

INFORMATION

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New rule to strengthen governance of the reliability standard and settings

The AEMC has made a final rule in response to COAG Energy Council's request to amend the governance and implementation arrangements for the reliability standard and settings. The final rule is the same as the draft rule.

These changes increase transparency and strengthen the governance arrangements for the reliability standard and settings, which underpin the secure and reliable supply of electricity to Australian consumers. It also enables the Australian Energy Market Operator (AEMO) to implement the reliability standard in a more efficient, flexible manner.

What did the Commission decide?

The Commission made a final rule that:

- incorporates the reliability standard into the National Electricity Rules;
- requires the Reliability Panel to develop Reliability Standard and Settings Guidelines outlining the principles and assumptions it will make when conducting its four-yearly reliability reviews; and
- requires AEMO to develop and publish Reliability Standard Implementation Guidelines setting out the methodology used to implement the reliability standard.

The rule change request identified a number of issues relating to accountability and transparency of decision making with respect to the governance arrangements for, and implementation of, the reliability standard and reliability settings.

The Commission considers the existing governance arrangements require greater consistency of process across the reliability parameters and would benefit from increased transparency about how AEMO assesses reliability.

The final rule strengthens good governance in relation to the arrangements for the reliability standard and settings by providing a single, consistent process under which they are determined.

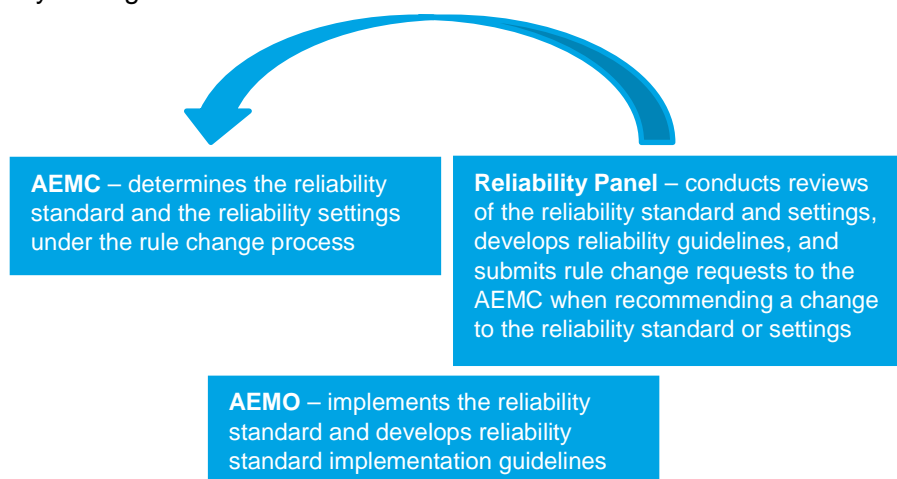
Although any person may submit a rule change request to the AEMC to change the reliability standard or settings under the final rule, the Reliability Panel is well-placed to make such requests following its four-yearly reliability reviews.

The final rule also provides AEMO with more flexibility in the manner in which it implements the reliability standard, which should enable it to undertake more efficient reliability assessments.

The Reliability Standard Implementation Guidelines will also improve methodological transparency around the implementation of the reliability standard by requiring their development or amendment to be done in accordance with the rules consultation procedures and in consultation with the Reliability Panel.

The below diagram illustrates the relevant roles of the entities involved in reviewing, determining, and implementing the reliability standard and, where relevant, the reliability settings under the final rule.

The AEMC has made a final rule to strengthen the governance arrangements for, and improve the implementation of, the reliability standard and settings.



The ongoing role of the Reliability Panel

The Reliability Panel will continue to review the reliability standard and settings as part of its existing four-yearly review process. It may also make a rule change request to change the reliability standard or the reliability settings where recommended as part of a reliability review.

It will also be tasked with developing Reliability Standard and Settings Guidelines, setting out the principles and assumptions it will make when conducting these reviews.

The Commission considers these arrangements will reinforce the Reliability Panel's contribution to monitoring and assessing reliability in the National Electricity Market.

What are the reliability standard and the reliability settings?

The reliability standard, expressed as a probability of unserved energy, is a measure of the adequacy of electricity generating systems and interconnectors to meet the demand of consumers. It is used to evaluate whether there is sufficient investment in generator capacity to meet consumer demand.

Setting the reliability standard involves balancing the value consumers place on the supply of reliable electricity with the costs involved in delivering this level of reliability.

The reliability settings are price mechanisms under the National Electricity Rules that incentivise sufficient generation capacity and demand-side response to deliver the reliability standard. The reliability settings also provide a mechanism to limit market participants' financial risk, and include the market price cap, cumulative price threshold, market floor price, administered price cap, and administered floor price.

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