



Australian Energy Market Commission

CONSULTATION PAPER

NATIONAL ELECTRICITY AMENDMENT (EXTENSION OF TIME AND REDUCTION IN SCOPE OF THE 2022 RELIABILITY STANDARD AND SETTINGS REVIEW) RULE 2021

PROONENT

Dr. Kerry Schott AO

28 OCTOBER 2021

RULE

INQUIRIES

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ABOUT THE AEMC

The AEMC reports to the Energy Ministers' Meeting (formerly the Council of Australian Governments Energy Council). We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the Energy Ministers' Meeting.

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1 INTRODUCTION

On 13 October 2021, Dr Kerry Schott AO, chair of the Energy Security Board (ESB) submitted a rule change request to the Australian Energy Market Commission (Commission) seeking to amend the National Electricity Rules (NER) requirements on the Reliability Panel (Panel) for the 2022 reliability standard and settings review (RSS review). The rule change request proposes to:

- Reduce the scope of the 2022 RSS review by removing the need for the Panel to undertake the review of the reliability settings in that review. The Panel would therefore only review and report on the reliability standard (standard).
- Extend the date of the Panel's review and publication of the final report of the standard from 30 April to 30 June 2022.

Dr. Schott states the objective of the rule change request is to align the requirements to design a capacity mechanism with the need to consider the optimal reliability settings required for a transitioning power system. In addition, the request should provide the Panel with adequate time consider the outcomes of the ESB final advice and recommendations in its review of the reliability standard.

The merits of a capacity mechanism for the national electricity market (NEM) are not in the scope of this rule change request. The Commission will therefore not be considering these issues in this rule change.

A copy of the rule change request is available on the AEMC website, www.aemc.gov.au.

This consultation paper has been prepared to facilitate public consultation on the rule change request and to seek stakeholder submissions. This paper:

- provides a summary of, and background to, the rule change request
- identifies a number of issues and questions to facilitate stakeholder consultation on this rule change request, and
- outlines the process for making submissions.

1.1 Key dates under the expedited rule making process

The Commission considers that the proposed rule meets the definition of a non-controversial Rule because it is unlikely to have a significant impact on the national electricity market. In reaching this decision the Commission has had regard to the fact that the rule change request:

1. Proposes a one-off amendment to the Panel's responsibility for *only* the 2022 RSS review and the extension requested is a two-month delay from 30 April 2022 to 30 June 2022 for the Panel's review of the reliability standard. The Panel's full NER requirements will recommence for the next RSS review.¹

¹ That is the reliability standard and settings to apply on and from 1 July 2028

2. The proposal is to move the Panel's functions of reviewing the settings to the ESB, not remove the function itself.
3. As per the Panel process, any proposed changes to the settings by the ESB are recommendations only. To be enacted, they would then need to be submitted through a rule change.

With the rule change request meeting the test for being a non-controversial rule, the Commission proposes to use the expedited rule making process. The key dates for stakeholders in this process are set out in table 1.1 below. Chapter 4 outlines the process for making stakeholder submissions.

Table 1.1: Indicative timelines for the rule change request

MILESTONE	PROPOSED DATE
Commencement of this rule change process	28 October 2021
Objections to an expedited process deadline	11 November 2021
Close of submissions to the consultation paper	25 November 2021
Final determination and final rule published	23 December 2021

1.2 Background

This section provides background relevant to Dr. Schott's rule change request and the Panel's 2022 RSS review. It outlines the:

- ESB's Post-2025 electricity market design advice
- current arrangements for the Panel's RSS reviews, and
- interim reliability measure as set out in clause 3.9.3C of the NER.

1.2.1 ESB Processes - post 2025 electricity market design advice

In 2019, the ESB was asked by the COAG Energy Council (now called the Energy Ministers Meeting 'Energy Ministers') to consider and advise on a fit for purpose market design for NEM that could apply from the mid-2020s. This advice is known as the post-2025 NEM electricity market design project.

