

# 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%).

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