AEMC

RULE

Australian Energy Market Commission

RULE DETERMINATION

NATIONAL ELECTRICITY AMENDMENT (EXTENDING THE APPLICATION OF THE IRM TO THE RRO) RULE 2023

PROPONENT

Australian Energy Market Operator

21 SEPTEMBER 2023

INQUIRIES

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ABOUT THE AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

ACKNOWLEDGEMENT OF COUNTRY

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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SUMMARY

1 The Australian Energy Market Commission (the AEMC or Commission) has decided to make a final rule to extend the application of the Interim Reliability Measure (IRM) to the Retailer Reliability Obligation (RRO) from 1 July 2025 to 30 June 2028. This is in response to a rule change request from the Australian Energy Market Operator (AEMO) and follows extensive consultation.

2 Given the size and pace of the energy market transition between now and 2028, the Commission considers that extending the IRM as a tool to manage reliability risks is in the long-term interests of consumers while the Reliability Panel (the Panel) considers the form of the reliability standard.

3 This rule change has proceeded using a fast-tracked process. This is because the rule change request is consistent with the relevant recommendation of the AEMC's 2023 Review of the Interim Reliability Measure (2023 IRM Review) and adequate consultation was carried out on the relevant recommendation.

4 On 13 July 2023, the Commission published a draft determination and we received six submissions from stakeholders.

The Commission regards the final rule to be in the long-term interest of consumers

5 The Commission considers the final rule to extend the application of the IRM to the RRO will contribute to the achievement of the national electricity objective (NEO).

6 In making its final determination, the Commission considered the findings of the 2023 IRM Review and the feedback provided by stakeholders throughout the review and this rule change process. In particular, the Commission considered the 2023 IRM Review's finding that removing the IRM as the trigger for the RRO between 1 July 2025 and 30 June 2028 could increase uncertainty about the reliability framework and how risk is being managed. As the power system transitions to a high variable renewable energy (VRE), energy-limited power system, reliability risk must be characterised differently. This is particularly important for managing 'tail risk', that is the risk of low-probability events that could have a high impact on reliability outcomes.

7 Of the six submissions received on this rule change, one submission, made by the proponent of the rule change request, supported the draft rule to extend the application of the IRM to the RRO by three years and five submissions did not support it. Stakeholders made valid points that the RRO being triggered by the IRM may lead to increased costs as it may result in the RRO being triggered more often. Stakeholders also commented on the efficacy of the IRM and the RRO. In the Commission's view, the feedback provided by stakeholders in this rule change largely reflects feedback already considered by the Commission in making its final recommendations on the 2023 IRM Review.

8 In balancing the options, the Commission considers that a final rule to extend the IRM is warranted in light of the changing drivers of reliability risk. The rule allows for AEMO to

request reliability measures such as the T-3 Reliability Instrument under the RRO for potential reliability gaps in Victoria and South Australia over the period 2025-26 and 2026-27 that were identified in the August 2023 Electricity Statement of Opportunities (ESOO).

9 Based on the 2023 August ESOO, the Commission considers that T-1 trigger events between 2025 and 2028 are less likely because of the forecast capacity investment, jurisdictional plans, and other potential incremental investment created by the RRO contracting required between T-3 and T-1.

10 The Commission regards the IRM as being one of a number of tools that have an important role in addressing reliability risk over the period 1 July 2025 to 30 June 2028. The Commission considers that maintaining the IRM as a supplementary measure while the Panel reviews the form of the reliability standard provides greater certainty to the market in the short term.

11 Some stakeholders provided feedback that the Commission should have considered the Panel's decisions on the level of the reliability standard. The Commission notes that the Panel has recommended a standard of 0.002 per cent unserved energy (USE) as this reflects the value customers place on reliability for the purpose of the market settings. The Commission supports the Panel's decisions. However, it considers that the IRM is a measure, additional to the market settings, to protect customers from increasing reliability risks while the Panel is completing its work on the form of the reliability standard.

12 The Panel has recognised the need to review whether the current reliability standard appropriately addresses tail risk and estimates that this risk may not eventuate until after 2028. The Commission considers that retaining the tighter interim standard until the Panel's work is complete, serves as a 'safety net' if this risk does emerge sooner. Given the low likelihood that the IRM will trigger the RRO more often, and therefore lead to additional costs, the Commission considers that it is an appropriate balance of the potential risks and costs.

13 We note concerns raised by stakeholders that the IRM may continue beyond 2028. The Commission has not included any requirements in the final rule to review the IRM beyond 2028 and notes that, absent a rule change to extend the mechanism, it will cease on 30 June 2028. This is because we consider that the IRM is a temporary measure while the Panel considers the longer-term approach to the reliability standard.

The final rule includes a new transitional arrangement for AEMO

14 The Commission has included a transitional rule in the final rule, to allow AEMO to update its reliability forecast referenced against the IRM.

15 Whilst AEMO acknowledged the potential extension of the IRM in the 2023 ESOO and considered this in preparing their reliability outlook, they were unable to include reliability gaps against the IRM for the 2025-2028 period as the final rule had not been made at the time it was published in August.

16 The new transitional rule gives AEMO the ability to publish an update to the most recent ESOO showing the IRM applies until 2028 and identifying reliability gaps against the IRM.

The Commission understands that an update made on this basis is not expected to change the reliability outlook and the forecast data will remain consistent with the 2023 ESOO.

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1 THE COMMISSION HAS MADE A FINAL DETERMINATION

This final determination is to make a final rule in response to a rule change request submitted by AEMO about the Interim Reliability Measure (IRM).

1.1 Our rule extends the application of the IRM to the RRO by three years

The Commission's final rule extends the IRM as it applies to the RRO to 30 June 2028. The national electricity market (NEM) is undergoing a significant transformation. It is shifting from a capacity-limited thermal power system to a more energy-limited power system characterised by high levels of variable renewable energy (VRE). The transformation requires careful consideration of how reliability is characterised and managed to ensure the system can meet customer demand at a level they value. In light of this, the Reliability Panel (the Panel) is reviewing the need for a new form of the reliability standard. While this is underway, continuing the IRM provides a risk management mechanism to address tail risk in the reliability framework.

The Commission is satisfied that the final rule aligns with other aspects of the broader NEM reliability framework and will or is likely to contribute to the achievement of the national electricity objective (NEO).

1.2 Stakeholders submissions were largely against the draft rule

Five out of the six submissions received in response to the draft determination did not support extending the application of the IRM to the RRO. Those opposing submissions argued against the draft rule on the basis that:

1. the IRM's ability to effectively manage tail risk is unsubstantiated
2. the RRO increases costs to consumers
3. there is insufficient evidence to show that the IRM's application to the RRO incentivises investment and supports market certainty
4. 0.0006% USE was not recommended by the Panel for market settings and doesn't reflect reliability at a level consumers value
5. the RRO is ineffective therefore, the IRM as a risk management tool is redundant
6. the extension of the IRM is not based on modelling.