In July 2021, the ESB provided its final advice on a post-2025 market design to Energy National Cabinet Reform Committee (ENCRC).² Energy Ministers released the ESB's final advice on 26 August 2021.³

In its final advice, the ESB provided recommendations to deliver a reform pathway to ensure sufficient dispatchable resources and storage capacity are in place prior to anticipated plant closures to achieve price and reliability goals. Specifically, the ESB recommended short and

² The former "Energy Council". <https://energyministers.gov.au/>.

³ ESB, Final advice July 2021, July 2021, available [here](#).

long term measures to support resource adequacy in the NEM through the timely entry and orderly exit of resource for 2025 and beyond. This included a recommendation that Ministers consider a capacity mechanism to provide the competitive provision of the right generation mix as the market transitions towards net zero emissions. The ESB noted that any capacity mechanism should complement the existing market and work alongside the market settings.⁴

On 1 October 2021, Energy Ministers/ National Cabinet endorsed the final package of reforms for the post-2025 market design work, as agreed by the ENCRC. Further work on the capacity mechanism was requested to be conducted over the next year and a set of principles to guide the development of a capacity mechanism released.⁵

1.2.2 Reliability Panel's reliability standard and settings reviews

Under the NER, the Reliability Panel is required to conduct a review of the standard and settings every four years. The next Reliability Standard and Settings Review must be completed by 30 April 2022⁶ and is to consider the standard and settings that will apply for the period 1 July 2024 to 30 June 2028.

The standard and settings are key components of the NEM's reliability framework. They aim to encourage sufficient investment in generation or demand response capacity to meet consumer demand for energy, while protecting market participants from substantial risks that threaten the overall stability and integrity of the market. The NER sets out the standard and settings.

The standard is expressed as the maximum expected unserved energy (USE) in a region.⁷ It is a measure of the extent to which the electricity generation and transmission system can meet consumer demand. Setting the standard involves balancing the value that consumers place on the supply of electricity with the investment costs required to deliver this level of reliability.

The settings are price mechanisms that are designed to incentivise investment in sufficient generation capacity and demand-side response to deliver the reliability standard, while providing limits that protect market participants from periods of very high or very low prices, both temporary and on a sustained basis. The settings consist of the:

- Market Price Cap (MPC), which places an upper limit on high dispatch prices in the wholesale market.⁸
- Market Floor Price (MFP), which places a lower limit on low dispatch prices in the wholesale market.⁹

4 ESB, *Post-2025 Market Design Final advice to Energy Ministers Part B*, July 2021, p.38.

5 Prime Minister of Australia, *Media Statement 01 Oct 2021*, available [here](https://energyministers.gov.au/sites/prod.energycouncil/files/Principles%20to%20guide%20Capacity%20Mechanism%20development.pdf). A copy of the principles for development of a capacity mechanism can be found at <https://energyministers.gov.au/sites/prod.energycouncil/files/Principles%20to%20guide%20Capacity%20Mechanism%20development.pdf>

6 NER clause 3.9.3A(d)

7 NER clause 3.9.3C(a).

8 NER clause 3.9.4.

9 NER clause 3.9.6.

- Cumulative Price Threshold (CPT), which is the limit of aggregate dispatch prices over the previous seven days (2,016 5-minute intervals) that, when surpassed, triggers an administered price period,¹⁰ and
- Administered Price Cap (APC), which is the prevailing dispatch price that applies during an administered price period after a set of sustained high prices exceed the cumulative price threshold.¹¹

Panel requirements under the NER

In undertaking the Reliability Standards and Settings Review, the NER mandates that the Panel must comply with the NER and reliability standard and settings guidelines (guidelines).¹² These guidelines set out the principles and assessment approach that the Panel must use in conducting the RSS review.¹³

The Panel must set out its conclusions and recommendations as part of its final report. It must submit to the AEMC any rule change proposal that results from a review as soon as practicable after the RSS review is completed.¹⁴

Any change to the form and level of the standard and settings would then be made through an AEMC rule change process. The Panel must also submit its final report to the AEMC as soon as practicable after the completion of each RSS review. The four yearly review allows the Panel to assess and consider whether the current form and level of the reliability standard and settings remain suitable for expected and evolving market conditions. Or, whether the Panel recommends that changes should be made to ensure these mechanisms continue to meet their intended purpose as well as the requirements of the market, market participants and consumers. The post-2025 market design is important and relevant in this context.

