

3 April 2024

Ms Anna Collyer
Mr Tim Jordan
Ms Sally McMahon
Mr Charles Popple

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged electronically: www.aemc.gov.au (ERC0384)

Dear Commissioners



EnergyAustralia

LIGHT THE WAY

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Shortening the settlement cycle — Consultation paper — 22 February 2024

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

EnergyAustralia is supportive of exploring ways to reduce unnecessary costs for market participants, which are ultimately passed onto consumers in higher energy prices.

The rule change proposal states that shortening the NEM settlement cycle to 10 business days would deliver material benefits of over \$10 per customer per year, mostly in the form of reduced need for credit support and incidences of call notices from AEMO. The proposal refers to retailer failures during 2022, suggesting that extreme market volatility and working capital limitations were a contributing factor.

The quantification of benefits in the rule change proposal is dependent on a number of simplifying assumptions and market data which reflect arguably atypical conditions e.g. increased Maximum Credit Limit obligations during 2022. It is also not immediately apparent to us that a participant's working capital requirements would halve in line with the number of Cumulative Price Threshold events that could occur during the settlement period. We encourage the Commission to engage with AEMO and verify how its prudential requirements would change under an amended settlement cycle. Illustrations of this relative to observed high price events in the NEM would be useful, including how this may have avoided retailers exiting the market in the past.

As suggested by the Commission, changes to the settlement cycle could potentially have consequences for derivative contracts that are not aligned with AEMO's settlement cycle, which may affect the extent of benefits and the time needed for affected parties to prepare for the proposed rule change. We would also be concerned if shortening the cycle affected data quality. The current level of accuracy in daily meter data for customer load is poor and we are highly dependent on preliminary statements. We understand AEMO already uses much of the time in the settlement process to interrogate

and process corrections to meter data. Any compression of these timeframes risks losing data integrity and accuracy. This may be influenced by the progressive roll out of interval metering in the NEM and the Commission should explore how this might be reflected in an 'optimal' settlement cycle length, which could be implemented at a later date.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Lead