

18 October 2017

John Pierce, Commissioner
Australian Energy Market Commission
Lodged Electronically

Dear John,

RE: AEMC Consultation on Five Minute Settlement Draft Determination

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, energy efficiency, hydro, bioenergy, energy storage, geothermal and marine along with more than 4,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC is supportive of the AEMC's draft decision to transition the NEM to a five minute settlement regime, and reiterates the positions provided in our submission to the Directions Paper. This evolution of the market is a logical reflection of the changing generation mix currently underway in the NEM, with investment in renewable generation increasing as inflexible thermal generators age. In addition to the positions raised in our Directions Paper submission, the CEC would like to emphasise the need for the transition to a five minute settlement regime to encourage flexible responses by market participants, and recommend the consideration of industry testing during the transition period.

Flexibility is important for the health of the NEM

The CEC strongly encourages incentivising flexibility in the market, as a means of encouraging a more reliable and agile energy system at a lower cost to consumers. A shift from a thirty minute settlement regime to a five minute period will be a key driver to ensuring flexibility is an outcome of the NEM's design. This focus on the importance of a flexible market is well-recognised internationally¹, and aligns closely with the NEO as a means of providing a more efficient market.

¹ CEC submission to the Australian Energy Market Commission, Reliability Frameworks Review, 20 September 2017

The transition should be well-considered

While the CEC agrees that a reasonable timeframe is needed to transition to a five minute settlement regime, this should occur as fast as practicable so that investments in flexible technologies made today can see a clear pathway towards an appropriate market environment.

However, it is important that the transition period is well-planned in order to minimise any risks for market participants. As highlighted in our submission to the Directions Paper, industry readiness during the transition period is important for a successful implementation. It is important for the industry to be given a sufficient testing period during the transition. Although NEM participants must have new or upgraded metering capability by 1 December 2018, AEMO has until 1 December 2020 to consult and amend its procedures, methodologies and guidelines. As such, NEM participants are only allocated 7 months to resolve any issues which may arise from the new procedures before the implementation date of 1 July 2021. The CEC recommends that the AEMC reconsider these timelines in order to provide industry with the confidence to explore and adapt to the change to five minute settlement as early as possible. The market's earlier appreciation of the change will lead to a smoother transition.

Summary

The CEC would like to congratulate the AEMC on its draft decision to shift the NEM to a five minute settlement regime. This is a positive outcome for the market, which will provide long-term benefits to consumers through increased efficiency.

We trust that this submission assists the Commission in its deliberations and welcome continued discussion of this important issue. Please contact the undersigned or Emma White (03 9929 4107) for any queries regarding this submission.

Sincerely,



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