1.2.3

Interim reliability measure

The National Electricity Amendment (Interim Reliability Measure) Rule 2020 was introduced in August 2020 to support the measures agreed to by Energy Ministers. This included a change to clause 3.9.3C of the Rules to establish a new interim reliability measure that seeks to ensure that maximum expected USE is no more than 0.0006% in any region in any financial year as forecast in the Electricity Statement of Opportunities (ESOO) report or ESOO update. The changes also included a requirement that the AEMC conduct a review of the interim reliability measure and the procurement of the interim reliability reserve by 1 July 2023.

The new rules also introduced an Interim Reliability Reserve. AEMO is responsible for procuring the Interim Reliability Reserve following consultation with and approval from the relevant Energy Council Minister of directly impacted states and/or territories. The reserve

10 NER clause 3.14.1.

11 NER clause 3.14.1.

12 NER clause 3.9.3A(e)(1).

13 Reliability Panel, *Final Report Review of the reliability standard and settings guidelines*, July 2021, available [here](#).

14 NER clause 3.9.3A(i)

temporarily replaces long notice Reliability and Emergency Reserve Trader (RERT) (with the short and medium notice RERT to remain in place).

Under the current rules, the Panel is not able to make recommendations on the interim reliability measure. The review must be done by the AEMC. However, the interim reliability measure will form an important consideration for the Panel when making a recommendation for the reliability standard to be in place between 1 July 2024 and 20 June 2028. The timing of the 2022 review will allow the Panel to have regard to the interim measure and provide any necessary information to the AEMC for its review.

2 DETAILS AND ISSUES RAISED IN THE RULE CHANGE REQUEST

Dr. Schott proposes that a transitional arrangement is included in the NER to better align and facilitate consideration of the interdependencies and interactions between the ESB's recommendation for a capacity mechanism and the reliability standard and settings.¹⁵ Dr Schott comments that the ESB's reforms will impact the optimal level of the reliability settings required for a transitioning power system, hence intersect and impact the Panel's 2022 RSS review.

This chapter sets out the:

- proposed amendments to the NER and Panel's requirements and proposed solutions by Dr. Schott, and
- potential issues that may require consideration as part of the rule change, and questions for stakeholders to consider.

2.1 Proposed amendments: reduction of scope of the 2022 RSS review

The rule change proposes to reduce the scope of the 2022 RSS review so that the Panel would only undertake the review of the reliability standard and not the reliability settings. This change would only apply to the 2022 review and not any future RSS reviews. The aim of the proposed change is to:

- better align the 2022 RSS review with the work to design a capacity mechanism and provide clarity about how the settings will be considered in the context of the capacity mechanism reform proposal
- allow for a more streamlined and coordinated process for stakeholders while also allowing for the delivery of the necessary recommendation for the standard and settings, including in the event Ministers do not agree to the ESB's recommendations, and
- avoid the Panel potentially making recommendations on the settings that are inconsistent with any future market design.¹⁶

2.1.1 Interactions between a capacity mechanism design, the reliability settings and the 2022 RSS review

Alignment of the work to design a capacity mechanism and the reliability settings

Dr. Schott considers that it is important that the reliability framework is designed holistically so that the different aspects of the framework work together and the impacts for an optimal reliability framework are considered for the transitioning power system.¹⁷ Where there is

15 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 4.

16 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 6.

17 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 5.

inconsistency or misalignment this could affect investment and certainty in the market and hence reliability of the power system, and costs to consumers.¹⁸ For example, Dr. Schott notes that incentives to achieve the right mix of resources and influence the timing of thermal generator retirements could affect the optimal level of the reliability standard, and therefore the level of the reliability settings.¹⁹ This relates in particular to the MPC. Further, any new markets for essential system services may affect the revenue streams earned by generators.²⁰ This in turn could again affect the optimal level of the settings.

