



Draft National Electricity Amendment (Reliability Settings from 1 July 2012) Rule 2011

under the National Electricity Law as applied by:

- (a) the National Electricity (South Australia) Act 1996;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria; and
- (g) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

Draft National Electricity Amendment (Reliability Settings from 1 July 2012) Rule 2011

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Reliability Settings from 1 July 2012) Rule 2011*.

2 Commencement

This Rule commences operation on [COMMENCEMENT_DATE].

3 Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

Schedule 1 Amendments of the National Electricity Rules

(Clause 3)

[1] Clause 3.9.3A(a) Reliability standard and reliability settings review

Omit clause 3.9.3A(a) and substitute:

- (a) By 30 April of each fourth year (with the first four year period ending in 2014), the *Reliability Panel* must conduct and finalise a review, in accordance with the *Rules consultation procedures* and this clause, on the *reliability standard* and *reliability* settings set out in paragraph (b), and *publish* a report in accordance with clause 3.9.3B on the *reliability standard* and *reliability* settings that it recommends should apply from 1 July in the year commencing 2 years after the year in which the report is *published*.

[2] Clause 3.9.3A(b) Reliability standard and reliability settings review

In clause 3.9.3A(b)(2) after "*market price cap*" insert ", including the manner of indexing the *market price cap*".

[3] Clause 3.9.3A(b) Reliability standard and reliability settings review

In clause 3.9.3A(b)(3) after "*cumulative price threshold*" insert ", including the manner of indexing the *cumulative price threshold*".

[4] Clause 3.9.3A(b) Reliability standard and reliability settings review

After clause 3.9.3A(b), insert:

- (c) In any review under this clause the *Reliability Panel*:
 - (1) must have regard to the potential impact of any proposed change in the *market price cap* or *cumulative price threshold* on:
 - (i) *spot prices*;
 - (ii) investment in the *National Electricity Market*;
 - (iii) the *reliability* of the *power system*; and
 - (iv) *Market Participants*;

- (2) must have regard to any value of customer reliability determined by *AEMO* which the *Reliability Panel* considers to be relevant; and
 - (3) may take into account any other matters the *Reliability Panel* considers relevant.
- (d) The *Reliability Panel* may only recommend a *market price cap* or *cumulative price threshold* which the *Reliability Panel* considers will:
 - (1) allow the *reliability standard* to be satisfied without use of *AEMO's* powers to intervene under clauses 3.20.7(a) and 4.8.9(a); and
 - (2) in conjunction with other provisions of the *Rules*, not create risks which threaten the overall integrity of the *market*.
- (e) If the *Reliability Panel* is of the view that a decrease in either the *market price cap* or the *cumulative price threshold* may mean the *reliability standard* is not maintained, the *Reliability Panel* may only recommend such a decrease where it has considered any alternative arrangements necessary to maintain the *reliability standard*.
- (f) The *Reliability Panel* may only recommend a *market floor price* which the *Reliability Panel* considers will:
 - (1) allow the *market* to clear in most circumstances; and
 - (2) not create substantial risks which threaten the overall stability and integrity of the *market*.
- (g) The *Reliability Panel* must submit to the *AEMC* any *Rule* change proposal that results from a review under this clause as soon as practicable after the review is completed.

[5] New Clause 3.9.3B Reliability standard and reliability settings review report

After clause 3.9.3A insert:

3.9.3B Reliability standard and reliability settings review report

A report of the findings of the *Reliability Panel* in a review under clause 3.9.3A must set out the *Reliability Panel's* conclusions and its recommendations in relation to the *reliability standard* and the level of the *reliability* settings along with supporting information including:

- (a) details of all relevant *market* conditions and circumstances on which its recommendation is based; and

- (b) an assessment of whether the level of the *market price cap* together with the operation of the *cumulative price threshold* have achieved the objectives set out in clause 3.9.3A(d).

[6] Clause 3.9.4 Market Price Cap

Omit clause 3.9.4(b) and substitute:

- (b) The value of the *market price cap* is \$12,500/MWh prior to 1 July 2012. Effective from 1 July 2012, the value of the *market price cap* for each *financial year* is the dollar amount per MWh calculated by the AEMC under paragraph (c).

