



Reliability standard and reliability settings review 2014

The Reliability Panel (Panel) is carrying out a review of the reliability standard and reliability settings. This review will consider the appropriate reliability standard and reliability settings that should apply from 1 July 2016. Throughout the review process the Panel will consult with stakeholders including seeking submissions on an issues paper and a draft report. At least one public forum will also be held. The issues paper was published on 9 May 2013 and submissions are due by 21 June 2013.

The review

The reliability standard and the reliability settings in the National Electricity Market (NEM) are important mechanisms in place to encourage sufficient investment in generation capacity.

Under the National Electricity Rules (rules), the Panel is required to carry out a review of the reliability standard and reliability settings once every four years and this current review is to be completed by 30 April 2014. This regular review allows the Panel to take into account any changes in market arrangements and consider whether the reliability standard and reliability settings remain suitable, or whether changes should be made to ensure these mechanisms continue to meet the requirements of the market, market participants and consumers.

The purpose of this review is to:

- determine whether the existing reliability standard is appropriate for the current market arrangements;
- determine the form and level of the reliability standard that should apply from 1 July 2016;
- recommend the appropriate reliability settings to apply in the NEM from 1 July 2016 to achieve the reliability standard chosen; and
- propose processes for implementing any changes arising from the review.

What is the reliability standard

Reliability of the power system relates to ensuring there is enough capacity to generate and transport electricity to meet all consumer demand. It is measured in terms of the maximum expected unserved energy (USE), which is the amount of energy that is demanded by customers but cannot be supplied. Currently the reliability standard is set at 0.002 per cent USE for each region or regions per financial year.

More information on the reliability standard is provided in the 'reliability standard' fact sheet.

What are the reliability settings

The reliability settings are the three price mechanisms under the rules: the market price cap (MPC), the cumulative price threshold (CPT), and the market floor price.

The MPC is a cap placed on spot prices in each half-hourly trading interval, and is currently set at \$12,900/MWh for the 2012-2013 financial year and increasing to \$13,100/MWh for 2013-2014. The value of the MPC is specified in the rules and indexed by the Australian Energy Market Commission (AEMC) on an annual basis.

The CPT is the threshold governing the imposition of an administered price cap (APC). Where the sum of the spot prices in a region in 336 consecutive trading intervals exceeds the CPT, the APC will be applied in that region. The CPT is currently set at \$193,900 for the 2012-2013 financial year and increasing to \$197,100 for 2013-2014. The value of the CPT is also specified in the rules and indexed by the AEMC on an annual basis.

The market floor price is the lowest allowable limit for the spot price. It is currently set at -\$1,000/MWh in the rules (and not indexed).

More information on the reliability settings is provided in the 'reliability settings' fact sheet.

The review process

As required by the rules, the Panel will follow the rules consultation procedures in carrying out this review. The Panel initiated the review with the publication of an issues paper on 9 May 2013. The purpose of the issues paper is to facilitate consultation where it outlines a number of questions for comment and feedback. Submissions on the issues paper are due on 21 June 2013.

The Panel will then publish a draft report for further consultation and the final report is to be published and submitted to the AEMC by 30 April 2014. The Panel will also hold at least one public forum during the review process.

In undertaking the review, the Panel will have regard to the National Electricity Objective and any relevant policy settings such as the level of the renewable energy target. The Panel will also consider the potential impact of any proposed changes on market participants and consumers, as well as other potential impacts on the market including on spot prices, contracts market and investment in the NEM. The Panel may take into account any other relevant matters.

Following the completion of this review, the Panel may set a new reliability standard while any recommended changes to the reliability settings would be submitted to the AEMC as a rule change request for consideration under the National Electricity Law rule change process.

For information contact:

AEMC Senior Director, **Rory Campbell** (02) 8296 7800

AEMC Acting Director, **Anita Lai** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

9 May 2013