



Transparency of unserved energy calculation

Final rule published

The Australian Energy Market Commission (AEMC or Commission) has made a final rule to improve the transparency of the unserved energy calculation and the clarity of the framework that underpins the calculation.

Overview of the final rule

The Commission considered that a principles-based approach to determining unserved energy *ex post* is the most robust method to increase transparency in the national electricity market (NEM). This approach will increase transparency around the determination of unserved energy *ex post* compared to current arrangements, and is likely to remain robust as the power system transitions.

The final rule is a more preferable rule. The Commission has made some drafting changes to the rule suggested by the Reliability Panel in order to improve the clarity of the policy intent, but in substance it is the same as that proposed.

The final rule makes amendments to clauses 3.9.3C and 3.9.3D of the National Electricity Rules (NER) that can be categorised under the following changes:

- Changes to clauses 3.9.3D of the NER to require the Australian Energy Market Operator (AEMO) to set out, through the *reliability standard implementation guideline* (RSIG), the method for calculating unserved energy in accordance with clause 3.9.3C, including how the amount of energy demanded in the relevant region is determined.
- Inclusion in the NER of a purpose statement for the definition of unserved energy, to assist stakeholders and AEMO with the definition's interpretation.
- Minor drafting changes to clause 3.9.3C(b)(1) and clause 3.9.3C(b)(2) to make it clearer that the intent of the clauses is to include unserved energy that results from power system reliability incidents, and exclude unserved energy that results from power system security incidents.
- Deleting protected events from clause 3.9.3C(b)(2)(i) of the NER, as it is already captured by non-credible contingency events, clarifying that multiple 'contingency events' are in fact multiple 'credible contingency events', and clarifying that 'non-credible contingency events' include both single and multiple non-credible contingency events.

Benefits of the rule

The Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the national electricity objective for the following reasons:

- The rule makes the inputs into and method for calculating unserved energy more transparent, equipping market participants with more information to support improved decision-making.
- The rule provides improved clarity as to how to interpret the unserved energy definition and what events are or are not included in the backward-looking unserved energy metric, therefore enhancing the integrity of the reliability standard and promoting signals for efficient investment in generation and demand response infrastructure.
- The rule change can be implemented at minimal cost by AEMO.

Context and rule change request

In August 2019 the Reliability Panel published a final report for the review of the definition of unserved energy, which identified areas for improvement with respect to information provision, clarity and transparency around how unserved energy is calculated. The Reliability Panel submitted this rule change request as a recommended outcome of the review on 1 August 2019. The Commission adopted an expedited process in considering this rule change request. No objections to using this process were received.

Commencement of the rule

The transitional arrangements will commence immediately upon publication on 19 November 2020. Under these arrangements, AEMO will have until 17 December 2020 to update the RSIG to take into account the Amending Rule, and may do so without following the usual Rules consultation procedures, which is considered appropriate given the nature of the changes.

The remainder of the rule — namely the main operative provisions amending clauses 3.9.3C and 3.9.3D — will then commence on 17 December 2020.

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