

19 January 2024

C/- Mr Charles Popple
Commissioner
Australian Energy Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Popple,

Review of the form of the reliability standard and administered price cap

PIAC welcomes the opportunity to respond to the Reliability Panel's directions paper on the Review of the form of the reliability standard and administered price cap (the directions paper).

PIAC continues to support work reviewing the form of the reliability standard. The aim of this review must be ensuring the standard reflects and supports consumers receiving the level of reliability they are willing to pay for.

Changes to the nature of potential reliability outages (including the potential for longer, less predictable outages) may require the form and level of the standard to change in order to remain in line with consumer preferences. Regardless, more work is required to ensure consumer preferences regarding risk and reliability are well understood and robustly reflected in the standards.

As the process has highlighted, tail risks to reliability are harder to predict, stemming from a wider set of causes, and are more expensive to manage. Outages may be less likely and less frequent, but are more likely to be longer-lasting and deeper when they do occur. This implies an increased cost to avoiding the marginal hour of potential outage. As a result, assuming there is no change in the value consumers place on an avoided hour of potential outage, redesign of the form of the standard would result in an increase in the target total number of hours of potential outage expected to be experienced.

To date this review does not seem to have adequately considered this. PIAC recommends further work to address this.

The scope of the review should be broadened

PIAC concurs with the initial insights expressed in the issues and directions papers, that a broadening of the scope of the review is required. Two areas where an expansion of the scope could be considered are:

- Reforms resulting in a standard that functions as an annual unserved energy (USE) average target rather than a ceiling; and
- Reforms to the nature of the reliability regime, from one built on intentional redundancies to one that coordinates all the elements in the regime.

PIAC notes these, and any other considered reform, must fulfil the objective of a reliability standard that ensures consumers pay for the level of reliability which accords with their preferences, appetite for risk, and willingness to pay.

We welcome the opportunity to meet with the Reliability Panel and other stakeholders to discuss these issues in more depth. Please contact Michael Lynch at mlynch@piac.asn.au regarding any further follow up.

Yours sincerely,

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