

Our Ref: 13276001  
Your Ref: ERC0336  
Contact Officer: Chris Ridings  
Contact Phone: 08 8213 3487  
Date: 25 November 2021

Ms Anna Collyer  
Chair - Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Ms Collyer,

### **Extension of time and reduction in scope of the 2022 reliability standard and settings review – Consultation paper**

The Australian Energy Regulator (**AER**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) *Extension of time and reduction in scope of the 2022 reliability standard and settings review consultation paper*.

This rule change proposal seeks to amend the National Electricity Rules requirements on the Reliability Panel for the 2022 reliability standard and settings review (**RSS review**). Specifically, the proposal seeks to narrow the scope of the 2022 RSS review such that the Reliability Panel would only review and report on the reliability standard, not the settings.

The objective of this rule change is to have the reliability settings reviewed by the Energy Security Board (**ESB**) to align the review with the ESB's ongoing work to design a capacity mechanism through the NEM 2025 project.

The AER strongly supports ensuring that the ESB's work to design a capacity mechanism incorporates an assessment of the reliability settings to account for a future where a capacity mechanism and the energy only market operate together. In this environment:

1. a capacity mechanism (if implemented) would assist in facilitating the orderly closure of existing generation and in providing credible investment signals for new generation; and
2. the energy only market would continue to provide incentives for efficient short-term operational decisions and dispatch.

In order to ensure that the energy only market and a future capacity mechanism operate effectively together, the ESB will need to consider key settings including the Market Price Cap and the Cumulative Price Threshold.

The AER supports the rule change and considers that a holistic assessment by the ESB will help ensure the most optimal and appropriate settings to deliver reliability through the transition, in a manner that promotes the long-term interests of energy consumers.

The AER considers that this would also be preferable and a more efficient and effective approach to the Reliability Panel conducting its own separate review. In particular, a single

review would deliver more streamlined stakeholder engagement and reduced burden at a time of significant change for the sector.

We thank the AEMC for the opportunity to submit on this process. If you have any questions about our submission, please contact Chris Ridings on 08 8213 3487.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MF', is positioned above the printed name.

Mark Feather  
General Manager, Strategic Policy and Energy Systems Innovation  
Australian Energy Regulator