



**Review of Reliability and Emergency Reserve Trader
(RERT Review)
AEMC Terms of Reference to the Reliability Panel
29 June 2010**

Introduction

The National Electricity Rules (Rules) currently provide for a Reliability and Emergency Reserve Trader (RERT) mechanism that allows AEMO to intervene in the market to ensure reliability of supply and to maintain power system security. That is, the RERT enables AEMO to contract for additional reserves up to nine months ahead of a period where reserves are projected to be insufficient to meet the relevant power system security and reliability standards, and, where practicable, to maintain power system security and to dispatch these additional reserves should an actual shortfall occur.

The RERT was primarily designed to manage only small levels of reserve shortfalls that are not enduring. It was considered by the Reliability Panel, that in the longer term, the market should ideally be able to operate without the need for a potentially distortionary mechanism such as the RERT¹. Therefore, the Rules specify that the RERT has a sunset period for its operation.

Scope of this Review

Clause 3.20.1 of the Rules specifies that the RERT is to expire on 30 June 2012, or on a date determined by the AEMC on the advice of the Reliability Panel in accordance with clause 3.20.9 of the Rules. Clause 3.20.9 requires that the Reliability Panel, must, no later than one year prior to the RERT is due to expire, complete a review of the RERT arrangements.

In accordance with clause 3.20.9 of the Rules, the AEMC requests the Panel to undertake a Review of the RERT mechanism and recommend to the AEMC:

¹ AEMC Reliability Panel Rule change proposal, NEM Reliability Settings Information, Safety Net and Directions, February 2008, p.11.

- (1) whether the RERT should expire on, or prior to, the date specified in clause 3.20.1 of the Rules (that is 30 June 2012); or
- (2) whether the RERT should be extended beyond the current expiry date referred to in subparagraph (1) and, if so, to what date.

In undertaking the Review, the Panel should:

- consider if the RERT mechanism is required to ensure that the reliability of supply in a region or regions meets the relevant power system security and reliability standards and where practicable, to maintain power system security; and
- examine the potential effectiveness and/or actual effectiveness of the RERT arrangements as specified in the Rules.

The Panel in assessing the above is not required to consider whether alternative arrangements should be put in place. The Panel is also requested to consider the national electricity objective (NEO) contained in section 7 of the National Electricity Law (NEL) when it considers issues that arise in the review and when making associated recommendations.

Process and Timing

Clause 3.20.9(b) of the Rules requires that the Panel must conduct the RERT Review in accordance with clauses 8.8.3(d) – (l) of the Rules. The AEMC also requests that the Panel involve stakeholders in the Review by seeking stakeholder submissions on key reports and hold a public forum regarding the Review. This stakeholder consultation should be included into the Panel's workprogram and timetable for the Review.

Whilst it is noted that 30 June 2011 is the timeframe provided for under the Rules for the Panel's final report, the AEMC considers that in the interests of ensuring investment certainty for the market, the Panel should submit its report as soon as practicable.