

17 May 2024

John Kim  
Project leader  
Australian Energy Market Commission  
GPO Box 2603, Sydney, NSW

Dear Mr Kim,

### **Review of the form of the reliability standard and Administered Price Cap**

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Reliability Panel's draft report on the Review of the form of the reliability standard and the administered price cap (the draft report).

PIAC strongly supports the conclusions of the reliability panel that:

- the current form of the reliability standard remains fit for purpose to address the majority of anticipated unserved energy (USE) outcomes, and
- the administered price cap (APC) can be expected to continue to function effectively without an inflation indexation.

Changing the form of the standard to capture extremely unlikely events, which would imply a tightening of the settings overall, would be extremely likely to result in consumers paying more for reliability than they would support.

PIAC agrees the four-year review cycle for the standard remains fit for purpose and adequate to manage changes occurring in the energy system. We agree that adjustments in the level rather than form of the standard will be sufficient to manage the emergence over coming years of new issues or changes in understanding of identified issues.

We reiterate the Reliability Panel's insistence that stakeholders should not conflate questions concerning the form of the standard with preferences over its level.

### **Improvements to enhance the operation and implementation of the reliability standard**

PIAC agrees with the Reliability Panel and a number of respondents to the directions paper that the meaning of the standard must be communicated effectively. While this is primarily intended to refer to misunderstandings on behalf of consumers and other non-experts, we urge the AEMC to devote resources to educating all stakeholders (including other government decision makers) within the energy regime on two important points:

- The vast majority of outages experienced do not arise from reliability issues, so the benefits of improving reliability are almost always extremely marginal; and
- The standard of 0.006%USE is a planning target, not an operational ceiling. While the standard is set as if it operated in isolation from other elements in the reliability regime, it does not actually function in isolation.

There are many other tools to improve reliability outcomes. Underestimating or not recognising the role played by the many reliability tools beyond the reliability standard will result in consumers paying more for the marginal unit of reliability than they support, or is in their interests.

We welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth. Please contact me at [mlynch@piac.asn.au](mailto:mlynch@piac.asn.au) regarding any further follow up.

Yours sincerely,

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