

11 June 2020

Mr John Pierce
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By online submission (AEMC ERC0298)

Dear Mr Pierce

Consultation Paper – Delayed implementation of five-minute settlement and global settlement (ERC0298)

Thank you for the opportunity to provide a submission to the Australian Energy Market Commission (Commission) consultation paper relating to the delayed implementation of Five-Minute Settlement (5MS) and Global Settlement (GS).

AEMO is committed to supporting the implementation of 5MS and GS irrespective of the outcomes of the proposed rule change and AEMO will continue its IT systems development program on the current schedule. Should the Commission determine that a delay is appropriate, AEMO will accommodate the needs of participants through a two-speed implementation program. This will allow participants to choose to continue their own development under either the original implementation schedule or a delayed timeframe, to the maximum extent practicable. Attachment 1 sets out our plans in this regard in further detail.

AEMO supports the Commission's proposal to progress this proposed rule change as an expedited 'urgent rule'. AEMO considers an expedited determination would enable industry to manage and direct their resources with certainty and confidence. We would welcome the opportunity to discuss the matters raised in this submission further. Should you have any questions, please contact Kevin Ly, Group Manager Regulation at kevin.ly@aemo.com.au

Yours sincerely



Peter Geers
Chief Strategy and Markets Officer

ATTACHMENT 1: AEMO Submission to the Consultation Paper

ATTACHMENT 1: AEMO SUBMISSION TO THE CONSULTATION PAPER – DELAYED IMPLEMENTATION OF FIVE MINUTE AND GLOBAL SETTLEMENT (ERC0298)

1. Introduction

AEMO welcomes the opportunity to provide a submission to the Commission’s consultation paper relating to the delayed implementation of Five-Minute Settlement (5MS) and Global Settlement (GS) (Consultation Paper).

AEMO’s submission addresses:

- Timeframe considerations for the commencement date, UFE trends reporting and UFE reporting guideline development
- AEMO program adjustments to accommodate a deferral and support participants
- High level overview of the incremental deferral costs to AEMO’s program
- Market procedure considerations.

AEMO’s submission focuses on implementation practicalities, for both AEMO and the industry overall.

2. Timeframes

2.1 Mid-week commencement

Commencing 5MS at the start of a NEM billing week is preferable but not essential. The original commencement date for 5MS fell mid-week meaning that AEMO has already developed a system solution for settlement in the first week that will accommodate both 30-minute and then 5-minute trading intervals. This approach can be adapted for any commencement date with no further development work required.

2.2 First UFE report

Section 11.112.3 of the Global Settlement and Market Reconciliation Rule 2018 No. 14 (GS Rule) requires AEMO to prepare and publish the first report on Unaccounted for Energy (UFE) trends by 1 March 2022. The intent of this timing was to provide AEMO with approximately eight months of ‘soft-start’ data to inform the report.

It logically follows that the sequencing of activities should be carried through such that the deferral of the first UFE trend report is commensurate with the delay to GS commencement. Without a corresponding delay, AEMO considers that there would be insufficient ‘soft-start’ data to produce a meaningful UFE trends report.

AEMO therefore recommends that the requirement to publish the first UFE trends report 8 months after the commencement of UFE reporting be maintained. For example, if the Commission decided that a 12-month delay was appropriate, then the date for the first UFE Trends report should be 1 March 2023.

2.3 UFE Reporting Guidelines

For completeness, AEMO considers that the date by which it must make and publish the UFE reporting guidelines should also be delayed by a period commensurate with the delay to GS commencement.

The original timeframes were staged such that AEMO would produce its first UFE Trends report by 1 March 2022, prior to the development of the UFE reporting guidelines by 1 December 2022 (Section 11.112.6 of the GS Rule). The policy intent of sequencing the development of the UFE reporting guidelines after the publication of the first UFE Energy Trends report was to allow the development of a Guideline based on:

- an understanding of the data available, and its potential uses and limitations;
- practical experience in compiling a UFE Energy Trends Report; and
- feedback from participants on what is required or otherwise valued to assist those stakeholders.

