



Five Minute Settlement

Stakeholder submissions invited on new rule change request

The AEMC has started consultation on a rule change request from Sun Metals Pty Ltd to reduce the time interval for settlement in the wholesale electricity market from 30 to five minutes.

Background

Dispatch is a process whereby the Australian Energy Market Operator determines which generators should operate to meet the expected demand for electricity. The dispatch price is the price offered by the most expensive generator that needs to generate to meet the expected demand in each five minute period.

While a dispatch price is determined every five minutes, settlement - the transfer of money for electricity supplied to the market and consumed by end users - is calculated on a 30 minute basis. Settlement prices are the time-weighted average of the six dispatch prices occurring during each 30 minute trading interval. Participants are settled using the 30 minute settlement price and their aggregate generation or consumption during the respective half hour.

The rule change request

Sun Metals is of the view that the difference between the dispatch and settlement intervals leads to inefficiencies in the operation and generation mix of the market. It submits that this provides incentives for generators to withdraw capacity to influence price outcomes and impedes some categories of participants from entering the market.

Sun Metals proposes a possible solution that involves compulsory five minute settlement for generators, scheduled loads and market interconnectors. Demand side participants in the wholesale market, including retailers and large consumers, could choose to be settled on either a five or 30 minute basis.

Consultation

A consultation paper has been prepared to facilitate stakeholder comment on the issues raised by the rule change request. Stakeholders' submissions will inform the Commission's assessment of whether the difference between the dispatch and settlement intervals creates a material problem that needs to be addressed.

If the Commission establishes that there is a material problem, it will consider whether the possible solutions are likely to result in net benefits to the market and contribute to the achievement of the national electricity objective. This will include an analysis of the likely costs and benefits of making a change.

Submissions on the consultation paper and rule change request are to be lodged by **16 June 2016**.

Timing of the rule change process

Given the complexity of the issues raised by the rule change request, the six month standard rule making process may need to be extended. Once submissions are received and considered, the Commission will notify stakeholders of the timeframes and process that will be adopted for this rule change request.

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