The AEMC acknowledges these views however no new information or analysis was provided by the five submissions beyond that already submitted through the 2023 IRM Review to support ceasing the IRM in 2025. Rather, the submissions reiterated prior views expressed during the 2023 IRM Review which were already considered in making the review's final recommendations.

AEMO made a submission in support of the draft rule, agreeing "that the IRM remains an important temporary measure to manage increasingly uncertain reliability risks as the power system transitions, and longer-term measures are developed."[1]

Stakeholders have had opportunities to engage on these issues through both the 2023 IRM Review and this rule change. The Commission has considered the feedback provided and decided that extending the IRM is warranted in light of the changing drivers of reliability risk.

This chapter summarises the feedback we received and how it has shaped the final determination and final rule.

1.3 The IRM is a tool for managing tail risk

Energy Ministers established the IRM as a temporary measure to protect customers from increasing reliability risks, particularly low-probability events that could have a high impact on reliability outcomes, while a longer-term market design is developed. The IRM supports the other elements of the reliability framework by triggering RRO requirements.[2]

The Australian Energy Council (AEC), EnergyAustralia (EA), and the Public Interest Advocacy Centre (PIAC) expressed the view that the IRM's ability to effectively manage tail risk is unsubstantiated.

PIAC argued that "it has not been established that the rise of tail risks during the period to 30 June 2028 warrants this short-term measure. An interim reliability measure (IRM) substantially below the level of the reliability standard is, in any case, a poor measure to manage a problem of that nature."[3] The AEC, likewise, did not support the view that the IRM plays an interim role in addressing tail risk until a new form of the reliability standard is in place.[4]

In the AEMC's view, the IRM is a mechanism to mitigate tail risk by contracting via the RRO to support investment in capacity. The IRM is one of several tools aimed at supporting reliability in the NEM. As a trigger for the RRO, which is tighter than the Reliability Standard, the IRM complements the other elements of the reliability framework to support reliability, however, it is only binding if there are forecasts of unserved energy at the T-3 and T-1 timeframes.

EA claimed that "the Commission has not presented any evidence of the need for a continued 'safety net' to address tail risk in the interim."[5] The AEMC notes AEMO's 2023 Electricity Statement of Opportunities (ESOO) highlights that risks to reliability continue in the transition to a high variable renewable energy (VRE), energy-limited power system.

Since the IRM was introduced, the Reliability Panel recommended reviewing the form of the reliability standard to ensure it adequately addresses tail risk. Any new form of reliability

1 Submission to the draft determination: AEMO, pg 1.

2 Triggering RRO requirements ensures that liable entities enter into sufficient qualifying contracts to meet their share of expected system peak electricity demand on a 50 per cent probability of exceedance (PoE) (one-in-two year demand peak).

3 Submission to the draft determination: PIAC, pg 1.

4 Submission to the draft determination: Australian Energy Council, pg 2.

5 Submission to the draft determination: EnergyAustralia, pg 1.

standard the Panel may recommend is expected to be in place from 1 July 2028. The Commission did not repeat the Panel's work for this rule change. However, the Commission acknowledges the Panel's recommendation that reliability risk, particularly tail risk, may need to be characterised differently as the market transitions to net-zero by 2050. The Commission considers that maintaining the IRM as a supplementary measure while the Panel reviews the form of the reliability standard provides greater certainty to the market until the new form is implemented. Further, given the size and pace of the energy market transition between now and 2028, the Commission does not consider it is in the interest of consumers to remove the IRM as a risk management tool before the Panel has considered the reliability standard.

We note the concerns raised by stakeholders that the IRM may continue beyond 2028. The Commission has not included any requirements in the final rule to review the IRM beyond 2028 and notes that, absent a rule change to extend the mechanism, it will cease on 30 June 2028. This is because we consider that the IRM is a temporary measure while the Panel considers the longer-term approach to the reliability standard.

1.4 The risk of additional costs by extending the IRM is minimal

The Commission has considered the potential cost impacts on consumers in light of current energy cost increases. There have been recent changes to the RRO and IRR, which mean the main cost impact on consumers of extending the IRM is limited to its use as a trigger for the RRO. The recent changes include:

- a rule change enabling contracting under the IRR to be extended to 2028.
- a change to the NEL that allows Ministers in participating jurisdictions to make a T-3 instrument (but not a T-1 instrument).[6]

AEC, Alinta Energy (Alinta), the Institute for Energy Economics and Financial Analysis (IEEFA), and PIAC expressed the view that the RRO increases costs to consumers.

In arguing against the IRM, IEEFA quotes the Reliability Panel's modelling on the $100 million per year cost of achieving the IRM.[7] The AEMC notes that the $100 million per year figure referred to by IEEFA relates to costs if 0.0006% USE was used to determine the market price settings. As the IRM is not used for market price settings, this figure does not reflect the cost to consumers of extending the IRM from 2025-2028.

Alinta suggested that the costs of the IRM are higher than those considered in the draft determination which do not take into account costs associated with decreases in competition. Alinta uses the example of South Australia's T-1 instrument to support this view.[8] The AEMC considers these costs to be related to the operation and design of the RRO rather than the use of the IRM as a trigger. As part of its current work plan, the AEMC is doing a review of

6 The *National Electricity (South Australia) (Ministerial Reliability Instrument) Amendment Act 2023* came into operation on 14 April 2023 and allows Ministers to make a T-3 instrument if it appears to the Minister on reasonable grounds that there is a real risk during a period specified in the instrument (section 14JA(1) of the NEL).

7 Submission to the draft determination: Institute for Energy Economics and Financial Analysis, pg 1.

8 Submission to the draft determination: Alinta Energy, pg 1-2.

the RRO which will address this matter.[9] Submissions given in response to this rule change on these issues will be considered as part of the RRO review.

The AEC reiterated views raised in its 2023 IRM Review submission that it remains" unconvinced that there are any costless benefits with extending the application of the IRM to the RRO."[10] The AEMC considers that higher costs to consumers are unlikely if the three-year extension of the IRM does not trigger new T-1 RRO events. Notwithstanding this, the Commission considers that, despite the risk of increased costs of the RRO, extending the IRM is warranted in light of the changing drivers of reliability risk.

PIAC references several submissions from other AEMC projects, including the 2023 IRM Review and the 2023 Review of the Retailer Reliability Obligation, which state that the RRO increases costs to consumers. PIAC further argues that the AEMC is "failing to reflect the preferences or interests of consumers in recommending continuation of the IRM."[11] Several of the issues raised by PIAC relate to the operation of the RRO which, as noted, is subject to its own review.

The Commission considers the incremental costs of the extension of the IRM are likely to be low if the IRM only triggers T-3 obligations. T-3 reliability gap costs are limited to reporting costs and any market-making actions. These costs are expected to be low in the context of broader system costs. T-1 RRO costs (if they are realised) are potentially higher, comprising Procurer of Last Resort (PoLR) costs, contracting costs and potential penalties for non-compliance. However, these potentially higher costs must be considered against the costs of unserved energy.