[7] Clause 3.9.4 Market Price Cap

Omit clauses 3.9.4(c), 3.9.4(c1), 3.9.4(c2), and 3.9.4(d), and substitute:

- (c) By 28 February of each year (commencing 2012), the AEMC must calculate the *market price cap* to apply from 1 July of that year in accordance with paragraphs (d) and (e) and *publish* its calculation on its website as part of a schedule of *reliability* settings.
- (d) Subject to paragraph (e), the AEMC must calculate the *market price cap* using the following formula:

$$MPC^x = BV^{MPC} \times \frac{(Q_1^c + Q_2^c + Q_3^c + Q_4^c)}{(Q_1^b + Q_2^b + Q_3^b + Q_4^b)}$$

Where:

MPC is the *market price cap* in dollars per MWh;

x is the *financial year* for which the *market price cap* is being calculated;

BV^{MPC} is \$12,500/MWh;

Q1 to Q4 are the values of the Reliability Settings Index for each of the four quarters of years c and b (as the case may be) as at five months before the start of year x;

Reliability Settings Index is the All groups, Australia CPI found at Index Numbers, All groups, Australia, in Tables 1 and 2 of the Consumer Price Index, Australia published by the Australian Bureau of Statistics for the relevant quarter, except where that index ceases to be published or is substantially changed, in which case the Reliability Settings Index will be such other index as is determined by the AEMC as suitable;

c is the calendar year commencing 18 months before the start of year x; and

b is calendar year 2010.

- (e) If the value calculated by the *AEMC* under paragraph (d) is:
- (1) not in whole hundreds of dollars, then the *market price cap* for year *x* will be the value calculated under paragraph (d) rounded to the nearest \$100/MWh;
 - (2) less than the *market price cap* applied under this clause 3.9.4 for the preceding *financial year* (year *x*-1), then the *market price cap* for year *x* will be the value of the *market price cap* for year *x*-1.

[8] Clause 3.9.6 Market Floor Price

Omit clauses 3.9.6(d) and 3.9.6(e) and substitute "[Deleted]".

[9] Clause 3.14.1 Cumulative Price Threshold and Administered Price Cap

Omit clause 3.14.1(c) and substitute:

- (c) The *cumulative price threshold* is \$187,500 prior to 1 July 2012. Effective from 1 July 2012, the *cumulative price threshold* for each *financial year* is the dollar amount calculated by the *AEMC* under paragraph (d).

[10] Clause 3.14.1 Cumulative Price Threshold and Administered Price Cap

After clause 3.14.1(c), insert:

- (d) By 28 February of each year (commencing 2012), the *AEMC* must calculate the *cumulative price threshold* to apply from 1 July of that year in accordance with paragraphs (e) and (f) and *publish* its calculation on its website as part of a schedule of *reliability* settings.
- (e) Subject to paragraph (f), the *AEMC* must calculate the *cumulative price threshold* using the following formula:

$$CPT^x = BV^{CPT} \times \frac{(Q_1^c + Q_2^c + Q_3^c + Q_4^c)}{(Q_1^b + Q_2^b + Q_3^b + Q_4^b)}$$

Where:

CPT is the *cumulative price threshold* in dollars;

x is the *financial year* for which the *cumulative price threshold* is being calculated;

BV_{CPT} is \$187,500;

Q1 to Q4 are the values of the Reliability Settings Index for each of the four quarters of years **c** and **b** (as the case may be) as at five months before the start of year **x**;

Reliability Settings Index is the All groups, Australia CPI found at Index Numbers, All groups, Australia, in Tables 1 and 2 of the Consumer Price Index, Australia published by the Australian Bureau of Statistics for the relevant quarter, except where that index ceases to be published or is substantially changed, in which case the Reliability Settings Index will be such other index as is determined by the *AEMC* as suitable;

c is the calendar year commencing 18 months before the start of year **x**; and

b is calendar year 2010.

- (f) If the value calculated by the *AEMC* under paragraph (e) is:
- (1) not in whole hundreds of dollars, then the *cumulative price threshold* for year **x** will be the value calculated under paragraph (e) rounded to the nearest \$100;
 - (2) less than the *cumulative price threshold* applied under this clause 3.14.1 for the preceding *financial year* (year **x-1**), then the *cumulative price threshold* for year **x** will be the value of the *cumulative price threshold* for year **x-1**.
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