Australian Energy Market Commission

Schedule of reliability settings

21 February 2012

Purpose of this schedule

The National Electricity Rules (NER) require the Australian Energy Market Commission (AEMC) to calculate the market price cap (MPC) and the cumulative price threshold (CPT) to apply on and from 1 July each year. The AEMC is to complete the calculation by 28 February each year and to publish its calculations on its website as part of a schedule of reliability settings. This schedule is published in accordance with these requirements.

MPC and CPT for the 2012-2013 financial year

Applying the requirements under the NER, the AEMC has calculated the MPC and CPT values to apply for the 2012-2013 financial year. The current values and the adjusted values for 2012-2013 are shown as follows:

	Until 30 June 2012	From 1 July 2012 to 30 June 2013
MPC	$12,500 / MWh	$12,900 / MWh
CPT	$187,500	$193,900

Details of the calculations are set out in this schedule.

Background

In August 2010 the Reliability Panel (Panel) completed a review of the Reliability Standard and Settings. The Panel's recommendations from the review included that, starting on 1 July 2012, the MPC and CPT are to be subject to indexation. The Panel's recommendations were submitted to the AEMC as a rule change proposal under section 91 of the National Electricity Law (NEL). The AEMC considered the rule change proposal including undertaking public consultation as required under the consultation process in the NEL.

The AEMC made the Rule in June 2011 to introduce a mechanism to index the MPC and CPT.[1] Indexation is to commence on 1 July 2012. Separate to this indexation process by the AEMC, the Panel will also conduct a four-yearly comprehensive review of the Reliability Standard and Settings.[2]

Requirements under the National Electricity Rules

The requirements for the AEMC to undertake the calculations of the MPC and CPT are set out under clause 3.9.4(c) and clause 3.14.1(d) of the NER respectively. The NER also sets out the specific formulae that must be used by the AEMC. As outlined in this schedule, the AEMC has carried out the calculations in accordance with these requirements under the NER.

[1] AEMC 2011, Reliability Settings from 1 July 2012, Rule Determination 16 July 2011, Sydney.
[2] Additional information on the Panel's review processes can be found on the AEMC Reliability Panel website.

Calculation of the MPC

The method and formula with which the MPC is to be indexed is set out under clause 3.9.4(d) and clause 3.9.4(e) of the NER. AEMC's calculation in accordance with these provisions is outlined below.

The following formula is used to calculate the MPC:

$$MPC^{x} = BV^{MPC} \times \frac{(Q_1^c + Q_2^c + Q_3^c + Q_4^c)}{(Q_1^b + Q_2^b + Q_3^b + Q_4^b)}$$

Where:

MPC is the market price cap in dollars per MWh

x is the financial year for which the MPC is being calculated, which in this case is the 2012-2013 financial year

BV^{MPC} is \$12,500/MWh

Q_1 to Q_4 are the values of the Reliability Settings Index (which are the CPI numbers published by the Australian Bureau of Statistics (ABS) as explained under clause 3.9.4(d) of the NER)

c is the calendar year commencing 18 months before the start of year x, which in this case is calendar year 2011

b is the calendar year 2010

In accordance with information published by the ABS, the Reliability Settings Index values are:[3]

	year c (2011)	year b (2010)
Q_1	176.7	171.0
Q_2	178.3	172.1
Q_3	179.4	173.3
Q_4	179.4	174.0
sum	713.8	690.4

Clause 3.9.4(e)(1) of the NER also requires the calculated MPC value to be rounded to the nearest \$100/MWh.

Applying these values and requirements, the MPC for 2012-2013 is:

$MPC^{2012\text{-}2013}$ = \$12,500 /MWh x 713.8/690.4

= \$12,900 /MWh (rounded to the nearest \$100 /MWh)

[3] Full details of the ABS data are set out in Attachment 1.

Calculation of the CPT

The method and formula with which the CPT is to be indexed is set out under clause 3.14.1(e) and clause 3.14.1(f) of the NER. AEMC's calculation in accordance with these provisions is outlined below.

The following formula is used to calculate the CPT:

$$CPT^{X} = BV^{CPT} \times \frac{(Q_1^c + Q_2^c + Q_3^c + Q_4^c)}{(Q_1^b + Q_2^b + Q_3^b + Q_4^b)}$$

Where:

CPT is the cumulative price threshold in dollars

x is the financial year for which the CPT is being calculated, which in this case is the 2012-2013 financial year

BV^{CPT} is $187,500

Q_1 to Q_4 are the values of the Reliability Settings Index (which are the CPI numbers published by the Australian Bureau of Statistics (ABS) as explained under clause 3.14.1(e) of the NER), which are the same as those for the MPC calculation above

c is the calendar year commencing 18 months before the start of year x, which in this case is calendar year 2011

b is the calendar year 2010

Clause 3.14.1(f)(1) of the NER also requires the calculated CPT value to be rounded to the nearest $100/MWh.

Applying these values and requirements, the CPT for 2012-2013 is:

$CPT^{2012\text{-}2013}$ = $187,500 x 713.8/690.4

= $193,900 (rounded to the nearest $100)

Attachment 1 – CPI values published by the Australian Bureau of Statistics

1. ALL GROUPS CPI, Index numbers(a)

Period	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Weighted average of eight capital cities
2007–08	160.9	159.6	164.8	164.4	161.7	160.3	158.3	162.0	161.4
2008–09	165.8	164.1	171.0	169.7	166.6	164.9	163.6	167.5	166.4
2009–10	169.7	167.5	175.5	173.4	170.8	169.3	168.7	171.1	170.3
2010–11	174.8	173.0	181.4	178.9	175.7	174.1	173.2	175.8	175.6
2007									
December	159.5	158.5	163.4	163.1	160.2	159.2	157.1	160.8	160.1
2008									
March	161.7	160.6	165.6	165.5	162.5	161.3	158.5	163.0	162.2
June	164.1	162.5	168.4	167.6	165.1	162.9	160.8	165.0	164.6
September	165.9	164.4	170.8	169.8	166.7	164.7	163.6	167.5	166.5
December	165.5	163.5	170.4	169.3	166.2	164.4	162.9	166.8	166.0
2009									
March	165.6	163.9	170.8	169.3	166.0	164.8	163.0	167.4	166.2
June	166.3	164.4	171.8	170.3	167.4	165.7	164.8	168.4	167.0
September	168.1	165.4	174.1	172.1	168.7	167.7	168.0	169.9	168.6
December	169.1	166.4	174.7	172.7	169.7	168.7	167.8	170.6	169.5
2010									
March	170.5	168.5	176.0	173.7	171.6	170.0	168.7	171.7	171.0
June	171.1	169.5	177.3	175.0	173.2	170.7	170.1	172.3	172.1
September	172.5	170.5	179.1	176.6	174.0	172.4	171.9	173.4	173.3
December	173.1	171.5	180.0	177.1	174.1	172.6	171.8	174.2	174.0
2011									
March	175.9	174.4	182.3	180.0	176.1	174.9	173.7	176.8	176.7
June	177.6	175.6	184.1	181.8	178.4	176.5	175.4	178.7	178.3
September	178.8	176.7	184.7	183.6	178.8	177.9	176.7	179.9	179.4
December	178.7	176.8	184.4	183.5	179.1	178.1	176.0	180.4	179.4

(a) Unless otherwise specified, base of each index: 1989–90 = 100.0.

http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6401.0Main%20Features5Dec%202011?opendocument&tabname=Summary&prodno=6401.0&issue=Dec%202011&num=&view=