The AEMC also notes that the occurrence of reliability gaps between the IRM and the reliability standard has actually reduced between the February 2023 Update and August 2023 ESOO forecasts.[12] Additionally, AEMO's August 2023 ESOO shows that the instances of USE are forecast to be below the IRM between 2025-26 and 2027-28 when federal and state government programs, actionable transmission developments, and orchestration of forecast consumer energy resources (CER) are also considered.[13] If these projects became 'committed projects', T-1 reliability gaps would be unlikely to eventuate in future ESOO publications in the period to 2028.

9 The Draft Report on the Review of the Retailer Reliability Obligation is expected to be published on 28 September 2023. To read the Draft Report and find out more information on the Review, see https://www.aemc.gov.au/market-reviews-advice/review-retailer-reliability-obligation

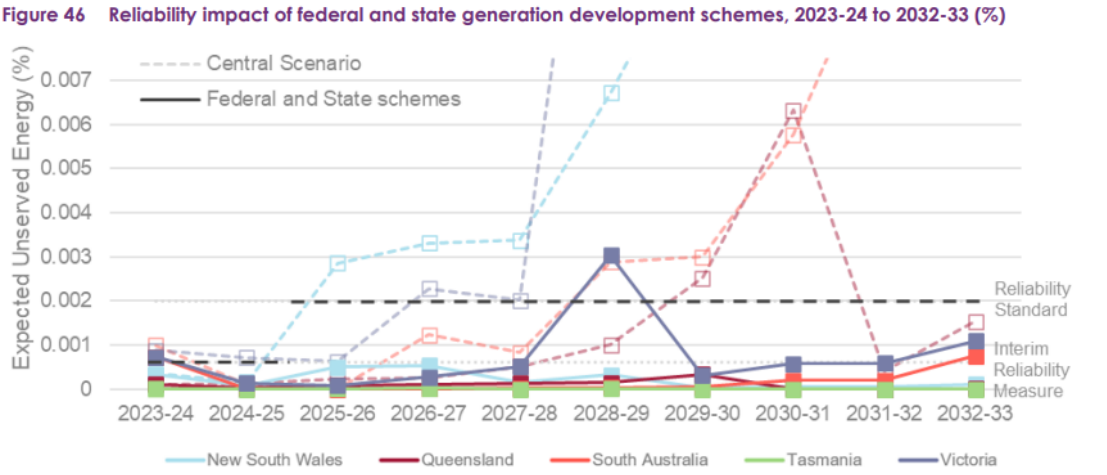
10 Submission to the draft determination: AEC, pg 1.

11 Submission to the draft determination: PIAC, pg 5.

12 AEMO, (February 2023), Update to the Electricity Statement of Opportunities: p. 3 and AEMO, (August 2023), Electricity Statement of Opportunities: 7

13 AEMO, (August 2023), Electricity Statement of Opportunities: 102.

Figure 1.1: Reliability impact of federal and state generation development schemes, 2023-24 to 2032-33 (%)



Source: AEMO, (August 2023), Electricity Statement of Opportunities: 102.

The AEMC notes that if a T-1 event seemed likely to occur, a prudent well-hedged retailer would be timing the purchase of their contracts to a level greater than 50 percent PoE to optimise their portfolio.[14] Further information on the Commission's views on the risk of additional costs is provided in appendix B.

1.5 The Commission considers there are benefits from contracting when there is an expected reliability shortfall

The AEC, EA, Alinta and PIAC did not support the view that the IRM's application to the RRO incentivises investment and supports market certainty.

PIAC argued that "extending the IRM is the unexpected outcome, and it is not clear how extending it to an ambiguously defined endpoint reduces uncertainty."[15] The Commission notes the stakeholder feedback that the market has been assuming that the IRM would expire on 30 June 2025, and therefore we would be creating more uncertainty by extending it. However, when ministers introduced the IRM, it was intended to be in place until such time as a more enduring market design was implemented. To that end, ministers included a review requirement in the rules rather than a specific end date. The extension of the IRM ensures consistency while the form of the Reliability Standard is reviewed and reduces the risk of market uncertainty caused by different jurisdictional standards being implemented to replace it.

14 A T-1 Reliability Instrument obliges retailers to procure sufficient energy market contract coverage to meet their 50 percent probability of exceedance (PoE) demand for gap periods identified.

15 Submission to the draft determination: PIAC, pg 4-5.

Extending the IRM as the trigger for the RRO to 30 June 2028 aligns with the decision by ministers to extend the Interim Reliability Reserve (IRR) to 2028 and creates a consistent approach to reliability until that time.[16] Given the Panel's work to determine the long-term reliability framework, the Commission considers an extension of the IRM would minimise the administrative impact of changing the standard multiple times over a short period.

PIAC further claims that "market signals rest on the information contained in the ESOO. The IRM and RRO add no further information to market participants. Further, the obligation of the RRO does not fall on generators and the timeframe of the obligations is not aligned with investment timeframes." [17]

On incentivising investment, Alinta comments that "in using the reliability standard to determine the market price settings, and the tighter 'IRM' to determine the application of the RRO and the RERT, the framework artificially creates 'market failure'. Rather than being a fallback option, the non-market RRO and RERT mechanisms become the expected outcome."[18]

Stakeholders' comments surrounding the success of the IRM in incentivising investment largely relate to the functioning of the RRO, not the IRM as a trigger. As noted, the AEMC is doing a review of the RRO, which seeks to improve its operation to better deliver the policy intention of the RRO to incentivise new investment in dispatchable technology.[19]

In relation to the claim that the IRM assumes market failure, the AEMC characterises the mechanism differently. If AEMO forecasts indicate an approaching reliability gap at the T-3 and then the T-1 timeframes, then the IRM is triggered. It is therefore a supplementary mechanism that supports reliability if the market settings do not appear to be delivering sufficient generation to meet demand. As such, the mechanism supports the intention of the market settings, along with other supplementary mechanisms such as RERT or interventions.

1.6 The IRM is not used to set the market price settings

IEEFA, PIAC, EA and the AEC made submissions noting that 0.0006% USE was not recommended by the Panel for market price settings and does not reflect reliability at a level consumers value.

IEEFA references the 2022 Final Report of the Review of the Reliability Standard and Settings and argues that "there is not sufficient evidence that consumers are willing to pay for this measure."[20] This view was shared by PIAC and the AEC, which noted that "the ideal level of USE is where the combination of the cost and the level of reliability maximises consumer utility."[21]

16 The IRR is an out-of-market capacity reserve that allows AEMO to enter multi-year reserve contracts for reliability.
17 Submission to the draft determination: PIAC, pg 4.
18 Submission to the draft determination: Alinta Energy, pg 2.
19 For more information, see https://www.aemc.gov.au/market-reviews-advice/review-retailer-reliability-obligation
20 Submission to the draft determination: IEEFA, pg 1.
21 Submission to the draft determination: AEC, pg 1.

