AEMC

INFORMATION

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Shortening the settlement cycle

We have made a final rule to shorten the settlement cycle to nine business days

The Australian Energy Market Commission (AEMC or Commission) has made a more preferable final rule to shorten the national electricity market (NEM) settlement cycle to nine business days following the end of a billing period, from the current 20 business days.

Under the final rule:

- AEMO will issue **preliminary statements** within **three business days** and **final statements** within **seven business days** following the end of a billing period
- the payment date will be the **ninth business day** after the end of a billing period, or two business days after receiving a final statement, whichever is the later
- participants and AEMO will still have **15 business days** following the end of a billing period to use reasonable endeavours to resolve disputes regarding preliminary statements
- AEMO will issue a **routine revised statement** at **20 business days** following the end of the billing period. This is in addition to the routine revisions that occur at 20 and 30 weeks.

Our final determination was shaped by AEMO's high-level impact assessment and the 16 submissions we received on the draft determination.

The final rule will commence on 9 August 2026

The final rule will commence on 9 August 2026. This will allow AEMO sufficient time to update relevant systems, procedures and guidelines relating to the settlement, prudential and metering data processes. This timing will also give participants time to prepare for the new settlement process.

AEMO will have from the start of billing week 33 on 9 August 2026 to the end of billing week 42 on 17 October 2026 to transition the market from the current 20-business day settlement cycle to nine-business days. It must also consult and publish a plan for how it will move the market from a 20-business day cycle to nine business days to ensure final statements and settlement are maintained in billing week order. AEMO must publish a transitional settlements calendar by no later than 5 December 2025.

The new revision at 20 business days will address operational risks

The final more preferable rule introduces the new R0 revision at 20 business days to help address issues raised by AEMO and participants in response to the draft determination. The new R0 will allow AEMO and participants to manage meter data exceptions, resolve disputes and process financial amounts like RERT, directions and suspension compensation. This will ensure a participant's financial position at 20 business days is on par with today's arrangements and will mean AEMO does not need to trigger higher service requirements. While the new revision may result in some increased costs to participants, we consider that it is an effective approach in managing the possible operational risks associated with the draft rule, while maximising the prudential benefits associated with a shorter settlement cycle.

We considered stakeholder feedback on removing the revisions at 20 or 30 weeks. However, we do not consider that to be feasible given AEMO must manage manually read accumulation meter data. The Commission notes that as we move to an increasing penetration of remotely read smart meters, the reasons for the revisions at 20 and 30 weeks diminish. We expect that, in the future, AEMO will reassess the need for the three revisions, with a view to moving to a new fit-for-purpose revision process.

Shortening the settlement cycle will deliver a range of positive outcomes

Shortening the settlement cycle to nine business days will reduce working capital requirements for most market participants by:

- lowering the quantum of credit support that market participants must lodge with AEMO
- shortening the settlement cycle for certain financial contracts.

Lowering working capital requirements for most market participants would lead to lower prices for customers or support increased investment in service innovation, lower barriers to retail electricity market entry, and reduce the risk of retailer failure. We consider that this, in turn, would have material benefits for consumers through access to better service offers, more choice and more competitive pressure on retail prices.

We also consider that this change would benefit smaller retailers in particular, which typically have less access to capital and higher financing costs, and face different costs and risks to larger retailers. Lowering barriers to entry and driving competition is critical in delivering better outcomes for consumers, as new market entrants contribute to competitive outcomes through competing with existing retailers on price, product offering, innovation, and service quality.

AEMO has provided the Commission with indicative costs in the order of $19 million in CAPEX (including a 50 per cent contingency) plus $4 million in OPEX spread over ten years. Given the range of broader market benefits that will continue to accrue over the longer term, the Commission has determined that the benefits of the shorter settlement cycle outweigh these costs.

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