The rule change request notes that the work to design a capacity mechanism and the reliability settings needed between 2024-2028 should be considered together, in one coordinated process rather than separately (ie., by the Panel and then again by the ESB in the context of the design of a capacity mechanism).²¹ This is because of the:

- inter-relationship between the design of a capacity mechanism and the required reliability settings (ie the design of a capacity market will affect the level of settings required), and
- overlap between the timing and work of the Panel and the ESB. The Panel is required to consider the standard and settings that would apply from 1 July 2024 to 30 June 2028 and provide its recommendations and its final report for the review by 30 April 2022. The ESB is expected to provide its final advice by the end of 2022.²²

Dr Schott notes that if the rule change is made, the ESB will consider the following scenarios in the context of the reliability settings:

1. What settings should be in place with a capacity mechanism
2. What settings should be in place in the event Energy Ministers/ National Cabinet does not consider that a capacity mechanism is required, and
3. If Energy Ministers/ National Cabinet agrees to the implementation of a proposed capacity mechanism, what the settings should be in place for the interim period taking into account the impact of the timing of any changes on the contract market, and the potential to place a freeze on the settings before a capacity market is implemented.²³

18 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 6.

19 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 5.

20 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 5.

21 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 5.

22 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 2.

23 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 6.

QUESTION 1: REDUCTION IN SCOPE OF THE 2022 PANEL RSS REVIEW

1. Do stakeholders agree that there are interactions and inter dependencies between a design of a capacity mechanism and the optimal reliability settings required for the market?
2. Do stakeholders agree that there are benefits to aligning the processes to consider the reliability settings for the period of 1 July 2024 to 30 June 2028 and the work to design a capacity mechanism?
3. Given the proposal, do stakeholders agree that the Panel should only review the reliability standard in the 2022 RSS review and not the settings?
4. Are there any alternative solutions or more effective arrangements that could be put in place to address the issues identified?
5. Are there any other unintended consequences or impacts from the proposed changes to the 2022 RSS review? If so, how and in what ways?

Timing of known reliability settings

The Commission will consider the impacts of aligning the two processes so that the reliability settings can be considered with the capacity design work. In particular, it will consider whether the proposed change to who considers the settings will significantly impact the timing of when the settings will be known for the period of 1 July 2024 to 30 June 2028. This is for the purpose of taking into account any potential contract market implications. In regards to the timing:

- Under the standard timeline for an RSS review, the Panel would recommend the standard and settings in a final report to the AEMC by 30 April 2022. If the Panel makes a recommendation to change the standard or settings, the Panel is required to submit a rule change request to the AEMC as soon as practicable after the RSS review is completed.²⁴ Any change to the reliability standard and settings is likely to take effect around six months after a rule change is initiated.²⁵ Therefore, under this process participants are likely to know the settings that would be in place for 1 July 2024 in the first half of 2023.
- Under the proposal for the settings to be considered by the ESB as part of the work to design a capacity mechanism, any final recommendations for the settings may not be made until around the end of 2022. For any change to the settings, a rule change, like the Panel process will need to be undertaken. Given that, any change to the settings (if recommended) would not be known until about the second half of 2023.²⁶ This would mean under the ESB process the difference of around six months of recommendations being proposed on the settings.

²⁴ NER Clause 3.9.3A (i)

²⁵ The timing for a standard AEMC rule change process is about six months after initiation.

²⁶ Around six months after the rule change request is initiated.

- Overall, the change in timing would mean that the time that participants know the settings would be about twelve months before 1 July 2024 as opposed to the eighteen months under the RSS review process. As outlined in chapter 3, the Commission will consider this change in timing in regards to the impact it may have for market participants and contracting. The ESB is also expected to consider the timing implications in its scenario's as outlined above.