EA and Alinta argued against the IRM on the basis that the IRM "is inconsistent with the Reliability Panel's 2022 'Reliability Standard and Settings' (RSS) review findings."[22]

The AEMC notes that the IRM forms part of the overall reliability framework in the NEM and is designed to complement the reliability standard and market price settings, including the market price cap (MPC), cumulative price threshold (CPT), administered price cap (APC) and market floor price (MFP). The IRM, however, has limited application, compared to the reliability standard.

The reliability standard is a key input for the market price cap (MPC) and cumulative price threshold (CPT). The MPC and CPT are the critical investment signals for the NEM. They are set at levels that are sufficiently high to support the investment required to achieve reliability outcomes consistent with the standard, but not too high to create systemic financial risks that may compromise the stability of the market. As previously noted, the IRM is not used to set the level of the MPC. It is an additional risk management tool that may contribute to reliability by triggering requirements on retailers to contract for their load and to enable AEMO to contract for out-of-market reserves.

1.7 The Commission is considering the RRO in a separate review

Since the introduction of the RRO in 2019, there have been changes in the policy levers available to incentivise firm generation. The AEC, PIAC, Alinta and EA expressed the view that the RRO is ineffective and, therefore, the IRM as a risk management tool is redundant.

PIAC states that "the design of the RRO is deeply flawed. There is no reason to believe it has or will increase energy capacity in the NEM."[23] Alinta argued against the IRM on the basis that the RRO increases costs to consumers without benefits and referenced contracting arrangements in South Australia as an example.[24] Both the AEC and EA expressed similar views, with the EA claiming that "the RRO is ineffective in managing resource adequacy."[25]

There continue to be opportunities to reform the operation of the RRO to reduce regulatory burden and lower costs for consumers, while still delivering the policy objectives and achieving the criteria set out against the NEO. Reforms to the RRO fall outside the scope of this rule change. As noted, AEMC is doing a review of the RRO.[26]Submissions given in response to this rule change on these issues will be considered as part of the RRO review.

1.8 Previous modelling remains relevant to extending the IRM

Alinta argued that the recommendation to extend the IRM "doesn't appear to be based on any economic modelling." Alinta argue that "tail risk should be addressed in the modelling

22 Submission to the draft determination: Alinta Energy, pg 1.
23 Submission to the draft determination: PIAC, pg 2.
24 Submission to the draft determination: Alinta Energy, pg 1-2.
25 EnergyAustralia, (August 2023) Submission: 1.
26 For more information, see https://www.aemc.gov.au/market-reviews-advice/review-retailer-reliability-obligation

that derives the USE as opposed to a crude and unnecessary increase to the conservatism of the USE level (ie, moving from 0.002% to 0.0006%)."[27]

The AEMC considers that as a short-term measure to mitigate tail risk while the Panel reviews the form of the Reliability Standard, extending the IRM by three years does not require additional modelling. We note that the original decision to introduce the IRM was based on modelling done by Acil Allen which was commissioned by the Energy Security Board (ESB). Acil Allen was engaged to advise on the net benefits and costs of moving to a tighter reliability standard. That work drew on the AER's 2019 review of the Value of Customer Reliability (VCR). The Acil Allen analysis found that moving to a tighter standard in the range of 0.0010%-0.0005% expected unserved energy (USE) likely has net positive benefits overall.[28]

In the Commission's view, this modelling remains relevant to this rule change request and that further modelling is not warranted for a short term measure.

27 Submission to the draft determination: Alinta Energy, pg 1-2.

28 Energy Security Board, (March 2020), Reliability Standard Review: pgs. 3-6.

2 EXTENDING THE IRM CONTRIBUTES TO THE NEO

The Commission can only make a rule if it is satisfied it will or is likely to contribute to the achievement of the relevant energy objectives.[29]

For this rule change, the relevant energy objective is the NEO:

> to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:
>
> 1. price, quality, safety, reliability and security of supply of electricity; and
> 2. the reliability, safety and security of the national electricity system.

The final rule will or is likely to contribute to the achievement of the NEO by providing consistency, predictability, and stability for the market while the Panel does further work on mitigating 'tail risk.'

In developing the final rule, the Commission has considered the application to the Northern Territory according to the following questions:

- Should the NEO test include the Northern Territory electricity systems? Yes, for this rule change request, the Commission proposes to determine that the reference to the "national electricity system" in the NEO includes the local electricity systems in the Northern Territory, as well as the national electricity system.
- Should the rule be different in the Northern Territory? No, the final rule determination is to make a uniform rule because the different physical characteristics of the Northern Territory's network would not affect the operation of the final rule in such a way that a differential rule would better achieve the NEO in this instance.

See appendix D for more details on the legal requirements for a decision.

2.1 Extending the IRM is the best course of action when assessed against our criteria

The Commission has considered the NEO and the proposal raised in the rule change request and has assessed the final rule against the assessment criteria outlined below:

- **Safety, security, reliability and principles of market efficiency**: the regulatory framework should contribute to reliability outcomes in the NEM and promote efficiency across investment/planning, commitment and dispatch time frames.
- **Appropriate allocation of risk:** Risks should be borne by parties who are in the best position to manage them and have the incentives to do so.
- **Timing and practicality:** Any proposed changes should consider how likely a practical policy solution will be developed and implemented. Additionally, changes should achieve the intended benefits in a timely, proportionate, and targeted way.

29 Section 88(1) of the NEL.

- **Predictability and stability:** The regulatory framework should promote confidence in the market by clearly defining roles and responsibilities and ensuring that parties have sufficient information to make decisions. The framework should also result in predictable outcomes for all participants.
- **Simplicity and transparency:** The regulatory framework should be as simple and practicable as possible and provide parties with sufficient information to make decisions.
- **Success as a market-wide solution and consideration of the broader direction of reform:** Changes should align with the Reliability Panel's review to promote a market-wide solution and deliver a consistent reliability framework across the NEM.

We gathered stakeholder feedback on the draft determination and draft rule from 13 July 2023 to 24 August 2023. These submissions have been taken into account in determining the final rule as has the feedback provided by stakeholders throughout the 2023 IRM Review.

The Commission did a regulatory impact analysis in relation to these criteria as part of the draft and final determination to evaluate the impacts of the various policy options. Appendix C provides details on the regulatory impact analysis completed.

The rest of this section explains why the final rule achieves the NEO and promotes the long-term interest of consumers when assessed against our criteria.

2.1.1 The rule will be an effective tool in supporting a safe, secure and reliable system

In initially recommending the IRM, the ESB considered that it is an appropriate interim risk management tool to meet community expectations that electricity supply remains reliable during a one-in-ten-year summer.[30] The Commission considers that the IRM continues to meet this objective, pending the outcomes of the Panel's review of the new form of the reliability standard.

2.1.2 Risks created by the rule change will be borne by those in the best position to manage them

Potential higher risk of costs associated with the final rule are only expected if a future ESOO forecast triggers T-1 reliability gaps above 0.0006 per cent USE and below 0.002 per cent between 2025-26 and 2027-28.

