30/09/2024

Ms Genevieve Schulz
Project Leader, Australian Energy Market Commission
GPO Box 2603, Sydney
2001 NSW

Dear Ms Schulz,

Shortening the settlement cycle Draft Determination

Thank you for the opportunity to participate in the Australian Energy Market Commission (AEMC)'s Consultation on the Shortening the settlement cycle Draft Determination.

SA Water is South Australia's leading provider of water and sewage services, providing regulated water and wastewater services to more than 1.7 million people throughout the state. Wholly owned by the Government of South Australia, we have been working to ensure a reliable supply of safe, clean water and a dependable sewerage system for more than160 years.

To support the provision of regulated water and wastewater services, SA Water is one of the largest individual users of electricity in South Australia, operating facilities across more than 1,900 connection points across a wide spectrum of electricity loads.

We agree with the AEMC's draft determination that shortening the settlement cycle would promote the NEO by reducing barriers to entry into the market, increasing competition and driving better consumer outcomes.

Following the publication of the draft determination, the AEMC held a workshop on the 10th September 2024 at which AEMO presented some operational challenges identified with the draft rule, and presented an alternative pathway to shortening the settlement cycle, which we understand involves settling energy transactions at Day 9 based largely on data available , followed by the introduction of a Revision 0 at Day 20 in which interventions and exceptions can be settled along with adjustments due to metering errors.

Of the options presented in the draft determination and at the workshop, SA Water most strongly supports the alternative pathway proposed by AEMO. We see merit in the balance this approach takes in delivering the objectives identified by the AEMC in the draft determination while establishing a settlement process that is robust and operationally efficient, addressing the concerns that AEMO identified with the pathway proposed in the draft determination.

Noting the AEMC's comments in the draft determination that information about costs will inform the final determination, SA Water has reviewed the likely impact of this proposed change on our business and has identified three areas that we believe are impacted:

- Lower cost of participation due to lower credit support requirements;
- Modifications to settlement and reconciliation systems; and,
- Increased data volumes, data processing and additional complexity in reconciliation and financial systems.

The cost of credit support is predominantly incurred from the cost of providing bank guarantees to AEMO. The shortened settlement cycle is expected to reduce SA Water's MCL, directly reducing the size of the required bank guarantee. Costs of bank guarantees are directly proportional to the size of the guarantee, so based on the AEMC's analysis, the change could be expected to result in a direct reduction in SA Water's credit support costs on the order of 10 to 20%.

Without detailed design documentation from AEMO relating to the changes that will be made arising from this rule change, it is very difficult to estimate the cost of modifications to our settlement and reconciliation systems. SA Water has conducted a T-shirt sizing estimate based on our current understanding of the option presented by AEMO and believes that the impact of the changes to introduce an earlier final settlement run and an additional revision run in our systems are Small, assuming the capabilities that are needed to accommodate the revision 0 are largely in line with the capabilities for the current revision statements.

SA Water has also estimated, on a similar assumption set, the impact of the proposed changes to the operation of our systems, particularly our market reconciliation and financial systems which ingest data from the AEMO settlements process directly. We estimate a 25% uplift in the volume of data that must be processed for these systems as four reconciliation and payment processes would increase to five.

This uplift increases the complexity of the reconciliation capability we operate, leading to longer run times and increasing the likelihood of reliability and supportability issues arising. SA Water also perceives a shortening in the time between when data can be made available by AEMO for a settlement run and when settlement occurs and supporting reconciliation is required. This shortening will result in higher data transfer loads on already constrained solutions to enable the additional data to be transported. Similarly, for record keeping purposes, data used for financial settlements must be retained, resulting in a corresponding 25% uplift in the volumes of data being stored in each of the finance and reconciliations systems.

SA Water expects that rather than directly increasing the cost of our operations, these issues will bring forward the need for further investment in technology systems both by SA Water and AEMO to ensure the continued functioning of these systems. For example, we see these changes driving a need for technology upgrades currently being delivered through the MITE initiative by AEMO to be available and utilised earlier to ensure data delivery as FTP channels become increasingly congested. Similar expedited upgrades to SA Water's databases and server farms will be required to support our ongoing ability to settle the market.

Finally, we understand that the scope of the proposal by AEMO and the consultation and draft determination by the AEMC did not consider changes to revision settlements timetables. SA Water believes the impact of the introduction of a Revision 0 proposed settlement warrants the expansion of the rule to consider the appropriateness of the revisions timetable. As such, SA Water suggests the AEMC consider including a review of the revision timetable in the final determination, considering whether the current approach to revisions by issuing a revision 1 at 20 weeks and a revision 2 at 30 weeks remains efficient in the context of changing market and technological conditions.

If you have any queries about this submission, please contact Mr Andrew Wilkins, Energy Markets Specialist at andrew.wilkins@sawater.com.au or (08) 7424 1877.

Kind regards,

Andrew Jackson
Manager, Energy Strategy

Phone: (08) 7424 1045
Email: andrew.jackson@sawater.com.au