

FACT SHEET



Lack of Reserve (LOR) notices

Globally, power systems are built and operated with an extra level of reserve energy – a 'buffer' – available to assist in meeting electricity demand in challenging conditions.

Pre-determined reserves in Australia's power systems refer to the spare capacity to provide this buffer, over and above the level of electricity demand that is forecast at any given time.

A number of processes and arrangements are in place to mitigate risk of electricity shortfalls, also known as LOR conditions.

What causes LOR conditions?

A combination of planned and unplanned events can impact available resources, causing a depletion of electricity reserves, including:



Bushfires and extreme weather events, such as heatwaves, floods and storms



High electricity demand



Generation and/or infrastructure outages, or critical infrastructure maintenance

What's the difference between actual and forecast LOR notices?

When there is a supply and demand imbalance, AEMO takes proactive steps to manage reserve shortfalls by issuing LOR notices to the market to encourage more generation.



A forecast LOR occurs when AEMO's forecasts show a reduced amount of electricity reserves.



An actual LOR is when the market response to the forecast LOR has not been adequate to clear the LOR thresholds, and the LOR becomes an operational reality.

LORs are categorised over three tiers:

LOR 1

A notification that reserve levels are lower than the two largest supply resources in a state.

At this stage, there is no impact to power system security or reliability and AEMO continues to monitor reserve levels to maintain adequate supply.

LOR 2

Signals when reserve levels are lower than the single largest supply resource in a state, calling for a market response.

At this level, there is no impact to the power system, but supply could be disrupted if a large incident occurred. Once a forecast LOR 2 is declared, AEMO has the ability to direct generators or activate reserve mechanism to improve the supply-demand balance.

LOR 3

Signals a deficit in electricity supply resulting in a system security condition.

On a forecast LOR 3, load shedding may be required, while for an actual LOR 3, load shedding will be or is already activated.

Activating reserves

If the market response to the LOR notices has not been adequate, AEMO can call on off-market generation or demand management (reduced use) contracts, where available.

Reliability and Emergency Reserve Trader (RERT)

AEMO establishes a panel of generation and demand-reduction providers through the RERT mechanism.

Interim Reliability Reserves (IRR)

Under the IRR, AEMO procures out of market reserves (generation or demand management) to meet reliability shortfalls identified in its annual Electricity Statement of Opportunities report.



About us: AEMO is the independent energy market and system operator and system planner for the National Electricity Market (NEM) and Western Australia's Wholesale Electricity Market (WEM). We are a not-for-profit company, with a membership of state and federal governments (60%) and energy industry members (40%).

More info: aemo.com.au/about/who-we-are