

Indicative changes to the National Electricity Rules

Note:

This document shows indicative changes to the relevant parts of the National Electricity Rules (NER) proposed to be made by the *National Electricity Amendment (Interim Reliability Reserve) Rule 2022*. This modified version of parts of the NER is provided for information only and should not be used for any other purpose. The Energy Security Board does not guarantee the accuracy, reliability or completeness of this version of the NER or the mark-up.

11. Savings and Transitional Rules

Part ZZZZD Interim reliability measure

11.128 Rules consequential on the making of the National Electricity Amendment (Interim reliability measure) Rule 2020

11.128.1 Definitions

For the purposes of this rule 11.128:

Amending Rule means the National Electricity Amendment (Interim reliability measure) Rule 2020.

commencement date means the date on which the Amending Rule commences operation.

expiry date means 31 March 2025.

interim reliability exceedance occurs in a *financial year*, for a *region*, if the *interim reliability measure* will not be met in that *region* in that *financial year*, as determined by *AEMO* in a *statement of opportunities* or in an update to a *statement of opportunities* under clause 3.13.3A(b).

interim reliability reserves mean *reserves* contracted, or to be contracted (including under a multi-year reserve contract), by *AEMO* in respect of an interim reliability exceedance.

multi-year reserve contract means a *reserve contract* for the provision of interim reliability reserves for a *region*, where the term of the contract exceeds a period of 12 months.

RERT procedures means the procedures developed and *published* by *AEMO* in accordance with clause 3.20.7(e).

retailer reliability obligation has the meaning given in section 2 of the *NEL*.

11.128.2 Expiry date

Other than for clause 11.128.5, this rule 11.128 expires on the expiry date.

11.128.3 Application of rule 3.20

For the purposes of procuring interim reliability reserves, rule 3.20 applies as amended and supplemented by this rule 11.128.

11.128.4 Reserve contracts for interim reliability reserves

Changes to the application of clause 3.20.3

- (a) Clause 3.20.3(a) applies in respect of *reserve contracts* for interim reliability reserves as if the words "Subject to paragraph (f), and in order to ensure the reliability of *supply* in a *region* meets the *reliability standard* for the *region*" were deleted and "In accordance with this clause 3.20.3 and rule 11.128" is inserted before the words "*AEMO* may enter".

- (b) Clause 3.20.3(b) applies in respect of *reserve contracts* for interim reliability reserves as if the reference to "paragraph (f)" was deleted and "rule 11.128" was inserted.
- (c) If *AEMO* determines that it is necessary to commence contract negotiations for the provision of additional *reserves* under clause 3.20.3(c) and those *reserves* are interim reliability reserves, *AEMO* must identify in the notice *published* under that clause that those *reserves* are interim reliability reserves.
- (d) In addition to the requirements of clause 3.20.3(d), *AEMO* must provide the relevant nominated persons referred to in clause 3.20.3(d) the expected maximum charges payable under *reserve contracts* for interim reliability reserves in a *region* intended to be entered into by *AEMO*, including any availability, pre-activation, and activation charges and total capacity to be contracted (in MW) and obtain the approval of those nominated persons with respect to the total capacity to be contracted prior to entering into those *reserve contracts*.
- (e) Clauses 3.20.3(f) and 3.20.3(m) do not apply in respect of *reserve contracts* for interim reliability reserves.

Contracts for interim reliability reserves

- (f) *AEMO* may enter into a *reserve contract* (which may, but is not required to be, a multi-year reserve contract), for a *region* for interim reliability reserves if:
 - (1) there is a forecast of an interim reliability exceedance in that *region* occurring within the notice period that would apply for long notice situations as set out in the *RERT guidelines*; and
 - (2) the *reserve contract* is entered into no more than 12 months prior to the first occurrence of the forecast interim reliability exceedance in that *region* during the term of that *reserve contract*.
- (g) In entering into a *reserve contract* that is for interim reliability reserves for a *region*, *AEMO* must have regard to:
 - (1) the *RERT principles*;
 - (2) any potential impact of, and interaction with, the retailer reliability obligation; and
 - (3) if the *reserve contract* is a multi-year reserve contract, whether the total payments made by *AEMO* under that multi-year reserve contract are likely to be lower than the aggregate payments *AEMO* would have made under *reserve contracts* that are not multi-year reserve contracts for the same period.
- (h) For a *reserve contract* for interim reliability reserves for a *region* that is not a multi-year reserve contract, *AEMO* must ensure that, at the time of entering into that contract:
 - (1) the term of the *reserve contract* is only for a period which *AEMO* considers is reasonably necessary to address the interim reliability exceedance in the *region* for that year; and

