



AEMC Reliability Panel

2007 Review of VoLL under the National Electricity Rules

**A report prepared and published by the Reliability Panel
established by the Australian Energy Market Commission under
section 38 of the National Electricity Law**

Inquiries

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Citation

AEMC Reliability Panel 2007, Comprehensive Reliability Review, Interim Report, March 2007, Sydney

About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy, established the Australian Energy Market Commission (AEMC) in July 2005 to be the Rule maker for national energy markets. The AEMC is currently responsible for Rules and policy advice covering the National Electricity Market. It is a statutory authority. Our key responsibilities are to consider Rule change proposals, conduct energy market reviews and provide policy advice to the Ministerial Council as requested, or on AEMC initiative.

About the AEMC Reliability Panel

The Panel is a specialist body established by the AEMC and comprises industry and consumer representatives. It is responsible for monitoring, reviewing and reporting on the safety, security and reliability of the national electricity system and advising the AEMC in respect of such matters. The Panel's responsibilities are specified in section 38 of the NEL.

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The views and recommendations set out in this report are those of the Reliability Panel and are not necessarily those of the Australian Energy Market Commission.

1. Requirement

Under the clauses 3.9.4 and 3.9.6 of the National Electricity Rules (the Rules), the AEMC Reliability Panel (the Panel) is required to conduct a review of the Value of Lost Load (VoLL), the market floor price and the Cumulative Price Threshold (CPT) by 30 April each year.

2. Current settings

VoLL is currently set at \$10,000/MWh and the market floor price is set at -\$1,000/MWh. The CPT is the cap for the cumulative price over a rolling 7 day, 336 trading interval, period and is currently set at \$150,000/MWh. If the cumulative price exceeds this threshold then administered prices are invoked. The administered prices are set by the AEMC (previously by NECA) and are currently at \$100/MWh for peak periods and \$50/MWh for off peak periods.

3. Context – Comprehensive Reliability Review

This 2007 review is taking place under the umbrella of the Panel's major initiative to review wholesale market reliability arrangements, the comprehensive reliability review (CRR). The terms of reference for the CRR were provided to the Panel by the AEMC in December 2005.

As part of the CRR the Panel is completing a detailed assessment of the performance of the National Electricity Market, in particular the role of VoLL and the CPT in meeting the reliability standard of not more than 0.002% USE.

4. Draft Determination – 2007 VoLL Review

The Panel's Draft Determination for the 2007 review of the Value of Lost Load (VoLL), the market floor price and the Cumulative Price Threshold (CPT) was published in Appendix 3 of the Panel's Interim Report on the CRR. This report was published on 2 April 2007.

In the context of the CRR review of the reliability mechanisms in the NEM, the Draft Determination of the Panel was to leave VoLL unchanged at \$10,000/MWh, the market floor price unchanged at -\$1,000/MWh and the CPT unchanged at \$150,000/MWh.

5. Consultation

The Panel invited comment from stakeholders on its Draft Determination for the 2007 review of VoLL by 19 April 2007. The Panel did not receive any submissions on this draft determination.

6. Final Recommendation – 2007 VoLL Review

In the context of the CRR review of the reliability mechanisms in the NEM, the Final Recommendation of the Panel for the 2007 Review of VoLL is to leave VoLL unchanged at \$10,000/MWh, the market floor price unchanged at -\$1,000/MWh and the CPT unchanged at \$150,000/MWh.

This Recommendation does not constrain the Panel from proposing changes to VoLL as part of its CRR recommendations.

Appendix AEMC Reliability Panel Membership

As of 30 April 2007, the Panel comprises the following members:

Ian Woodward	Chairman (AEMC Commissioner)
Jeff Dimery	General Manager Victoria, AGL (market customers)
Mark Grenning	Chief Advisor Energy, Rio Tinto
Les Hosking	Managing Director and CEO, NEMMCO
Gordon Jardine	Chief Executive, Powerlink (TNSPs)
George Maltabarow	Managing Director, EnergyAustralia (DNSPs)
Stephen Orr	Commercial Director, International Power Australia (generators)
Geoff Willis	former CEO, HydroTasmania.