Table 2.1: Example time frames

EXAMPLE OF TIMING	RSS REVIEW PROCESS	CAPACITY MARKET DE-SIGN PROCESS
Final report and recommendations	30 April 2022	End of 2022
Rule change process (example time frames)	May/ June 2022 - December 2022	January 2023 - July 2023
Participants know the market settings	December 2022	July 2023
Time to 1 July 2024 start	18 months	12 months

QUESTION 2: ALIGNMENT OF PROCESSES - TIMING OF KNOWN SETTINGS

1. Are there any material consequences for the market and market participants of changing the timing for final recommendations, and hence the timing that participants will know the reliability settings for 2024 to 2028 from the end of 2022 to mid 2023?

Panel's 2022 review of the reliability standard

The rule change request proposes that the Panel should do its 2022 review on the reliability standard. This is because it is an important input for any consideration of the reliability settings and further work on a capacity mechanism design. Notably:

- The reliability standard is an ex-ante standard used to indicate to the market the required level of supply to meet demand on a regional basis. AEMO operates the system to meet the reliability standard. The reliability standard is operationalised by AEMO, including informing the market that the reliability standard is not being met, and
- As noted, the reliability standard balances the value that consumers place on the reliable supply of electricity with the costs required to deliver this level of reliability. Further, the reliability standard helps determine the various market settings, that is, the settings are chosen so as to achieve the reliability standard, as well as various other specific considerations for each setting.

QUESTION 3: 2022 REVIEW OF THE RELIABILITY STANDARD

1. Do stakeholders agree that it is appropriate, as recommended in the rule change request, for the Panel to continue to undertake its review of the reliability standard in the 2022 RSS review? If not, why not?

2.2 Proposed amendments: extension of time for reliability standard review and final report

The rule change request proposes to extend the time frame of the Panel's review of the reliability standard and final report from 30 April 2022 to 30 June 2022.²⁷ This is to allow the Panel to adequately consider the ESB post 2025 recommendations and final advice in its review. The Commission will consider if the proposed extension will have any material impacts for the timing of the reliability standard that should be in place on and from 1 July 2024.

Where the Panel makes a recommendation to change the reliability standard, the Panel must submit a rule change to the AEMC. Therefore, any change to the standard is likely to take effect six months after the rule change request is initiated.²⁸

With the extension of two months, this is likely to mean that the reliability standard - if a recommendation is made to change the existing standard - would still be in place in the first half of 2023.

QUESTION 4: EXTENSION OF TIME FOR REPORTING ON A RECOMMENDATION FOR THE RELIABILITY STANDARD.

1. Are there any material impacts from extending the Panel's review and final report on the reliability standard from 30 April to 30 June 2022? If so, please outline your reasoning for the stated impacts.

2.3 Costs of conducting the reliability settings assessments

The rule change is seeking to align processes so that there is a coordinated approach to consider the reliability settings and a capacity mechanism design. The proposed change to align the processes is likely to have a direct impact on the costs to the market bodies of analysing the reliability settings. The Commission's preliminary view is that the costs of the ESB undertaking one process to determine the three sets of settings outlined in section 2.1.1 are likely to be lower than the costs of the ESB analysing the settings with a capacity market

²⁷ Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 6.

²⁸ As outlined in section 2.1 a standard AEMC rule change process is six months.

(and interim settings in moving to a capacity market) and the Panel separately analysing the settings without a capacity market.

The rule change proposal indicates that it is unlikely that there will be any direct costs to market participants and consumers from the proposed change. The rule change notes that there are also likely to be benefits from a streamlined stakeholder engagement process.²⁹ The Commission notes that there may be indirect costs as outlined above from the change in timing of when the settings may be known for the period of 1 July 2024 to 30 June 2028. The Commission will have regard to these and the potential reduction in the regulatory and administrative burden from the proposal.

QUESTION 5: EXPECTED COSTS OF CONDUCTING RELIABILITY ASSESSMENTS

1. Do stakeholders agree with the outlined expected costs and benefits of undertaking the assessment of the reliability settings as one coordinated process, rather than in separate processes? Are there any other costs and benefits that should be considered?