- (2) the amount of *reserve* procured under the *reserve contract*, is no more than *AEMO* considers is reasonably necessary to address the interim reliability exceedance in the *region* for that year.
- (i) For a *reserve contract* for interim reliability reserves for a *region* that is a multi-year reserve contract, *AEMO* must ensure that, at the time of entering into that contract:
 - (1) the term of the *reserve contract* is no longer than three years and at least two of those years must relate to years in which there is an interim reliability exceedance for that *region* of which one of those exceedances must occur in the first year of the term; and
 - (2) the amount of *reserve* procured under the *reserve contract*:
 - (i) for each year of the term is no more than *AEMO* considers is reasonably necessary to address the largest interim reliability exceedance that is forecast to occur during the term; and
 - (ii) is no more, in total, than *AEMO* considers is reasonably necessary to ensure the reliability of *supply* in that *region*.
- (j) In a procurement process for interim reliability reserves, *AEMO* must include a request that a person who offers a multi-year reserve contract also offer a single year *reserve contract* for interim reliability reserves for the first year of that multi-year reserve contract. *AEMO* may enter into a multi-year reserve contract despite a person not complying with this request provided *AEMO* records the basis on which it had regard to the matters in paragraph (g)(3) in respect of that contract.
- (k) If *AEMO* is increasing the amount contracted under, or extending the term of, an existing *reserve contract* for interim reliability reserves, then any requirements under rule 3.20.3 and this rule 11.128 apply to that variation as if *AEMO* was entering into a new *reserve contract*.

11.128.5 Interim reliability reserves – reporting

- (a) Clause 3.20.6(d)(2) applies in respect of *reserve contracts* for interim reliability reserves as if the words "shortfall identified in the relevant declaration under clause 4.8.4" were deleted and "interim reliability exceedance" was inserted.
- (b) Clause 3.20.6(d)(3) applies in respect of *reserve contracts* for interim reliability reserves for a *region* as if the words "relevant *low reserve* or *lack of reserve* condition, including whether they align with any periods identified in the relevant declaration under clause 4.8.4" were deleted and "interim reliability exceedance" was inserted.
- (c) Clause 3.20.6(d)(4) does not apply to *AEMO* in respect of *reserve contracts* for interim reliability reserves.
- (d) In addition to the requirements of clause 3.20.6(d), if *AEMO* has entered into *reserve contracts* for interim reliability reserves, the RERT report (as defined in clause 3.20.6) must:
 - (1) identify those *reserve contracts* for interim reliability reserves and those which are multi-year reserve contracts;

- (2) an explanation of why *AEMO* considered the amount of interim reliability reserves procured under each multi-year reserve contract was reasonably necessary to ensure the reliability of *supply* in the *region*;
- (3) an explanation of how *AEMO* had regard to any potential impact of, and interaction with, the retailer reliability obligation when procuring interim reliability reserves;
- (4) the basis on which *AEMO* had regard to the *RERT principles* when entering into *reserve contracts* for multi-year reserve contracts; and
- (5) for each multi-year reserve contract entered into in the relevant calendar quarter, an explanation of whether the total payments made by *AEMO* under the contract are likely to be lower than the aggregate payments *AEMO* would have made under *reserve contracts* that are not multi-year reserve contracts for the same period.

11.128.6 AEMO exercise of RERT

If *AEMO* develops standardised forms of *reserve contracts* for interim reliability reserves, including for a reverse auction process for demand response, then clause 3.20.7(e1) applies to those forms of contract.

