

3 October 2024

Genevieve Schulz  
Australian Energy Market Commission (AEMC)

Submitted via [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Schulz

### **Shortening the settlement cycle (ERC0384)**

Hydro Tasmania appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC's) draft determination for the *Shortening the settlement cycle (ERC0384)* rule change. As the National Electricity Market (NEM) changes over time, it is essential that systems and procedures are updated to reflect the changing operation conditions. A key determinant for the original 20-day settlement cycle was the number of manually read accumulation meters, which is not the situation in the NEM today. We appreciate both Globird's and the AEMC's work in investigating options to improve NEM processes as the grid and market continue to modernise.

**Hydro Tasmania supports shortening the settlement cycle.** A shortened settlement cycle (SSC) provides several benefits to participants, such as reduced prudential costs and reducing the amount of working capital needed to respond to Call Notices from the Australian Energy Market Operator (AEMO). Hydro Tasmania agrees with the AEMC in that this change will increase market efficiency overall but will provide a greater positive impact to smaller retailers. Reduced costs for smaller retailers may help lower barriers to entry, leading to greater competition within the market and more efficient market outcomes.

It is our view that **AEMO's proposal of a 9-day settlement cycle (Pathway 3) is a further improvement** to the 11-day SCC proposed by the AEMC in the draft determination. The 9-day SSC option outlined by AEMO offers additional benefits to participants, beyond those offered with the 11-day SSC proposal. These include reducing the impact of public holidays, further shortening the outstandings period, and providing additional flexibility in managing cash flow for smaller retailers.

AEMO's Draft High Level Impact Assessment (HLIA) notes that whilst Pathway 3 will have lower operational impacts than implementing the 11-day settlement cycle, it will have a higher initial

systems impact<sup>1</sup>. Hydro Tasmania shares this view, and it is crucial that **appropriate consideration be given to the transition plan for the rule change**. We support the AEMC's proposal of an 18-month implementation period, noting there are several changes to systems and contracts that need to be understood and enacted prior to implementation.

We support the transition plan suggested by AEMO in their HLIA, and encourage the AEMC to continue to work closely with AEMO as this rule change progresses. It is essential that participants are kept updated through the process and provided opportunity for consultation as specific details of implementation are worked through, both at a market operator and individual participant level. Hydro Tasmania looks forward to engaging with the AEMC and AEMO as these system impacts become known.

We commend both AEMO for their work to provide an alternative solution and the AEMC for facilitating engagement opportunities with industry. If you wish to discuss any aspect of this submission, please contact Dani Williams at [danielle.williams@hydro.com.au](mailto:danielle.williams@hydro.com.au).

Yours sincerely



John Cooper  
Manager Market Regulation

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<sup>1</sup> <https://aemo.com.au/-/media/files/initiatives/shortening-the-settlement-cycle/shortening-the-settlement-cycle-draft-v-01-high-level-implementation-assessment.pdf?la=en>