²⁹ Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 7.

3 ASSESSMENT FRAMEWORK

This chapter sets out the Commission's proposed approach in assessing the proponent's rule change request that includes the:

- decision-making framework the Commission must apply to determine whether the rule change request contributes to the national electricity objective (NEO)
- Commission's option to make a more preferable rule
- Commission's option to make a differential rule, and
- proposed assessment framework.

3.1 Achieving the NEO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NEO.³⁰ This is the decision-making framework that the Commission must apply.

The NEO is:³¹

to promote efficient investment in, and efficient operation and use of, electricity services for the longer term interests of consumers of electricity with respect to -

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.

3.2 Making a more preferable rule

Under s.91A of the NEL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO.

3.3 Making a differential rule

Under the Northern Territory legislation adopting the NEL, the Commission may make a differential rule if, having regard to any relevant MCE statement of policy principles, a different rule will, or is likely to, better contribute to the achievement of the NEO than a uniform rule. A differential rule is a rule that:

- varies in its term as between:
 - the national electricity system, 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

³⁰ Section 88 of the NEL.

³¹ Section 7 of the NEL.

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.

As the proposed rule related to parts of the NER that currently do not apply in the Northern Territory, the Commission has not assessed the proposed rule against additional elements required by the Northern Territory legislation.³²

3.4 Proposed assessment framework

In determining whether the rule change request promotes the NEO, the Commission will have regard to the following criteria:

- **Promoting transparency and flexibility.** Does the proposed rule change promote transparency and flexibility for reviewing the reliability standard and reliability settings? The provision of clear and transparent processes for how the standard and settings will be considered in conjunction with the work to design a capacity mechanism enables participants to understand how the standard and settings will be assessed and recommendations coordinated with the post 2025 market reform recommendations. The Commission will consider the extent the proposed changes promote transparency and flexibility.
- **Minimising uncertainty and market changes.** Does the rule change promote greater certainty and predictability for the parameters for reliability in the NEM and allow for adequate price signals and price risk to be managed by market participants? The Commission will assess whether the proposed arrangements provide adequate time for participants to know any potential changes to the reliability settings and standard.
- **Reducing regulatory and administrative burden.** To the extent there are overlaps between multiple projects concerning resource adequacy, are the costs to market participants and market bodies minimised and proportional to the benefits? Does the rule change reduce regulatory burden by avoiding multiple reviews of the reliability settings under different governance structures? Reducing the number of separate processes to review the settings would reduce costs for participants and contribute to cost savings being passed on to consumers. The Commission will consider the extent the proposed changes improve the administrative and regulatory processes.

QUESTION 6: ASSESSMENT FRAMEWORK

1. Is the proposed assessment framework appropriate for considering the rule change request?
2. Are there any other relevant considerations that should be included in the assessment framework?

³² From 1 July 2016, the NER, as amended from time to time, apply in the NT, subject to derogations set out in regulations made under the NT legislation adopting the NEL. Under those regulations, only certain parts of the NER have been adopted in the NT. (See the AEMC website for the NER that applies in the NT.) National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

4 PROCESS FOR THIS RULE CHANGE

4.1 Treatment as a non-controversial rule change

Dr Kerry Schott AO proposed the rule change request be treated as non-controversial in accordance with s.87 of the NEL such that it could be processed on an expedited basis. This request has been made on the basis that the rule is a transitional, one-off amendment to the scope and date of the 2022 RSS Review. Dr. Schott states that these amendments will allow the Panel to consider the standard while the ESB considers a holistic capacity mechanism design, which includes the necessary settings for the market.³³

The Commission considers that the proposed rule meets the definition of a non-controversial Rule under section 87 of the NEL and should be subject to the expedited rule making process under s.96 of the NEL. This is on the grounds that it considers the rule change request to be non-controversial and is unlikely to have a significant impact on the national electricity market³⁴ In reaching this decision the Commission has had regard to the fact that the rule change request:

1. Proposes a one-off amendment to the Panel's responsibility for *only* the 2022 RSS review and the extension requested is a two-month delay from 30 April 2022 to 30 June 2022 for the Panel's review of the reliability standard. The Panel's full NER requirements will recommence for the next RSS review.³⁵
2. The proposal is to move the Panel's functions of reviewing the settings to the ESB, not remove the function itself.
3. As per the Panel process, any proposed changes to the settings by the ESB are recommendations only. That is, a rule change request must be submitted to the AEMC to change the existing settings.