In April 2023, AEMO updated its 2023 ESOO and Reliability Forecast Methodology Document such that the ESOO Reliability Forecasts (for the T-3 time frame only) now include all production units that are existing, committed or anticipated.[31]

As such, the Commission notes that in the context of AEMO's 2023 August ESOO, the risk of T-1 costs would be low if 'expected and anticipated' projects become 'committed' projects over the three-year period.

30 The IRM was also designed to meet these reliability expectations by triggering the out-of-market capacity reserve ('Interim Reliability Reserve')

31 AEMO, 2023 ESOO and Reliability Forecast Methodology Document.

2.1.3 The timing of this rule change will work with other market activities and is a practical solution

The final rule requires only minimal changes to the NER, as the IRM is already implemented and operating.

The release of the final rule determination on the IRM also provides sufficient time for the market to respond to any reliability gaps identified in the 2023 August ESOO or any future ESOO Update.

2.1.4 Providing predictability and stability while aligning with the broader direction of reform

The final rule extending the IRM, aligns with the decision by Ministers to extend the use of the IRM as it applies to the IRR to 2028. Extending the IRM as it applies to the RRO, therefore, maintains consistency in the approach to the IRM as a reliability measure in the NEM through to 30 June 2028. This aligns with the Panel's work on a new form of the reliability standard to establish an enduring approach to better manage tail risk.

2.1.5 The IRM is well understood, so will provide simplicity and transparency for market participants

The IRM and its application to the RRO and IRR are already understood by industry and governments. Extending the IRM allows the market to operate in a simple and transparent manner while work is completed by the Panel on a new form of the reliability standard.

2.1.6 Success as a market-wide solution and consideration of the broader direction of reform

The final rule will align with the Reliability Panel's review to promote a market-wide solution and deliver a consistent reliability framework across the NEM. This will ensure a stable and well-established tool is available to AEMO and the market to mitigate reliability risk.

2.2 The Commission has also considered the final rule in the context of the revised NEO

In May 2023, Energy Ministers approved amendments to the national energy laws to implement their previous decision to incorporate an emissions reduction component into the NEO, National Gas Objective and National Energy Retail Objective.[32] The amendments were passed by the South Australian Parliament on 12 September 2023 and will come into effect on assent by the South Australian Governor.[33] The AEMC recently consulted on how we will implement the changes and more information is available on our website.

The Commission has made the final rule under the NEO as set out in section 2 above.

While the revised NEO does not apply to the making of the final rule, the Commission has, however, considered how the final rule would contribute to the revised NEO.

32 Department of Climate Change, Energy and Environment and Water, Energy and climate change ministerial council meeting communique, 19 May 2023.

33 *The Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (the Act).

The Commission considers that the final rule, in itself, will not have a measurable impact on the achievement of government emissions targets.

The IRM is technology-neutral in incentivising investment, which means the AEMC cannot forecast whether investment derived from the IRM will be directed into renewable or emissions-intensive generation. As a result, the impact of extending the IRM from 2025-2028 on emissions is not accurately quantifiable.

Notwithstanding this, the Commission estimates that any impact of this rule on emissions would likely be limited. This conclusion is drawn from the fact that the IRM provides only incremental revenue to encourage generation investment and is forecast to potentially only be a trigger for the RRO on three occasions between 2025-2028.[34]

As the final rule would contribute to achieving the other components of the NEO as set out in the final determination, and would have no significant impact on the new emissions reduction component of the revised NEO, the Commission considers the final rule would also contribute to the revised NEO.

34 AEMO, (August 2023), 2023 ESOO: pg 7.

3 HOW OUR RULE WILL OPERATE

This final rule will operate in the same way as the existing IRM for the purposes of the RRO, which is currently set to expire on 30 June 2025. The final rule will extend the application of the IRM from 1 July 2025 to 30 June 2028. It will take effect on 21 September 2023.

The AEMC has considered the timing of the publication of the ESOO, the reliability obligations on market bodies under the NER and NEL and the commencement date of the final rule. The Commission understands the importance of avoiding impacts on the operation of the RRO in its implementation, and as such, has determined that a transitional rule is required. The transitional arrangements ensure that:

- if the 2023 ESOO identifies a forecast reliability gap in any region commencing on 1 December 2026, AEMO will have sufficient time to request for a T-3 reliability instrument to be made by the AER.
- if the extension of the IRM to 2028 would materially change a reliability forecast in the most recent ESOO, AEMO can publish an updated forecast in an ESOO update, in accordance with the Reliability Forecast Guidelines.

Further information on the transitional rule is outlined below.

3.1 The RRO timeline is based on AEMO releasing the ESOO by 31 August 2023

The RRO requires liable entities to hold contracts for their share of system peak demand when there is a forecast reliability gap. The current key steps for a T-3 instrument are set out below:

1. AEMO releases its ESOO by 31 August each year and identifies reliability gaps against the IRM or the reliability standard.[35]
2. AEMO must apply to the AER for a T-3 instrument at least three months before the T-3 cut-off day. The T-3 cut-off day is the day that is three years before the start of the forecast reliability gap that AEMO identifies in the ESOO. This means that AEMO must apply to the AER at least three years and three months before T (T being the start of the reliability gap).[36]
3. AEMO must only make the request if the reliability forecast published in the 6 months immediately preceding the T-3 cut-off day identifies that forecast reliability gap.[37]
4. The AER must, within two months of receiving AEMO's request, decide whether to make or not make the reliability instrument.[38]

35 NER clause 3.13.3A(a)(10).
36 NER clause 4A.C.2(a) and NEL section 14G(3).
37 NER clause 4A.C.2(b)(3).
38 NER clause 4A.C.9(c).

5. The AER must publish its decision on whether to make a reliability instrument on its website before the T-3 cut-off day or an earlier day prescribed by the Rules.[39]
6. The reliability instrument takes effect when it is published on the AER's website (NEL section 14K(5)).[40]

3.2 The final rule will commence on 21 September 2023

AEMO released its 2023 ESOO on 31 August 2023. It indicates potential reliability gaps in Victoria over the period 2025-26 to 2026-27 and South Australia over the period 2026-27 and 2028-29 which sit between 0.0006% USE and the Panel's recommended reliability standard of 0.002% USE. To ensure a T-3 reliability instrument can be in place for this period, AEMO would have needed to submit a request to the AER no later than 1 September 2023. However, as AEMO was not able to do so prior to the final rule being made, the Commission has made a transitional provision to address this. Figure 3.1 shows the timeline for requesting a T-3 Reliability instrument without a transitional provision.

