1. Electricity network reliability standards govern how network infrastructure is built and operated to avoid or manage outages. The current electricity network reliability standards prescribe a network design approach which requires extra infrastructure to be built (redundancy) to achieve reliability of supply.
2. In early 2013, the Independent Review Panel on Network Costs (IRP) found existing reliability standards are too prescriptive and have driven network over-investment, resulting in increased costs to customers. The IRP recommended a move to a more economic, outcomes-based and customer-focussed approach.
3. Responding to the IRP report, the Government’s Inter-Departmental Committee on Energy Sector Reform recommended the Government support the direction of the IRP's reliability recommendations. The Government accepted the IDC’s recommendation in mid-2013.
4. Implementation of the Government’s mid-2013 decision will involve a number of changes, as follows:

* Removal of prescriptive reliability standards for distribution networks, increasing focus on service performance targets and transitioning to an economic approach which takes into account the value customers place on reliable supply.
* Introduction of ‘Safety Net Measures’ for distribution networks to protect customers from the risks of significant supply failures, particularly high impact-low probability events.
* Moving from a requirement to plan transmission system augmentation to maintain all supply for any failure of a system element, to an approach which accepts there may be some loss of supply if there is a problem at times of peak demand, but limits the allowable extent of such outage exposures.

1. The reforms are forecast to produce savings of approximately $2 billion in electricity network capital expenditure from 2015 to 2030 and contribute to the mitigation of electricity prices from 2019–20 onwards. The reforms are broadly consistent with related national reform programs, including work on a National Reliability Framework which will be considered further next year.
2. Cabinet endorsed to establish a more economic, outcomes-based and customer-focussed approach to electricity network reliability standards.
3. *Attachment*

* Nil.