



## Schedule of reliability settings

28 February 2013

### 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 2013-2014 financial year

Applying the requirements under the NER, the AEMC has calculated the MPC and CPT values to apply for the 2013-2014 financial year. The current values and the adjusted values for 2013-2014 are shown as follows:

	<b>From 1 July 2012 to 30 June 2013</b>	<b>From 1 July 2013 to 30 June 2014</b>
MPC	\$12,900 / MWh	\$13,100 / MWh
CPT	\$193,900	\$197,100

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.<sup>1</sup> Indexation commenced 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.<sup>2</sup>

### 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.

<sup>1</sup> AEMC 2011, Reliability Settings from 1 July 2012, Rule Determination 16 July 2011, Sydney.

<sup>2</sup> 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 2013-2014 financial year

BV<sup>MPC</sup> is \$12,500/MWh

Q<sub>1</sub> to Q<sub>4</sub> 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 2012

b is the calendar year 2010

In accordance with information published by the ABS, the Reliability Settings Index values are:<sup>3</sup>

	year c (2012)	year b (2010)
Q <sub>1</sub>	99.9	95.2
Q <sub>2</sub>	100.4	95.8
Q <sub>3</sub>	101.8	96.5
Q <sub>4</sub>	102.0	96.9
sum	404.1	384.4

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 2013-2014 is:<sup>4</sup>

$$MPC^{2013-2014} = \$12,500 / MWh \times 404.1 / 384.4$$

<sup>3</sup> Full details of the ABS data are set out in Attachment 1.

<sup>4</sup> Clause 3.9.4(e)(2) of the NER requires that if the MPC calculated under this clause for year x is less than the MPC for the preceding year (year x - 1), then the MPC for year x will be the value of the MPC for year x - 1. In this case, as the calculated value of \$13,100/MWh is greater than MPC<sup>2012-2013</sup> (i.e. \$12,900/MWh), MPC<sup>2013-2014</sup> is \$13,100/MWh.

= \$13,100 /MWh (rounded to the nearest \$100 /MWh)

### 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 2013-2014 financial year

BV<sup>CPT</sup> is \$187,500

Q<sub>1</sub> to Q<sub>4</sub> 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 2012

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 2013-2014 is:<sup>5</sup>

$$\begin{aligned} CPT^{2013-2014} &= \$187,500 \times 404.1/384.4 \\ &= \$197,100 \text{ (rounded to the nearest \$100)} \end{aligned}$$

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<sup>5</sup> Clause 3.14.1(f)(2) of the NER requires that if the CPT calculated under this clause for year x is less than the CPT for the preceding year (year x - 1), then the CPT for year x will be the value of the CPT for year x - 1. In this case, as the calculated value of \$197,100 is greater than CPT<sup>2012-2013</sup> (i.e. \$193,900), CPT<sup>2013-2014</sup> is \$197,100.

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

### 1 ALL GROUPS CPI, Index numbers<sup>(a)</sup>

Period	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Weighted average of eight capital cities
2008-09	92.6	92.7	92.5	92.4	92.8	92.6	92.5	93.0	92.6
2009-10	94.8	94.6	95.0	94.4	95.2	95.0	95.4	95.0	94.8
2010-11	97.6	97.7	98.1	97.5	97.9	97.8	97.9	97.6	97.7
2011-12	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2008									
December	92.4	92.3	92.2	92.2	92.6	92.3	92.1	92.6	92.4
2009									
March	92.5	92.6	92.4	92.2	92.5	92.5	92.2	92.9	92.5
June	92.9	92.9	92.9	92.7	93.3	93.0	93.2	93.5	92.9
September	93.9	93.4	94.2	93.7	94.0	94.1	95.0	94.3	93.8
December	94.4	94.0	94.5	94.1	94.5	94.7	94.9	94.7	94.3
2010									
March	95.2	95.2	95.2	94.6	95.6	95.4	95.4	95.3	95.2
June	95.6	95.8	95.9	95.3	96.5	95.8	96.2	95.6	95.8
September	96.3	96.3	96.9	96.2	96.9	96.8	97.2	96.3	96.5
December	96.7	96.9	97.4	96.5	97.0	96.9	97.1	96.7	96.9
2011									
March	98.2	98.5	98.6	98.1	98.1	98.2	98.2	98.1	98.3
June	99.2	99.2	99.6	99.0	99.4	99.1	99.2	99.2	99.2
September	99.9	99.8	99.9	100.0	99.6	99.9	99.9	99.8	99.8
December	99.8	99.9	99.7	100.0	99.8	100.0	99.5	100.1	99.8
2012									
March	99.9	99.9	99.9	99.9	100.0	100.3	99.9	99.7	99.9
June	100.5	100.4	100.5	100.2	100.5	99.9	100.7	100.3	100.4
September	102.2	101.6	101.6	101.7	101.6	100.6	102.0	101.4	101.8
December	102.3	102.0	101.9	102.1	101.9	101.0	102.0	101.8	102.0

(a) Unless otherwise specified, reference period of each index: 2011-12 = 100.0.

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6401.0Main%20Features5Dec%202012?opendocument&tabname=Summary&prodno=6401.0&issue=Dec%202012&num=&view>