Figure 3.1: Timing without a transitional provision

Source: AEMC

3.3 The Commission is making a transitional rule to give AEMO additional time

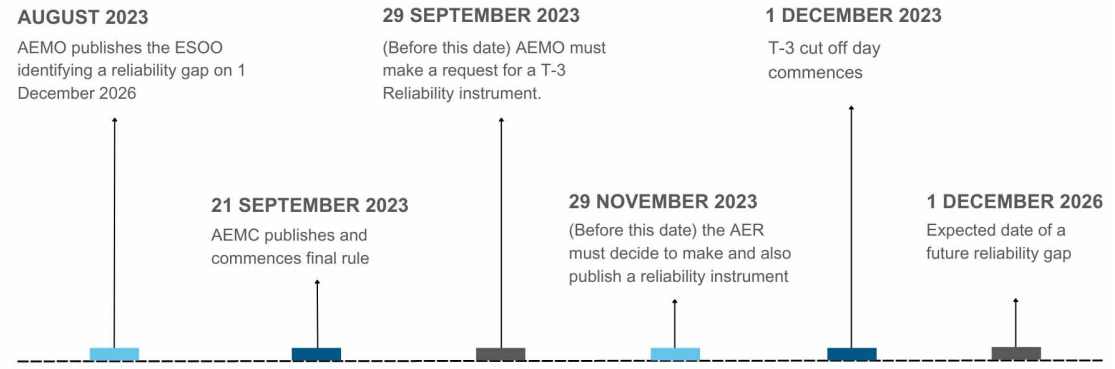
To address any difference in timing, we are making a transitional rule that will allow AEMO to apply for a T-3 instrument following the publication of the final rule. The transitional rule requires that if AEMO makes a request for a T-3 reliability instrument on or after 21 September 2023 and before 29 September 2023, it can make the request at least two months before the T-3 cut-off day for the relevant forecast reliability gap (rather than three

39 NEL section 14K(6).
40 NEL section 14K(5).

months). This ensures that if AEMO identifies a reliability gap for a region that starts on 1 December 2026 in the 2023 ESOO against the IRM, it will meet the statutory requirements in the NEL regarding the T-3 cut-off day. The AER will still have two months to seek stakeholder feedback in accordance with the Reliability Instrument Guidelines and assess AEMO's request against the relevant criteria. No other timelines in the RRO process will be affected. AEMO supports this approach.

Figure 3.2 summarises the updated timeline that would occur under the transitional rule if AEMO identifies any reliability gaps in a region from 1 December 2026.

Figure 3.2: Timeline under the final transitional rule



Source: AEMC

3.4 The Commission is making a transitional rule to allow AEMO to publish an updated ESOO

In response to the draft rule, AEMO made a submission advising of an additional timing issue due to the publication dates for the 2023 ESOO and the commencement date of the final rule.[41]

AEMO noted that the information included in the ESOO, such as reliability forecasts, are based on the current version of the NER at the time of the ESOO publication. As a result, the most recent ESOO published in August 2023 could technically only identify reliability gaps for the period 1 July 2025 to 30 June 2028 based on the reliability standard, rather than the IRM. Although AEMO was aware of the potential extension of the IRM and took this into account in preparing the 2023 ESOO[42], until this final rule change takes effect, the trigger for the RRO from 1 July 2025 would be 0.002% USE.

AEMO already has the ability to issue updates to the ESOO in relation to a range of matters if new information becomes available that materially changes the ESOO.[43] However, the extension of the IRM for another three years is a new consideration that AEMO will need to

41 Submission to the draft determination: pg 1-2.
42 AEMO, August 2023, Electricity Statement of Opportunities, pp. 9, 17, 18, 19, 68.
43 See clause 3.13.3A(b) of the NER.

take into account when forecasting reliability gaps. The reliability forecasts included in the most recent ESOO will not be changed of their own accord. Additionally, AEMO cannot request a T-3 reliability instrument for any reliability gaps against the IRM from 1 December 2026 until another ESOO is published. Therefore, AEMO will likely need to update the ESOO once this final rule commences.

Accordingly, the Commission has decided to make a transitional rule that will enable AEMO to publish an update to its reliability forecast in an update to the ESOO if the extension of the IRM from 1 July 2025 to 30 June 2028 would materially change a previous reliability forecast. This must be done in accordance with the Reliability Forecast Guidelines. The transitional rule is supported by AEMO. In effect, this means AEMO can publish an update of its August 2023 ESOO reliability forecast referenced against the IRM.

A RULE MAKING PROCESS

A fast track rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission commences the rule change process
- the Commission publishes a draft determination and draft rule (if relevant)
  - stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process in *The Rule change process – a guide for stakeholders.*[44]

A.1 AEMO proposed a rule to extend the operation of the IRM

AEMO submitted a rule change to give effect to the Commission's recent recommendation to extend the application of the IRM to the RRO to 30 June 2028. The proposal seeks to address reliability risk, particularly tail risk, and increasing uncertainty as the power system transitions to zero-emissions generation by making the IRM available as a risk management tool.

A.2 The process to date

On 13 July 2023, the Commission published a notice advising of its intention to initiate the rule-making process in respect of the rule change request.[45] The Commission decided to fast track this rule change request. This is because it concluded that the rule change request is consistent with the relevant recommendation of the AEMC's Review into the Interim Reliability Measure and adequate consultation with the public was undertaken during that review on the relevant recommendation.[46] Accordingly, the Commission did not publish a consultation paper upon initiation of the rule change process.

The Commission published a draft rule determination on 13 July 2023 and consultation closed on 24 August 2023. The Commission received six submissions on the draft rule determination. Issues raised in submissions are discussed and responded to throughout this final rule determination.

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44 *AEMC, The rule change process: a guide for stakeholders, June 2017, available here: https://www.aemc.gov.au/sites/default/files/2018-09/A-guide-to-the-rule-change-process-200617.PDF*

45 This notice was published under s. 95 of the NEL.

46 The decision to fast-track the rule change request was made under s. 96A(1) of the NEL.

B RISKS OF ADDITIONAL COSTS ASSOCIATED WITH AN EXTENSION

B.1 Extending the IRM trigger could result in the RRO applying more often

There are different costs incurred when the RRO is triggered at T-3 and T-1.

- T-3 RRO costs are limited to reporting costs and any market-making actions. These costs are expected to be low in the context of broader system costs. The Regulatory Impact Statement (RIS) for the RRO estimated total business compliance costs across the NEM of $77 million (or $7.7 million per annum) over 10 years for the RRO.[47]
- T-1 RRO costs (if they are realised) are potentially higher, comprising Procurer of Last Resort (PoLR) costs, contracting costs and potential penalties for non-compliance. For customers of non-compliant liable entities, these costs may be significant, but with the purpose of reducing instances of USE which can in themselves place a significant cost burden on the broader community.

The IRM trigger may result in the RRO applying more often. As noted above, the main cost impact on customers of a liable entity of extending the IRM would be if a T-1 RRO is triggered more often by extending the IRM.

The Commission considers the incremental costs of the extension of the IRM are likely to be low if it only triggers T-3 obligations. T-3 reliability gap costs are limited and do not place significantly higher costs on consumers.