11.128.7 RERT guidelines

- (a) The *RERT guidelines* must include guidelines for or with respect to the process *AEMO* should undertake in contracting for interim reliability reserves.
- (b) By 21 August 2020, the *Reliability Panel* must amend and *publish* the *RERT guidelines* to take into account the Amending Rule.
- (c) The *Reliability Panel* must consult *AEMO*, but is not required to comply with the consultation requirements in clauses 8.8.3(d) – (l), when amending the *RERT guidelines* in accordance with paragraph (b).
- (d) If prior to the commencement date, and for the purposes of amending and *publishing* the *RERT guidelines* to take into account the Amending Rule, the *Reliability Panel* undertook consultation with *AEMO* as required under paragraph (c), then that consultation undertaken is taken to satisfy the equivalent consultation under paragraph (c).
- (e) Prior to the expiry date, the *Reliability Panel* must amend and *publish* the *RERT guidelines* to take into account the expiry of this Amending Rule, such amendments to take effect from the expiry date. The *Reliability Panel* must consult *AEMO*, but is not required to comply with the consultation requirements in clauses 8.8.3(d) – (l), when amending the *RERT guidelines* in accordance with this paragraph (e). To avoid doubt, if the *Reliability Panel* makes other amendments to the *RERT guidelines* unrelated to the expiry of this Amending Rule, the exemption from consultation requirements in clauses 8.8.3(d) – (l) does not apply to those amendments.

11.128.8 RERT procedures

- (a) By 31 August 2020, *AEMO* must amend the RERT procedures to take into account the Amending Rule.

- (b) *AEMO* is not required to comply with the *Rules consultation procedures* when amending the RERT procedures in accordance with paragraph (a).

11.128.9 Reliability standard implementation guidelines

- (a) By 31 August 2020, *AEMO* must amend the *reliability standard implementation guidelines* to take into account the Amending Rule.
- (b) *AEMO* is not required to comply with the *Rules consultation procedures* when amending the *reliability standard implementation guidelines* in accordance with paragraph (a).

11.128.10 AEMO preparatory activities

Other than entering into a *reserve contract* for interim reliability reserves, any action taken by *AEMO* prior to the commencement date in anticipation of the commencement of the Amending Rule and amendments to the *RERT guidelines* to be made in accordance with this Amending Rule, is deemed to have been taken for the purpose of the Amending Rule and continues to have effect for that purpose.

Note:

Action taken by *AEMO* under this clause 11.128.10 includes all actions that this rule 11.128 and the *RERT guidelines* requires *AEMO* to take, including:

1. modelling whether there is an interim reliability exceedance;
2. updating the *reliability standard implementation guidelines* and RERT procedures;
3. publishing the forecast of whether there is an interim reliability exceedance in the *statement of opportunities*;
4. issuing procurement documents, including tendering (or equivalent) documents and forms of *reserve contracts* for interim reliability reserves; and
5. negotiating *reserve contracts* for interim reliability reserves.

11.128.11 Reserve contracts entered into before the commencement date

Nothing in this Amending Rule, or the *RERT guidelines* as amended in accordance with this Amending Rule, affects any *reserve contract* entered into prior to the commencement date.

11.128.12 Review by the AEMC

- (a) By 30 April each year, *AEMO* must provide the *AEMC* with:
 - (1) the final bid data (including for bids which did not result in a *reserve contract* being entered into); and
 - (2) any records made under clause 11.128.4(j),in respect of any procurement process for interim reliability reserves in the previous calendar year. *AEMO* is not required to disclose the identity of the tenderers to the *AEMC*.
- (b) The final bid data referred to in paragraph (a) is, for each bid:
 - (1) the price, including its components;
 - (2) the proposed duration of the contract;
 - (3) whether the provider is demand response or *generation*;

- (4) minimum operation in hours;
 - (5) maximum operation in hours;
 - (6) the volume or capacity offered;
 - (7) the *region*;
 - (8) which bids resulted in a *reserve contract* and which did not; and
 - (9) any other information as agreed between *AEMO* and the *AEMC*.
- (c) In conjunction with its review of the operation of Chapter 4A under clause 11.116.18, the *AEMC* must also conduct a review of the *interim reliability measure* and the procurement of interim reliability reserves by *AEMO* under this rule 11.128 and any other matter which the *AEMC* reasonably believes is relevant to the procurement of interim reliability reserves by *AEMO*.
- (d) In conducting its review under paragraph (c), the *AEMC*:
- (1) must publish the terms of reference of its review;
 - (2) may publish any bid data provided by *AEMO* in relation to the review, provided that it is aggregated such that it does not identify any individual tenderer;
 - (3) must follow the *Rules consultation procedures*; and
 - (4) must consult with the *Reliability Panel*.

Note

This clause does not preclude the *AEMC* from conducting a review in accordance with section 45 of the *NEL*.