

Review of the Reliability and Emergency Reserve Trader (RERT)

Stakeholder forum

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RELIABILITY
PANEL

AGENDA FOR STAKEHOLDER FORUM

- Introduction from Reliability Panel
 - key issues for the Review
- Stakeholder presentation – National Generators Forum
- Stakeholder discussion and questions
- Concluding comments from the Panel and Chair

CONTEXT FOR THE REVIEW

- On 5 July 2010 the AEMC provided the Panel with terms of reference for a review of the RERT to advise the AEMC:
 - whether the RERT should expire as per the current Rules or
 - whether the RERT should be extended
- The Panel should:
 - consider if the RERT is required to ensure that reliability of supply meets the relevant power system security and reliability standards and, where practicable, to maintain power system security;
 - examine the effectiveness of the RERT; and
 - consider the NEO when considering issues that arise in the review and in making any recommendations
- The Panel is not required to consider whether alternative arrangements to the RERT should be put in place

PROCESS

- Anticipated timetable for the Review:

Close of submissions on Issues Paper	17 September 2010
Draft Report published	12 November 2010
Close of submissions on Draft Report	22 December 2010
Public meeting (Sydney)	19 January 2011
Final Report published	14 March 2011

Key issues to consider in the Review

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IS THE RERT REQUIRED?

- How has the market performed against the Reliability Standard?
 - over past 10 yrs average annual USE has remained within 0.002% USE for all regions and for the NEM
- What is the outlook for reliability?
 - AEMO 2010 ESOO predicts energy demand will grow at 2.7% per annum over the next 10yrs
 - the ESOO shows there is sufficient generation capacity to meet the Reliability Standard up to 2013/14 in Qld, 2015/16 in Vic and SA and 2016/17 in NSW
- What are the market signals for generation investment?
 - revenue expectation: Reliability Standard and Reliability Settings Review found the MPC and CPT were appropriately set in nominal terms

IS THE RERT REQUIRED? (2)

- Any broader issues affecting investment?
 - external policy impacts: potential price on carbon presents uncertainty for market
 - uptake of demand side participation: low levels of demand side participation may contribute to price instability and volatility in investment returns
 - extreme weather: may result in peakier demand, therefore operating hours for a peaking generator may be reduced
- Potential for market distortion
 - potential for intervention mechanisms to diminish incentives for investment

EFFECTIVENESS OF THE RERT

- Current RERT mechanism
 - was introduced in 2008 as a result of the CRR
 - was modified in 2009 to include the short notice RERT, system security and the RERT panel
 - has not been used to date
 - includes only one participant on the RERT panel
- Reserve Trader (prior to RERT)
 - was used by NEMMCO in 2005 and 2006 to procure reserves
 - reserves were not dispatched due to favourable conditions
 - cost of acquiring services was \$1.04m (2005) and \$4.4m (2006)

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Reliability Panel

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