Potential higher costs through contracting and the PoLR cost recovery mechanism are largely incurred through RRO compliance with T-1 reliability gaps, which would only be realised if a gap continued to be in place one year (T-1) from the period of the gap (T). More significant costs can eventuate (at T) if system peak electricity demand is higher than a 50 percent PoE and liable entities have not sufficiently contracted. These more significant costs are only borne by the customers of individual liable entities which have not complied with the RRO by entering into sufficient qualifying contracts to meet their share of a 50 percent PoE.

The AEMC considers that a prudent well-hedged retailer should be timing the purchase of their contracts to a level greater than 50 percent PoE to optimise their portfolio. As liable entities have three years' notice at T-3 about the need to comply with the RRO, the AEMC considers that they, therefore, have sufficient time to contract to sufficient levels in order to protect their customers from these costs.

The Commission also notes the comments raised by some stakeholders as part of the 2023 IRM Review regarding the increase in contracting costs resulting from the IRM triggering a T-1 instrument. Contracting is key to the operation of the RRO, to encourage market investment and support reliability by reducing instances of USE that place a significant cost burden on the broader community.

47 Energy Security Board, Retailer Reliability Obligation Decision Regulation Impact Statement — 19 December 2018.

B.2 T-3 and T-1 trigger events are likely to be minimal between 2025-2028

The Commission considers the incremental costs of the extension of the IRM would likely be low if it only triggers T-3 RRO requirements between 2025-26 and 2027-28. That is, where T-3 RRO requirements do not translate into T-1 RRO requirements. The Commission notes that USE forecasts may be subject to change and that this may change its underlying assessment of costs.

AEMO's 2023 Electricity Statement of Opportunities (ESOO) identifies reliability gaps in Victoria over the period 2025-26 to 2026-27 and South Australia over the period 2026-27 and 2028-29 which sit between 0.0006% USE and the Panel's recommended reliability standard of 0.002% USE. The Commission notes that AEMO has already applied to the AER for a T-3 Reliability Instrument in Victoria for the forecast reliability gap period of 1 December 2026 to 28 February 2027 inclusive on account of a breach of the reliability standard.[48] Therefore, based on the 2023 August ESOO, the additional T-3 Reliability Instrument triggered by the extension of the IRM as a result of this final rule is expected to occur for South Australia.

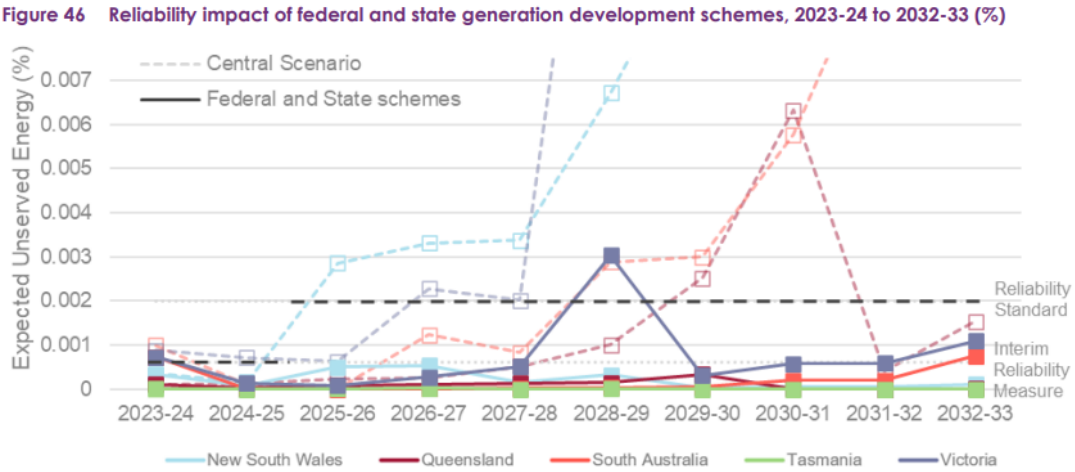
In April 2023, AEMO updated its ESOO and Reliability Forecast Methodology Document, such that the ESOO Reliability Forecast (for the T-3 time frame only) now includes all production units that are existing, committed or anticipated in the most recent generation information page published in accordance with clause 3.7F of the NER. Previously, anticipated projects were excluded from the ESOO Reliability Forecast. AEMO notes that the updated methodology seeks to include in the forecast "a greater number of projects that are likely to proceed, while sufficiently delaying developments that are less advanced and more prone to delays."[49] By considering a broader range of production units that are likely to proceed to commissioning, AEMO may be less likely to determine a material reliability gap for the T-3 time frame, other things being equal.

AEMO's 2023 ESOO shows that generation, storage and transmission developments are progressing, and if developed to their current anticipated schedules, will lessen the reliability risk and reduce the forecast capacity requirements.

AEMO's 2023 ESOO shows the instances of USE are forecast to be below the IRM between 2025-26 and 2027-28 when federal and state government programs, actionable transmission developments, and orchestration of forecast consumer energy resources (CER) are also considered.[50] If these projects become 'committed projects', T-1 reliability gaps would not eventuate in future ESOO publications.

48 AEMO, (August 2023), T-3 Reliability Instrument Request for Victoria, pg 4.
49 AEMO, 2023 ESOO and Reliability Forecast Methodology Document.
50 AEMO, (August 2023), Electricity Statement of Opportunities, pg 102.

Figure B.1: Reliability impact of federal and state generation development schemes, 2023-2024 to 2032-2033 (%)



Source: AEMO, (August 2023), Electricity Statement of Opportunities: 102.

An additional 8.3GW of 'anticipated' investments are in the pipeline and will improve the outlook if they progress as planned.[51]

Based on the 2023 August ESOO, the Commission considers that T-1 trigger events between 2025 and 2028 are less likely because of the forecast capacity investment, jurisdictional plans, and other potential incremental investment created by the RRO contracting required between T-3 and T-1.

Finally, the Commission notes that the number of reliability gaps which sit between 0.0006% USE and the Panel's recommended reliability standard of 0.002% USE has actually reduced between the Feb 2023 and August 2023 ESOO forecasts as New South Wales is now breaching not only the IRM but also the reliability standard for the period 1 December 2026 to 31 March 2027 inclusive.[52] In August 2023, on the basis of the reliability standard breach, AEMO requested a T-3 Reliability Instrument from the AER to address this reliability gap.[53]

51 AEMO, (August 2023), Electricity Statement of Opportunities, pg 44.

52 AEMO, (February 2023), Update to the Electricity Statement of Opportunities: 3, and AEMO, (August 2023), Electricity Statement of Opportunities: 7

53 AEMO, (August 2023), T-3 Reliability Instrument Request for New South Wales, pg 4.

C REGULATORY IMPACT ANALYSIS

The Commission completed regulatory impact analysis to prepare its draft and final determinations. We note the following regarding impacts:

- The final recommendation to extend the IRM, aligns with the decision by Ministers to extend the use of the IRM as it applies to the IRR to 2028. Extending the IRM as it applies to the RRO, therefore, maintains consistency in the approach to the IRM as a reliability measure in the NEM through to 30 June 2028. This ensures consistency while the Panel works on a new form of the reliability standard to establish an enduring approach to better manage tail risk.
- Costs could potentially be higher as the result of extending the IRM could mean the RRO is triggered more often. However, the Commission has already determined that, despite this risk, an extension to the IRM is warranted in light of the changing drivers of reliability risk.
- Only eight stakeholders provided submissions to the 2023 IRM Review, five of which opposed the extension. Likewise, only six stakeholders provided submissions in response to the draft rule, five of which opposed the extension.

