



Five Minute Settlement – Section 108A (NEL) report

Purpose of report

The Australian Energy Market Commission (AEMC or Commission) is required under s. 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process, including the reason why that rule was not made within the timeframe.

This report relates to the Five Minute Settlement rule change request, which commenced on 7 December 2015 and is expected to be completed in the second half of 2017.

Background

Process

On 7 December 2015, the AEMC received a rule change request submitted by Sun Metals Corporation. The proposal seeks to align the dispatch and settlement intervals in the wholesale electricity market in order to improve market efficiency.

On 19 May 2016, the Commission published a consultation paper providing a background to the rule change, the proposed assessment framework and an outline of the issues and questions to facilitate consultation on the rule change request. The Commission received formal submissions from 29 stakeholders.

Other Stakeholder Engagement

This rule change request has attracted a high level of interest from a diverse mix of stakeholders. The AEMC has undertaken significant stakeholder engagement since the consultation paper was published to understand stakeholder perspectives.

- The AEMC has established a working group to facilitate this stakeholder engagement, with two meetings held to date. The working group comprises 20 members reflecting the diversity of views, including representatives of:
 - Traditional generation businesses
 - Renewable generation businesses
 - Retailers
 - Large energy users
 - Residential consumers and smaller businesses
 - A banking institution
 - AEMO and the AER
 - New technologies

- For greater breadth of stakeholder engagement the AEMC has also had over 50 bilateral discussions with stakeholders.

Reasons for the rule determination not being made within 12 months

In June 2016, having considered the submissions it received in response to its consultation paper, the Commission identified that the rule change request raised multiple issues that were sufficiently complex that it would be necessary to extend the project. Accordingly, in July 2016 the Commission extended the time for making the draft determination by 7 months, under s. 107 of the National Electricity Law.

During stakeholder engagement, stakeholders identified the complexity of the issues raised by the rule change request and asked the Commission to consider a further extension, including to allow consultation with stakeholders on implementation issues. On 24 January 2017, the Commission decided to further extend the period of time for the making of a draft determination. The Commission considered that this extension was necessary due to:

- the complexity of issues raised, including implementation and transition issues involved
- the potential implications of the rule change on both the physical and financial markets
- interlinkages with other AEMC projects, such as the system security review and non-scheduled generation/load rule changes
- the fundamental impact on the wholesale market and the consequences for a wide range of stakeholders, and the benefits of further consultation.

The due date for publication of the draft determination was therefore extended to 6 July 2017. This extension will enable a greater degree of consultation with stakeholders and the release of a paper outlining the potential design and implementation of five minute settlement.

Expected timing for the final rule determination

Given this extension of the time for the making of the draft determination, the final determination will be published by 14 September 2017, more than 12 months after the publication of the s. 95 notice in respect of this rule change request.