2.4 Five-minute metering data delivery from new and replacement type 4 and 4A meters

In its rule change proposal, AEMO proposed to retain the date (1 December 2022) by which new and replacement type 4 and type 4A meters were required to record and provide 5-minute interval data. It further noted that the issue should be opened for consultation through the AEMC process to gauge industry views.

AEMO does not oppose a delay to the date by which these metering installations must be configured to record and provide 5-minute metering data.

3. AEMO program adjustments

AEMO has reviewed the impact of a deferral on its 5MS and GS implementation program (5MS Program). While this review was based on a 12-month delay, it is applicable to any period of deferral as determined by the Commission. This review confirmed that AEMO can proceed without changing its approach or timeline for core IT development and deployment activities as a consequence of any deferral. AEMO will continue to develop its IT systems according to existing timelines, with a staged platform deployment approach, regardless of the Commission's final determination.

However, it is noted that AEMO will need to manage some limited impacts to its IT systems. For example, the Reallocations solution has already gone live and would need to be updated to reflect any new 5MS commencement date.

3.1 AEMO support for participant choice

By maintaining its commitment to the original development timeframe, AEMO can support participants intending to maintain their existing development timeline but also facilitate industry participants that choose to defer their program, should a determination to delay be made by the Commission. On this basis, AEMO has developed a "deferral scenario" for transition, participant testing and metering transition. This deferral scenario was discussed and developed in consultation with the existing 5MS working groups. It is intended to support participants in understanding the effects of a delay on their own implementation programs.

Importantly, AEMO IT systems have been designed with backwards compatibility meaning that the updated systems can operate in both 30-minute and 5-minute modes. This enables AEMO to deploy its IT systems under the current timeline and continue to operate in 30-minute mode. The 5MS capabilities can be 'switched-on' to align with a new commencement date, subject to the outcome of this AEMC process. This means that should there be a delay to 5MS commencement, AEMO would be able to facilitate those participants electing to maintain the current timeline, as well as those participants electing to defer implementation programs. For example:

- B2M metering data delivery: Participants will have the option of submitting five-minute metering data to AEMO from shortly after the new metering platform goes live (March 2021) or continue submitting 30-minute data until closer to the 5MS commencement date.
- Five-minute bidding: The transition to five-minute bidding will provide the option for participants to submit either five-minute bids (that give the same effect as a 30-minute bid) or 30-minute bids in the transition period. The transition period proposed is from 1 April 2021 when the dispatch platform is deployed to the 5MS commencement date.¹

Note that for B2B metering data delivery, participants can already choose to deliver/receive five-minute metering data (or other sub-multiples of a trading interval) to each other, subject to agreement/s between impacted parties e.g. 15-minute metering data is routinely supplied in the NEM.

The general approach to accommodating 5MS and GS deferrals in the Metering Transition Plan is to maintain the same "transition start date" for transition activities but extend the "transition end date" to support a two-speed implementation.

A known issue with the extended transition window is that participants have a longer period to manage new metering standing data configuration associated with 5MS and GS. This raises the possibility of one group of participants affecting other participants. For example, a distribution business starts applying new NMI classification codes that other participants are not ready to receive. This would result in more exceptions occurring and potentially a misalignment of standing data. In the event of a deferral being confirmed, AEMO and participants should consider what (if anything) needs constraining in production during the industry transition to manage transition risks around standing data configuration.

¹ In relation to the five-minute bidding transition, note that:

- If five-minute bids are submitted for a trading day within the transition period the bids for each five-minute within each half hour must be identical, giving the same effect as the submission of a 30-minute bid.
- If five-minute bids are submitted for a trading day after 5MS commencement, then the bids for each five-minute within each half hour do not have to be identical, allowing five-minute profiling of bids.
- If a 30-minute bid is submitted, this will be converted to a set of identical five-minute bids and stored that way. This applies equally to bids applying to trading days within the transition period and after 5MS commencement.
- From 5MS commencement, only five-minute bids may be submitted, and any 30-minute bids will be rejected.

