

AEMC Reliability Panel

Comprehensive Reliability Review Second Stakeholder Forum

13 September 2007

AEMC Reliability Panel

Kerry Conners	Executive Officer, Consumer Utilities Advocacy Centre (end use customers)
Jeff Dimery	General Manager Victoria, AGL (market customers)
Mark Grenning	Chief Advisor Energy, Rio Tinto
Leslie Hosking	Managing Director and CEO, NEMMCO
Gordon Jardine	Chief Executive, Powerlink (TNSPs)
George Maltabarow	Managing Director, EnergyAustralia (DNSPs)
Stephen Orr	Commercial Director, International Power Australia (generators)
Geoff Willis	Former CEO, Hydro Tasmania
Ian Woodward	Chairman (AEMC Commissioner)

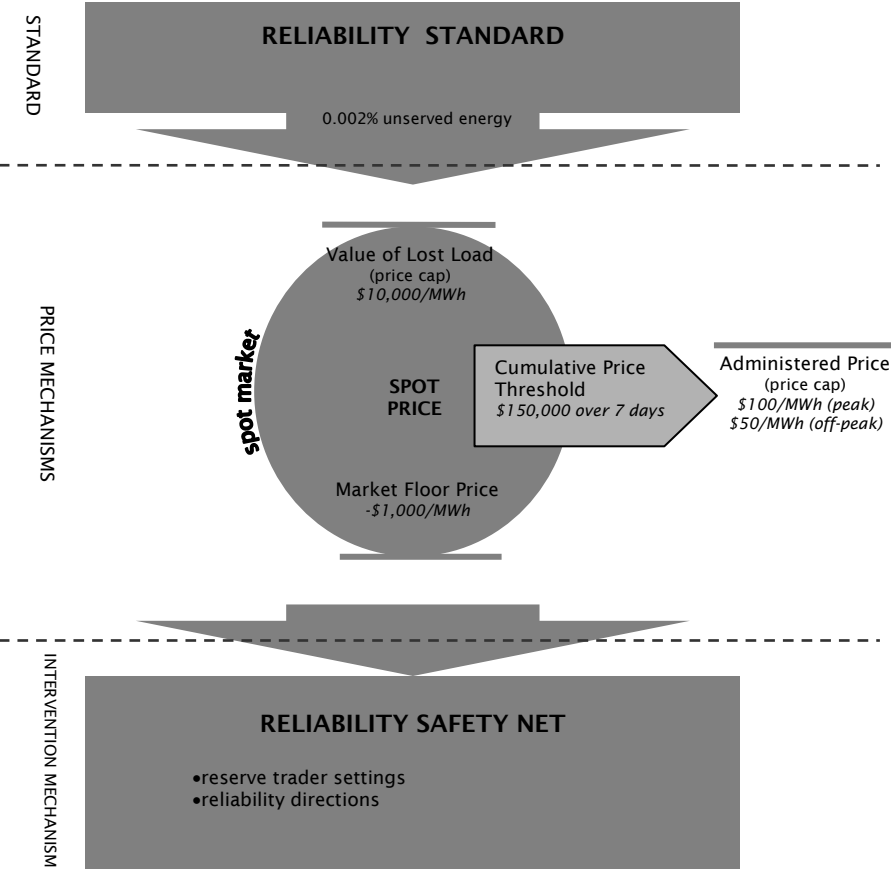
Agenda

- Overview of the Second Interim Report
- Stakeholder presentations:
 - NEMMCO
 - David Headberry
 - John Dick
 - David Swift
 - Mark Frewin
 - David Bowker
 - Ben Skinner
- Questions from the floor
- Concluding Comments from the Panel and Chair

Comprehensive Reliability Review

- First review of Reliability Settings since NEM establishment
- Major Review:
 - Submissions
 - Consultation
 - Analysis
 - Stakeholder Engagement

NEM Reliability Settings



Process

- Issues Paper (May 2006)
- Forum and submissions (July 2006)
- Interim report (April 2007)
- Submissions (May 2007)
- MCE Advice (July 2007)
- Second interim report (August 2007)
- Forum and submissions (September 2007)
- Final Report (November 2007)

Key Areas – Forward Program

- Exposure draft converted to Rule change proposal
- Final Report
 - Publish Reliability Standard
 - Recommendations and other Potential Rule changes
 - Areas to address:
 - VoLL, CPT, Market Floor Price
 - Potential Additional Measures

Consultation

- Stakeholder Forum (13 September 2007)
- Submissions (28 September 2007)
- Panel Analysis and Deliberations (Report in November)

Reliability Standard

- Confirm the reliability standard:
 - Form (USE) – ten years backwards
 - Level (0.002%)
 - Targeted annually – NEM and regions
 - Scope:
 - generation and bulk supply
 - industrial action, “acts of God” exclusion
- Formal standard published with Final Report

Other Matters (1)

- NEMMCO's Reliability Directions Power:
 - Power in clause 4.8.9 to issues reliability directions extended beyond 30 June 2008, without a sunset.
- Require NEMMCO to report on accuracy of the load forecasts in the SOO
- NEMMCO to continue to calculate minimum reserve levels

Other Matters (2)

- Replace the annual VoLL review with a holistic review of all reliability settings every three years
- Recommend the AEMC reviews the Administered Price Cap arrangements
- Two major proposals in exposure draft:
 - Information (EAAP)
 - Safety Net (RERM)

Energy Adequacy Assessment Projection (EAAP) – 1

- Important additional information to allow for market responses – energy constraints vs. capacity constraints
- EAAP looks at impact of generator input constraints (e.g. drought):
 - updated quarterly by NEMMCO (against forward-view monthly USE)
 - outlook extends two years
 - aggregated data

EAAP – 2

- Generator energy models (GEMs):
 - provided to NEMMCO by the Generator
 - suitable for EAAP, agreed with NEMMCO
 - model parameters updated quarterly
 - GEM data confidentiality maintained
- Scenarios and Guidelines for the EAAP (Panel) and the GEM Guidelines (NEMMCO)

Reliability Emergency Reserve Mechanism (RERM) – 1

- Although the reserve trader is a distortion, on balance, a form of reliability safety net should be maintained for a defined period.
- The Panel acknowledges the wide-range of views held by stakeholders.
- Approach: redesign reserve trader with a four year sunset period.

RERM – 2

- Allows NEMMCO to contract for reserves (and non-scheduled reserves) up to 9 months ahead of projected shortfall
- Increases the flexibility for the tendering and contracting process
- Proposes tighter provisions to reduce double dipping
- Operates regionally and costs are recovered regionally

RERM – 3

- The Panel is looking at two possible funding arrangements:
 - recovering costs as they occur (exposure draft)
 - using an administered fund to spread costs over several years (canvassed in report)

Feedback

- Stakeholder Feedback:
 - Exposure Draft issues (RERM, EAAP etc)
 - Preliminary recommendations (e.g. Standard, frequency and scope of reviews)
 - Outstanding Matters (e.g. VoLL, additional mechanisms)
 - Any other matters raised by stakeholders

Forum

- Presentations
- Discussion
- Inputs into the Consultative Process
- Follow Up by Submissions