



## Reinstatement of long-notice RERT

### Final determination and final rule published

**The Australian Energy Market Commission (AEMC) has made a final rule that increases the lead time for AEMO to procure reserves under the RERT to nine months, effectively reinstating what was known as the long-notice 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.

The amount of time available to AEMO ahead of when it projects a shortfall is known as a procurement lead time. Prior to the commencement of this final rule, AEMO was only able to contract for reserves under the RERT for up to 10 weeks ahead of when it projects a reserve shortfall. A reserve shortfall would be if the market is not meeting the reliability standard and, where practicable, to maintain power system security.

### Overview of final rule

The final rule increases the procurement lead time to nine months, an increase from 10 weeks. In effect, it reinstates the long-notice RERT. The key features of the final rule are:

- an increase in the procurement lead time available to AEMO to procure the RERT from 10 weeks to nine months ahead of a projected reserve shortfall (effectively reinstating the long-notice RERT) with effect from 13 July 2018
- a transitional rule that amends the RERT guidelines made by the Reliability Panel to reflect the reinstatement of the long-notice RERT and requires the Reliability Panel to publish the RERT guidelines amended to reflect the changes made under the rule by 13 July 2018 (the date the long-notice RERT is reinstated)
- a transitional rule that requires AEMO to amend its RERT procedures to reflect the final rule and amended guidelines by 13 July 2018. The rule requires AEMO to consult on the proposed amendments to its RERT procedures for a minimum of two weeks prior to the revised procedures taking effect.

The ability for AEMO to procure the long-notice RERT will therefore commence on 13 July 2018, the same date on which the Reliability Panel is required to publish the RERT guidelines amended under the final rule and AEMO is required to publish its amended RERT procedures.

### The Commission's rationale

The final rule reinstates the long-notice RERT, which the Commission removed in 2016. The Commission noted that while the potential of the mechanism to distort outcomes remains unchanged since the Commission considered similar issues in 2016, the Commission agrees with AEMO that several conditions in the market have changed since then.

This includes the changing generation mix and the ARENA-AEMO RERT trial, which has demonstrated the existence of resources, primarily demand response, capable of participating in the RERT. The trial also found that a longer lead time is required for these types of reserves, e.g. to install relevant equipment.

**This final rule increases the lead time for AEMO to procure reserves to nine months.**

To the extent that the RERT is required, having more resources able to participate in the RERT through a longer procurement lead time may improve the efficiency of the procurement process. This may put downward pressure on the direct costs of the RERT, if it is needed.

Reinstating the long-notice RERT will also promote reliability since AEMO will be able to, if there is a shortfall, have access to a broader range of reserves than it otherwise would.

#### **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 has been progressing the two rule change requests under different timeframes.

The *Enhancement to the RERT* rule change request was initiated on 21 June 2018 with the publication of a consultation paper.

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