



## **Review of the Energy Adequacy Assessment Projection (EAAP)**

### **AEMC Terms of Reference to the Reliability Panel**

**26 July 2012**

#### **Introduction**

In accordance with rule 3.7C of the National Electricity Rules (NER), the Australian Energy Market Operator (AEMO) is responsible for producing the energy adequacy assessment projection (EAAP) on a quarterly basis. The purpose of the EAAP is to inform market participants and other interested parties of analysis that quantifies the impact of energy constraints on energy availability in the National Electricity Market (NEM). To do so, the EAAP provides a probabilistic assessment of projected energy availability for each region of the NEM as well as the projected unserved energy levels.

The EAAP was initially conceived during the Reliability Panel's Comprehensive Reliability Review, which was completed in 2007. One of the recommendations from that review was that the EAAP be introduced to enable the market to forecast and respond to projected times where there may be energy constraints that would affect reliability. It was considered that the EAAP would improve the information available to market participants and stakeholders, which could facilitate demand side responses and changes to the behaviour in managing the allocation of water and fuel resources.

The Reliability Panel submitted a rule change request to the AEMC in 2008 proposing, among other things, the introduction of the EAAP.<sup>1</sup> In making its determination, the AEMC added the requirement for the EAAP to be reviewed within the first three years of its operation.<sup>2</sup> It was considered that conducting such a review would be good regulatory practice. The review would also provide the opportunity to ensure that the EAAP achieves its intended purpose and that the ongoing costs of producing it do not outweighed the benefits.

#### **Scope of this Review**

Clause 3.7C(s) of the NER requires the Panel to conduct a review of the operation of rule 3.7C by no later than the end of the third year after the publication of the first EAAP. As the first EAAP was published on 31 March 2010, this review will need to be completed by 31 March 2013.

The AEMC requests the Panel to review the operation of rule 3.7C in accordance with clause 8.8.3 of the NER which requires the Panel to undertake public consultation, including holding a public meeting, in carrying out a review. In undertaking this review, without limitation, the Panel shall consider the following:

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<sup>1</sup> The EAAP was one aspect of the 'NEM reliability settings: information, safety net and directions' rule change proposal. <http://www.aemc.gov.au/electricity/rule-changes/completed/nem-reliability-settings-information-safety-net-and-directions.html>

<sup>2</sup> Clause 3.7C(s) of the NER.

- (1) whether the EAAP, as it is currently configured, meets the purpose set out under clause 3.7C(a) of the NER which states that the purpose of the EAAP ‘is to make available to Market Participants and other interested persons an analysis that qualifies the impact of energy constraints on energy availability over a 24 month period under a range of scenarios’;
- (2) whether the EAAP and the calculation of projected unserved energy outcomes could have other purposes or uses than what was originally intended and, if so, how this impacts the operation of rule 3.7C;
- (3) whether the EAAP principles under clause 3.7C(b) remain relevant and applicable including (without limitation) whether:
  - publishing the EAAP on a quarterly basis is an appropriate frequency ;
  - the 24 month forward outlook for the EAAP is appropriate; and
  - the provisions under clause 3.7C(b)(6), which sets out the information AEMO is to take into account in preparing the EAAP, are sufficient or whether additional information should be considered;
- (4) whether the provisions under clause 3.7C(k), which sets out the information AEMO is to include in its EAAP guidelines, are sufficient or whether additional criteria should be considered;
- (5) going forward, what are the expected impacts on market participants, particularly generators, in complying with the provisions under the NER for providing information to AEMO for the EAAP and whether these provisions are adequate; and
- (6) what have been the experiences of stakeholders with using the output of the EAAP, including whether the EAAP has been able to assist with demand side participation decisions and managing the allocation of water and other resources.

The Panel may seek advice from AEMO on its experiences in producing the EAAP and whether it would recommend any improvements to the existing provisions under the NER.

In undertaking this review, the Panel must consider the national electricity objective contained in section 7 of the National Electricity Law when considering issues that arise in the review and making its recommendations.

## **Process and Timing**

The AEMC requests that the Panel involve stakeholders in the review by seeking stakeholder submissions on key reports and hold a public meeting regarding the review. Clause 8.8.3(j) requires the Panel to submit the final report on the review to the AEMC within six weeks after the public meeting. However, should the Panel require additional time to consider issues raised at the public meeting, the Panel may extend the time for submitting the final report provided that it is submitted no later than 31 March 2013.