



2015 NETWORK RELIABILITY REVIEW

TERMS OF REFERENCE

Objective

The objective of the 2015 Network Reliability Review is to identify and analyse the high level issues that may impact on the reliability of electricity network services in the Tasmanian power system either currently or over the medium term.

Background

Section 10B(1) of the *Electricity Supply Industry Act 1995* (ESIA) requires the Regulator to conduct a review into the reliability of network services at least once every three years.

After conducting the review the Regulator is to prepare a Network Reliability Report (the Report) setting out the findings from its review. A copy of the Report must be tabled in both Houses of Parliament and made available to members of the public.

Under section 3 of the ESIA:

network services means –

- (a) the transmission and distribution of electricity between electricity entities and from electricity entities to customers; and
- (b) controlling and regulating the quality of electricity;

The Tasmanian Electricity Code (the Code) defines network service as “Transmission service or distribution service associated with the conveyance and controlling the conveyance, of electricity through the network.”

The Code defines reliability as “the probability of a system, device, plant or equipment performing its function adequately for the period of time intended, under the operating conditions encountered.”

Electricity network reliability is currently addressed by a number of regulatory arrangements within the National Electricity Market (NEM). These arrangements are largely focused on detailed network operations and planning. The Network Reliability Review will not duplicate these arrangements.

Rather, the Review recognizes that electricity networks are currently facing a number of developments that have the potential to fundamentally change how they are operated and designed. Electricity networks are increasingly being used as a means of exchanging energy

from various sources, rather than the more traditional model of networks transporting energy to customers from large scale generation sources.

Therefore, whilst the overall objective of the review is focussed on network reliability, to achieve this objective the review will largely be focussed on factors that may impact on network reliability from the generation sector and changes in electricity demand.

Terms of reference

- (1) The Regulator will conduct a review of the reliability of network services in the Tasmanian power system taking account of the Regulator's objectives under the ESIA to:
 - (a) establish and maintain a safe and efficient system of electricity generation, transmission, distribution and supply;
 - (b) establish and enforce proper standards of safety, security, reliability and quality in the industry; and
 - (c) protect the interests of consumers of electricity.
- (2) The Regulator will make findings and, if appropriate, recommendations with respect to the current or future reliability of network services in the Tasmanian power system.
- (3) In particular, the Regulator will:
 - (a) consider the performance of network services against standards and targets for reliability;
 - (b) identify issues which may impact on network services reliability in the medium term (the next three to five years);
 - (c) identify measures to address any issues identified and/or mitigate their impact; and
 - (d) comment on the status of the implementation of recommendations from previous reviews.
- (4) In conducting this review, the Regulator will take into account:
 - (a) the size and nature of Tasmania's power system (including the impact of connection to the NEM via Basslink);
 - (b) consistency of Tasmanian network reliability standards with the National Electricity Network Reliability Principles as endorsed by the COAG Energy Council;
 - (c) performance against relevant transmission and distribution performance requirements;
 - (d) the potential impact on the reliability of electricity network services in Tasmania of:
 - intermittent and low inertia generation;
 - embedded generation;
 - battery storage;

- (e) the impact of demand side management programs and customer participation programs on the reliability of network services;
 - (f) any potential impacts arising from likely future load demand;
 - (g) potential actions and issues arising from the Government's Tasmanian Energy Strategy 2015; and
 - (h) to the extent that they are applicable, the results and conclusions from relevant/applicable reviews, studies and documents in relation to network reliability published by:
 - the Australian Energy Market Operator;
 - the Australian Energy Market Commission;
 - the Australian Energy Regulator;
 - regulated and licensed entities; and
 - national and international bodies.
- (5) Whilst the 2015 Network Reliability Review Report will contain a high-level summary of the implications for network reliability arising out of the work described at item (4)(h) above, the report will not duplicate these studies. The focus will be on identifying key issues raised in these reports.

Review Outcomes

The outcomes of the Review will be presented in the Network Reliability Report. The Review Report will identify potential high level issues associated with electricity network reliability in Tasmania over the medium term. The identification of these issues is intended to inform stakeholders and assist energy policy development in the State.

The outcomes of the Review will not address detailed or specific network reliability issues, which are addressed through existing regulatory frameworks within the NEM.

Process

The review will be conducted as follows:

- (a) the Regulator will give notice of its intention to conduct the review. The notice will include terms of reference and invite stakeholder comments on the matters covered by the review terms of reference;
- (b) the Regulator will meet with stakeholders to identify, consider and discuss issues that are likely to affect the reliability of network services in the Tasmanian power system;
- (c) the Regulator will publish its Report on its website; and
- (d) the Regulator will arrange for the Report to be tabled in Parliament.

Timetable

The timetable for the Review is as follows:

Milestone	Target dates
The Regulator gives Notice of its intention to conduct the review, releases the draft terms of reference and seeks comments from stakeholders on those terms of reference	16 October 2015
Comments are due from stakeholders on matters contained in the terms of reference	6 November 2015
The Regulator meets with stakeholders and reviews relevant documentation	November 2015
The Regulator publishes its Report	December 2015
Report tabled in Parliament	2016 Autumn session