It is noted that the ESB process, including stakeholder arrangements and milestones for the capacity mechanism design are still being considered and further details are expected in the coming months. The Commission will have regard to these arrangements and stakeholder views on the alignment of the ESB process to consider the design of capacity mechanism with the reliability settings.

Rule changes that are considered to be non-controversial may be processed under an expedited (faster) process under which there is only one round of consultation and the AEMC is required to publish its final rule determination within eight weeks of commencing the rule change process.³⁶

The Commission has decided to use an expedited process to consider this rule change request provided that it does not receive any valid requests not to use the expedited process by **11 November 2021**. To be valid, a written request not to use the expedited process

33 Dr. Kerry Schott, *Extension of time and scope Reliability Panel's 2022 Reliability Standard and Settings Review*, rule change request, p. 6.

34 Section 87 of the National Electricity Law.

35 That is the reliability standard and settings to apply on and from 1 July 2028

36 The AEMC has published a notice under s. 95 and s. 96 of the National Electricity Law to commence and assess this rule change request as a non-controversial rule.

should set out the reasons why the rule change request will have a significant impact on the national electricity market or a market for energy or the regulation of customer services, or otherwise will threaten the effective operation or administration of the wholesale electricity market or the safety, security or reliability of the national electricity system, the provision of energy services to customers or the sale and supply of energy to customers. If the Commission receives a valid written request not to use the expedited process, it will then proceed under the standard rule change process.

4.2 Key dates

Given the tightly defined nature of the issue, and the background information provided in the rule change request, this consultation paper is brief. Nevertheless, submissions are invited in relation to the matters identified above, and any other relevant issue.

The key dates for stakeholders in this process are as follows:

- Commencement of this rule change process: **28 October 2021**
- Objections to an expedited process to be received by: **11 November 2021**
- Submissions to the proposal to be received by: **25 November 2021**
- Final decision to be published under an expedited process by: **23 December 2021**

5 LODGING A SUBMISSION

The Commission invites requests not to make a rule under the expedited process and written submissions on this rule change proposal.

All enquiries on this project should be addressed to Lisa Shrimpton on (02) 8296 7876 or lisa.shrimpton@aemc.gov.au.

5.1 Lodging a request not to make a rule under an expedited process

Written requests not to make a rule under the expedited process in s.96 of the NEL must include reasons for the request, and must be lodged with the Commission by **11 November 2021** online in accordance with the process specified below.

5.2 Lodging a submission to this rule change request

Written submissions on the rule change request must be lodged with Commission by **25 November 2021** online in accordance with the process specified below.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests.³⁷ The Commission publishes all submissions on its website, subject to a claim of confidentiality.

5.3 Lodging online

Submissions, or requests not to make a rule under the expedited process, must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code **ERC0336**.

The request or submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

³⁷ This guideline is available on the Commission's website www.aemc.gov.au.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APC	Administered Price Cap
Commission	See AEMC
CPT	Cumulative Price Threshold
ENCRC	Energy National Cabinet Reform Committee
ESB	Energy Security Board
ESOO	Electricity statement of opportunities
MCE	Ministerial Council on Energy
MFP	Market Floor Price
MPC	Market Price Cap
NEL	National Electricity Law
NEO	National electricity objective
NERL	National Energy Retail Law
NERO	National energy retail objective
NGL	National Gas Law
NGO	National gas objective
RERT	Reliability and emergency reserve trader
The standard	Reliability Standard
The settings	Reliability Settings