



Five minute settlement

Extension of time for draft rule determination

As requested by stakeholders, the AEMC has made a further extension to the timeframe for publishing a draft rule determination on this rule change request. The extension, to 6 July 2017, is required to evaluate the complex issues raised by the request, engage further with stakeholders to understand the costs and benefits, and explore the relationship with other projects being considered by the Commission.

Background

In the wholesale electricity market, dispatch and settlement prices are determined over different time frames. Dispatch is the process by which the Australian Energy Market Operator determines which generators should operate to meet the expected demand for electricity. Dispatch prices are determined every five minutes. Settlement is the transfer of money for electricity supplied to the market and consumed by end users. Settlement prices are calculated on a 30 minute basis.

The rule proponent, Sun Metals Corporation, is of the view that the difference in the dispatch and settlement intervals leads to inefficiencies in the operation and generation mix of the market. It proposes a possible solution where some market participants, including generators, would be settled using five minute prices. Five minute settlement would be optional for other participants, including retailers and large consumers.

The timing for the draft determination has previously been extended by the Commission to 30 March 2017.

Stakeholder consultation

This rule change request has attracted a high level of interest from a diverse mix of stakeholders. The proposed rule change would have implications for the spot market, the contract market, IT systems (including those of generators, retailers and the market operator) and metering, among others.

The AEMC has undertaken significant stakeholder engagement to understand stakeholder perspectives:

- The AEMC has established a working group, which met twice in late 2016. To reflect the diversity of stakeholder views it includes representatives of traditional generators, renewable generators, industrial and residential consumers, retailers, new technologies, a banking institution, the AER and AEMO.
- The AEMC has also held over 50 bilateral discussions with stakeholders.

Discussion papers prepared by the AEMC for each of the two working group meetings are available on our website.

Rationale for extension

During consultation, stakeholders noted the range and complexity of issues raised by the rule change request and asked the Commission to consider a further extension. This would also allow more consultation on implementation issues.

On 2 February 2017 the AEMC extended the period of time for publishing a draft rule determination on the rule change request to 6 July 2017.

The AEMC will publish a directions paper in March 2017 setting out the Commission's initial positions on the key issues raised in the rule change request.

Directions paper

The extension will allow a further consultation period. During this time the Commission will seek to understand in more detail the impacts that the rule change would have on stakeholders. In particular the AEMC will publish a directions paper on 30 March 2017 setting out the Commission's initial positions on the key issues raised in the rule change request. Stakeholders will be able to make submissions on the directions paper and also participate in further stakeholder engagement ahead of a draft determination in July 2017.

In addition, the extension will allow further investigation of interlinkages between five minute settlement and other projects currently being undertaken by the AEMC, in particular:

- rule changes relating to the scheduling of generation and load which is not currently scheduled
- the review into system security market frameworks.

If a rule is made, a transition period of an appropriate length would be needed. The extension allows for implementation issues to be more fully explored and understood.

Revised timeline

The revised timeline for the AEMC's consideration of this rule change request is set out below.

Milestone	Date
Publication of directions paper	30 March 2017
Close of submissions on directions paper	11 May 2017
Publication of draft determination	6 July 2017
Close of submissions on draft determination	3 August 2017
Publication of final determination	14 September 2017

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