Our Regulatory Impact Plan is informed by stakeholder submissions and the outcomes of the 2023 IRM Review. Following a review of the submissions provided in response to the draft determination, the Commission determined that no new information or analysis was supplied to change the regulatory impacts previously noted.

The 2023 IRM Review did extensive analysis of the regulatory impact and, as such, the AEMC expects that the impact of this rule change is likely to be the same as outlined in the review.

Our regulatory impact analysis has also considered the final rule in the context of the updated NEO that will take effect on the 21 September 2023. See chapter 2 for more details.

D LEGAL REQUIREMENTS TO MAKE A RULE

This appendix sets out the relevant legal requirements under the NEL for the Commission to make a final rule determination.

D.1 Final rule determination and final rule

In accordance with sections 102 and 103 of the NEL, the Commission has made this final rule determination in relation to the rule proposed by AEMO. The Commission's reasons for making this final rule determination are set out in chapter 2. A copy of the final rule is attached to and published with this final determination. Its key features are described in chapter 1 and chapter 3.

D.2 Power to make the rule

The Commission is satisfied that the final rule falls within the subject matter about which the Commission may make rules.

The final rule falls within s. 34 of the NEL as it relates to:

- The operation of the national electricity system for the purposes of the safety, security and reliability of that system; and
- Any matter or thing related to, or necessary or expedient for, the purposes of the RRO.

The final rule also falls within the matters set out in Schedule 1 to the NEL as it relates to:

- The forecasting by AEMO for the purpose of the reliability obligation, the process for AEMO to request a reliability instrument and the AER to make a reliability instrument (items 6A-6C); and
- Reviews by the AEMC (item 33).

D.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the final rule
- the rule change request
- submissions received during first round of consultation on the draft determination
- submissions received during consultation as part of the 2023 IRM Review
- the Commission's analysis as to the ways in which the final rule will or is likely to contribute to the achievement of the NEO
- the application of the final rule to the Northern Territory
- the timing of the release of the 2023 ESOO by AEMO
- the timing for requesting a T-3 reliability instrument for reliability gaps between 2025-2028.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.[54]

D.4 Making electricity rules in the Northern Territory

Test for scope of "national electricity system" in the NEO

Under the NT Act, the Commission must regard the reference in the NEO to the "national electricity system" as a reference to whichever of the following the Commission considers appropriate in the circumstances having regard to the nature, scope or operation of the proposed rule:[55]

1. the national electricity system
2. one or more, or all, of the local electricity systems[56]
3. all of the electricity systems referred to above.

Test for differential rule

Under the NT Act, the Commission may make a differential rule if it is satisfied that, having regard to any relevant MCE statement of policy principles, a differential rule will, or is likely to, better contribute to the achievement of the NEO than a uniform rule.[57] A differential rule is a rule that:

- varies in its term as between:
  - the national electricity systems, and
  - one or more, or all, of the local electricity systems, or
- does not have effect with respect to one or more of those systems

but is not a jurisdictional derogation, participant derogation or rule that has effect with respect to an adoptive jurisdiction for the purpose of s. 91(8) of the NEL.

A uniform rule is a rule that does not vary in its terms between the national electricity system and one or more, or all, of the local electricity systems, and has effect with respect to all of those systems.[58]

The Commission's final determinations in relation to the meaning of the "national electricity system" and whether to make a uniform or differential rule are set out in chapter 2.

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54 Under s. 33 of the NEL and s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. In December 2013, it became known as the Council of Australian Government (COAG) Energy Council. In May 2020, the Energy National Cabinet Reform Committee and the Energy Ministers' Meeting were established to replace the former COAG Energy Council.

55 Clause 14A of Schedule 1 to the NT Act, inserting section 88(2a) into the NEL as it applies in the Northern Territory.

56 These are specified Northern Territory systems, listed in schedule 2 of the NT Act.

57 Clause 14B of Schedule 1 to the NT Act, inserting section 88AA into the NEL as it applies in the Northern Territory.

58 Clause 14 of Schedule 1 to the NT Act, inserting the definitions of "differential Rule" and "uniform Rule" into section 87 of the NEL as it applies in the Northern Territory.

D.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the Energy Ministers' Meeting that new or existing provisions of the NER be classified as civil penalty provisions or conduct provisions.

The final rule does not amend any clauses that are currently classified as civil penalty provisions or conduct provisions under the National Electricity (South Australia) Regulations.

The Commission does not propose to recommend to the Energy Ministers' Meeting that any of the proposed amendments made by the final rule be classified as civil penalty provisions or conduct provisions.

D.6 Review of operation of the rule

We note the concerns raised by stakeholders that the IRM may continue beyond 2028. The Commission has not included any requirements in the final rule to review the IRM beyond 2028. This is because we consider that the IRM is a temporary measure while the Panel considers the longer-term approach to the reliability standard.

E CHANGES FROM DRAFT TO FINAL

The only change from the draft rule to the final rule is the addition of a further transitional provision (see chapter 3) to allow AEMO to publish an update to the ESOO if the extension of the IRM would materially change a reliability forecast included in the most recent ESOO.

F SUMMARY OF OTHER ISSUES RAISED IN SUBMISSIONS

Table F.1: Summary of other issues raised in submissions

STAKEHOLDER	ISSUE	RESPONSE
EnergyAustralia	EA quotes a report by Endgame Economics on the form of the reliability standard to argue that reliability settings do not need to change to accommodate tail risk.	The AEMC notes that in the 2022 Reliability Standards and Settings Review, the Reliability Panel found that the current form of the Reliability Standard in the NEM may need to change to better reflect the changes in reliability risk that would have impacts on consumers. The review of the form of the reliability standard and APC is outside of the scope of this rule change, and we encourage stakeholders with views on this matter to engage with the review process.
IEFFA	IEFFA argued there is a governance issue with the extension of the IRM, given that the Reliability Panel has not deemed it necessary, and that the Reliability Panel is responsible for recommending the reliability standard.	The Reliability Panel has certain roles under the NER and NEL to determine reliability settings. However, as agreed by ministers, the Commission is responsible for reviewing the IRM. Further, the NEL allows the AEMC to make rules for or with respect to reviews by or on behalf of the AEMC or the Reliability Panel. As this rule change implements recommendations from the 2023 IRM review conducted by the AEMC, there are no governance issues.

ABBREVIATIONS AND DEFINED TERMS

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NT Act	*National Electricity (Northern Territory) (National Uniform Legislation) Act 2015*
Proponent	The individual / organisation who submitted the rule change request to the Commission