Arrangements for the Reliability Standard; and
- Review of the Reliability Standard and Settings.

The Panel has developed a work program and timetable in order to coordinate the two reviews.

On 26 June 2009, the Panel published Issues Papers on the two reviews for consultation. Submissions on the 'Review of the Operational Arrangements for the Reliability Standard' and the 'Review of the Reliability Standard and Settings' are due on 31 July 2009 and 14 August 2009, respectively.

The Panel is also holding a forum in Sydney on Monday 13 July 2009 to seek stakeholders' views on the issues raised by the two reviews.

Scope of and interaction between the reviews

Review of the Operational Arrangements for the Reliability Standard

The Review of the Operational Arrangements for the Reliability Standard will address a number of issues that are expected to be finalised ahead of the 2009/2010 summer peak demand, including:

- the need for and possible design of a short-term version of the reliability and emergency reserve trader (RERT);
- potential amendment of the current "Guidelines for management of electricity supply shortfall events" (sometimes referred to as the 'share the pain' guidelines); and
- potential clarification of the current wording of the Reliability Standard.

In addition, the review also intends to address:

- the methodology and process used by NEMMCO/AEMO for calculating minimum reserve levels (MRLs), which will be applied when NEMMCO/AEMO recalculates the MRLs; and
- the MRLs and associated arrangements and standards to be used in the short-term reserve assessment of reliability, which will be implemented following this review.

This review is anticipated to be completed by 31 December 2009.

Review of the Reliability Standard and Settings

The Review of the Reliability Standard and Settings focuses on the longer term issues of:

- the form and level of the existing Reliability Standard, and whether these are still appropriate for current market arrangements, given that more than 0.002% of annual (but not ten year) unserved energy was observed during the high temperature incidents in Victoria and South Australia on 29 and 30 January 2009; and
- the recommended market price cap (MPC), cumulative price threshold (CPT) and market floor price necessary to achieve the Reliability Standard.

The Panel is required to complete this review by 30 April 2010, with any changes to the Reliability Standard or the market settings to take effect from 1 July 2012.