
Reliability Panel AEMC

Final guidelines

Reliability Panel Guide to applying the emissions reduction component of the National Electricity Objective

4 April 2024

GUIDELINES

Inquiries

Reliability Panel
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

E aemc@aemc.gov.au
T (02) 8296 7800

Reference: CRP0159

About the Reliability Panel

The Panel is a specialist body within the Australian Energy Market Commission (AEMC) and comprises industry and consumer representatives. It is responsible for monitoring, reviewing and reporting on reliability, security and safety on the national electricity system, and advising the AEMC in respect of such matters. The Panel's responsibilities are specified in section 38 of the National Electricity Law.

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.

Copyright

This work is copyright. The Copyright Act 1968 (Cth) permits fair dealing for study, research, news reporting, criticism and review. You may reproduce selected passages, tables or diagrams for these purposes provided you acknowledge the source.

Citation

To cite this document, please use the following:

AEMC, Reliability Panel Guide to applying the emissions reduction component of the National Electricity Objective, Final guidelines, 4 April 2024

Reliability Panel members

Charles Popple (Chair) – Commissioner, AEMC
Joel Gilmore, General Manager Energy Policy & Planning, Iberdrola Australia
Ken Harper, Group Manager Operational Support, AEMO
Craig Memery, Senior Energy Advisor, Public Interest Advocacy Centre
Melissa Perrow, General Manager Energy, Brickworks Limited
Peter Price, Head of Corporate Strategy and EGM Asset Safety and Performance, Energy Queensland
Keith Robertson, General Manager Wholesale Risk and DER, Origin Energy
Damien Sanford, Executive General Manager Operations, Tilt Renewables
Rachele Williams, Director, Plenary Group

1 Reliability Panel guide to applying the emissions component of the National Electricity Objective

1.1 Introduction

The Reliability Panel (Panel) forms part of Australian Energy Market Commission's (AEMC) institutional arrangements and has detailed functions and powers conferred on it within the National Electricity Law (NEL). It is the responsibility of the Panel to monitor, review and report on the safety, security, and reliability of the national electricity system and perform any other functions or powers given to it under the NEL or National Electricity Rules (NER).

The Panel is comprised of members who represent a range of participants in the National Electricity Market, including small and large consumers, generators, network businesses, retailers, and AEMO.

The Panel applies the national electricity objective (NEO) in its work in accordance with the NER and as specified in terms of reference from the AEMC.¹ This includes the Panel's work on the reliability standard and settings, the frequency operating standards and the system restart standard, among other projects.

The Panel supports the change to the NEO to include consideration of government emissions reduction targets. This document sets out how the Panel applies the emissions component to its work.

1.2 What is the emissions component of the NEO?

The national electricity objective (NEO) refers to the long-term interests of energy consumers with respect to specified matters, within an economic efficiency framework.²

In September 2023, the list of matters forming part of the long-term interests of energy consumers in the NEO was updated to include:³

the achievement of targets set by a participating jurisdiction -

- (i) for reducing Australia's greenhouse gas emissions; or
- (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

1.3 The new emissions component of the NEO is one of several considerations the Panel balances

The emissions reduction component is one of a number of components (alongside price, quality, safety, reliability, and security of supply) that the Panel considers and has the discretion to balance in making its decisions.

¹ The AEMC may give the Panel terms of reference in relation to specific Panel determinations and reviews under clause 8.8.3 of the National Electricity Rules (NER). Terms of reference outline the scope of the Panel's determination or review and commonly include a requirement to consider the NEO. In addition, the NER specifies that the Panel must have regard to the NEO in relation to specific tasks, e.g. clause 8.8.3 in relation to the system restart standard and clause 8.8.4 in relation to protected event declarations.

² More information on this efficiency framework can be found in the AEMC guide *How the National Energy Objectives Shape Our Decisions*. The national energy objectives are set out in these sections of the energy laws: National Electricity Law (NEL) section 7; National Gas Law section 23; National Energy Retail Law section 13.

³ NEL section 7(c), as inserted by the *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (SA). For the Panel, this change took effect in November 2023, under NEL Schedule 3 clause 39.

The Panel considers and balances the emissions reduction component alongside other components of the NEO, in a way that promotes the long-term interests of electricity consumers overall.

1.4 Where relevant, the Panel considers the impact of its recommendation or determination on the ability to meet emissions reduction targets, in accordance with government and AEMC guidance

Where the Panel has decided or is otherwise required to consider the NEO in making a recommendation or determination, the Panel considers impacts on emissions reduction targets with reference to any government guidance and AEMC guidance.

Relevant guidance includes:

- the [MCE statement about the interim value of greenhouse gas emission reduction](#)
- the AEMC's guide [How the national energy objectives shape our decisions](#), with an updated appendix on applying the emissions component, including guidance on when and how the AEMC may undertake quantitative assessment of emissions impacts
- the AEMC's [targets statement](#), listing government targets for reducing emissions and targets that are likely to contribute to reducing emissions.⁴

This approach is consistent with the NER, which requires that, in undertaking any review and preparing any report and recommendation, the Panel must take into consideration the policy statements, directions, or guidelines published by the AEMC from time to time (clause 8.8.3).

However, the Panel retains the flexibility to determine how to apply the AEMC's guidance on emissions to specific Panel reviews and determinations. The Panel may use a range of qualitative and quantitative techniques to assess the likely emissions reduction benefits and costs of its recommendations and determinations.

1.5 The Panel has discretion to apply the emissions component of the NEO to existing projects

The Panel can choose whether to apply the updated NEO to existing projects.⁵ The Panel has decided to consider the updated NEO for each relevant Panel project – both existing and new – from the time the change to the NEO took effect for the Panel.

The only relevant Panel project on foot in November 2023 was the [Review of the form of the reliability standard and APC](#). The impacts of government emissions reduction and renewable energy targets on the electricity system are being considered and consulted on as part of the context for this review, consistently with the updated NEO and the updated [terms of reference](#) for the review.

⁴ The Panel is required to consider targets listed in the targets statement, as a minimum, when it is applying the emissions component of the NEO. NEL section 32A(5).

⁵ NEL Schedule 3 clause 40.