



## **Reliability Panel**

### **Review of the operational arrangements of the reliability settings and Reliability standard and settings review**

**AEMC Terms of Reference (3 March 2009)**

#### **Introduction**

The Reliability Panel (Panel) made a number of recommendations in relation to the operationalisation of the bulk supply reliability standard in the final report of its Comprehensive Reliability Review (CRR), which was published in December 2007. The Panel also forecast in the CRR a number of other initiatives and reviews it would undertake as a response to issues raised during consultations. The Panel is also required to undertake periodic reviews of reliability matters.

The Panel's indicative work program in 2009 and 2010 foreshadowed a number of the issues subject to these terms of reference. Therefore, the terms of reference align a range of related matters.

#### **Scope of the reviews**

The Panel is requested to review the operationalisation of the reliability standard including:

- the methodology and process used by NEMMCO for calculating the minimum reserve levels (MRLs), especially where the MRLs apply across more than one jurisdiction;
- the MRLs and associated arrangements and standards to be used in the short-term reserve assessment of reliability;
- the current "Guidelines for management of electricity supply shortfall events" (sometimes referred to as 'share the pain' guidelines) that were issued by the Panel in September 1998;
- the need and possible design of a short-term version of the RERT that could be used in a critical emergency;

- whether the wording of the standard as published by the Panel in the CRR could be clarified to give better guidance to NEMMCO as to how to operationalise the standard; and
- whether the Rules should be amended to clarify the requirement for market participants to inform NEMMCO, via dispatch bids or offers, of their actual capability under the prevailing or forecast temperature conditions.

In addition, the Panel is also requested to commence a 'Reliability standard and settings review' as proposed by the Panel in its Rule change proposal "NEM Reliability Settings: VoLL, CPT and Future Reliability Review". Although a final determination is yet to be made on this Rule change proposal, it is considered desirable that this review be commenced now to test the appropriateness of the future standard and settings. Furthermore, under the existing Rules, the Panel would have been required to review VoLL by 30 April 2010.

### **Process**

The recent unserved energy events in Victoria and South Australia have highlighted the need for close scrutiny of the way the reliability standard is put into operation in the NEM, and also the appropriateness of the reliability standard and settings.

Therefore, these reviews are likely to have important implications for NEM stakeholders. Consistent with its philosophy of engaging with those parties, the AEMC requests the Panel to plan to involve stakeholders by seeking submissions and holding at least one forum for these reviews.

The Panel is requested to consider the national electricity objective (NEO) contained in section 7 of the National Electricity Law (NEL) when it considers issues raised in these reviews and when making associated recommendations.

### **Timing**

Recognising the extensive work program within the Panel, the Panel should aim to complete its review into the operationalisation of the reliability standard by the end of December 2009 and the reliability standard and settings review by the end of April 2010.

Clearly, these Panel reviews will also assist the AEMC in responding to the MCE directed review into the energy market frameworks in light of the impact on electricity supplies of the extreme heat wave of 29-31 January 2009, which was identified in the MCE's 6 February 2009 Communiqué.

Notwithstanding the end dates for these reviews and given the desirability of implementing any appropriate changes in a timely manner for the summer of 2009/10, the Panel should consider the possibility of making necessary changes to guidelines or proposing Rule changes before the completion of these reviews.