



Consultation on reinstatement of the long-notice RERT

AEMC invites submissions on consultation paper

The Australian Energy Market Commission has commenced consultation on a rule change request from AEMO that seeks to increase the amount of time that it has to procure emergency reserves, by reinstating the long-notice Reliability and Emergency Reserve Trader (RERT).

Background

The RERT is an existing intervention mechanism within the reliability framework in the NEM which allows AEMO to contract for additional reserves e.g. generation or demand response that is not already available in the market.

These additional reserves are called emergency reserves or strategic reserve as they may only be procured as a last resort to avoid unnecessary blackouts, typically during summer when the demand and supply balance is tight.

Currently, AEMO may contract for reserves under the RERT for up to 10 weeks ahead of when it projects a reserve shortfall, i.e. that the market is not meeting the reliability standard and, where practicable, to maintain power system security.

The amount of time available to AEMO ahead of when it projects a shortfall is known as a procurement lead time. Currently, AEMO can only contract for reserves up to 10 weeks ahead of a projected shortfall.

Reinstatement of long-notice RERT rule change request

AEMO considers that the current procurement lead time of **10 weeks are insufficient** as 10 weeks does not give AEMO enough time to procure reserves in the most competitive way and at the lowest cost. It states that, based on its experience with the RERT last summer, the current lead times act as a barrier to entry which limits the range of reserves (e.g. demand response and diesel options) available.

AEMO considers that the **current energy transformation**, in which the broader range of energy resources creates variability in the supply and demand balance, places greater challenges on operating the system in real-time. It is concerned that without this additional reserve procurement, there is a risk that the reliability standard may not be met under certain scenarios, such as during a particularly hot summer with extreme demand conditions.

As a result, AEMO proposes to increase the available procurement lead times from 10 weeks to nine months. This would have the effect of reinstating the long-notice RERT that was in place until 1 November 2017.

Issues for consideration

The consultation paper identifies a number of issues on which the Commission is seeking feedback, including:

- any views on the costs and benefits of reinstating the long-notice RERT
- any views on changes that have occurred in the market since 2016 that would necessitate the reinstatement of the long-notice RERT
- any views on a temporary, rather than permanent, reinstatement of the long-notice RERT.

Submissions to
the consultation
paper are due by
24 May 2018.

Process for this rule change

AEMO requested that the Commission considers its request as urgent due to AEMO's concerns that the risk to reliability in terms of potential blackouts due to insufficient reserves is a reasonable possibility over summer 2018-19.

The Commission is progressing this rule change under an expedited process on the basis of that it is an urgent rule as requested by AEMO so that AEMO could use it to deliver secure and reliable supply during summer 2018-19. Stakeholders may object to this expedited process by 10 May 2018.

A final rule determination and final rule (if made) for this rule change request will be published on 7 June 2018 if the Commission does not receive a valid objection to the expedited process.

Related work – enhancement to the RERT rule change request

AEMO has also submitted a second rule change request in relation to the RERT, seeking to make broader changes to the RERT framework. The Commission is progressing the two rule change requests under different timeframes. The enhanced RERT rule change request will be initiated in June 2018.

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