In summary, AEMO would support a two-speed industry implementation through its systems solutions and transition planning and mitigate any transition risks that arise from an extended transition window.

3.2 Testing

AEMO will provide participants with access to test environments for the deferral period. The test environments will contain the 5MS and GS functionality for bidding/dispatch, settlements and metering. This will enable participants the flexibility to test their own systems in development mode against AEMO's market systems under their own schedule. The testing environment will also enable participants to perform bi-lateral and multi-lateral testing.

AEMO will carry out its market testing approach for each of the IT Platform deployments in early 2021 as set out in its current program timeframes, and underpinned by the 5MS and GS Industry Testing and Market Trial Strategy.

AEMO proposes to facilitate a 5MS market trial in the first half of 2022 and a GS market trial in the latter half of 2022 (assuming a 12-month delay to commencements). The details of these market trials will be developed through the 5MS Readiness Working Group and Industry Testing Working Group.

AEMO considers that this proposed approach provides participants with appropriate opportunities to test their systems against the AEMO market systems regardless of each participant's program timeline. AEMO considered facilitating multiple 5MS and GS market trials, however it was concluded that there was a risk that the number of participant numbers could be too low to provide a meaningful market trial and the cost-benefit of this approach would be low.

4. AEMO program deferral costs

The deferral of AEMO's 5MS and GS program will incur incremental cost, particularly given AEMO's commitment to operate a two-speed implementation program. AEMO's estimate of the incremental cost is \$5-7 million. The key cost elements of a deferral include:

- Extending and supporting the 5MS Staging Environment, so that participants have an environment where they can test their own changes against the central market systems in 5MS mode;
- Extending support for monitoring and co-ordinating the Metering Transition Plan, to provide flexibility to support participants who are proceeding on the current timetable as well as those electing to pause their metering programs;
- Extending support for the AEMO Support Hub call centre to respond to participant queries;
- Standing up a team to support the Market Trials for 5MS in the first half of 2022 and for GS in the fourth quarter of 2022; and
- An extra 12 months of finance charges. Note that this assumes a delay in the commencement of cost recovery from 1 July 2021 to 1 July 2022, this decision is subject

to the NEM Declared Project 5MS cost recovery consultation and decision-making process.

Procedures

As noted by the Commission, AEMO has amended approximately 70 procedures, policies and guidelines affected by the 5MS rule across metering, settlement, dispatch and operations. This has been a significant undertaking over 18 months, and has been informed by comprehensive consultation with participants.²

A delay in the commencement of 5MS and GS will mean that most of these documents will likely need to be updated for new effective dates, and any consequential procedure version sequencing that may be identified as a direct result of the delay.

Given the extensive consultation already undertaken, AEMO considers that any rule deferring 5MS and GS commencement should include a specific transitional rule to confirm that AEMO is not obliged to follow the Rules consultation procedures for any changes to procedures that are required to reflect 5MS and GS deferral. This is necessary because not all procedure changes clauses allow AEMO to make minor or administrative changes without undertaking a full consultation. If, however, AEMO identified a need to make more extensive amendments as a consequence of deferral, the appropriate consultation requirements would still apply.

To ensure a robust and compliant approach to the document updates, AEMO would:

- Review each of the 5MS and GS affected documents
- Assess the need for a consultation process
- Advise the industry of the outcome of the assessment of need for a consultation process
- If necessary, consult in accordance with clause 8.9 of the Rules, or other clauses as relevant.

5. Conclusion

AEMO is committed to continuing implementation of the 5MS and GS programs, irrespective of the Commission's final determination. That is, AEMO will progress its 5MS Project as originally scheduled and, should the Commission determine that a delay is appropriate, it will also accommodate those participants seeking to defer implementation. This two-speed implementation was developed, and reviewed for feasibility, in consultation with industry through the 5MS Project working groups.

Any delay will come with an incremental cost, particularly given AEMO's commitment to operate a two-speed implementation program. AEMO's estimate of the incremental cost is \$5-7 million.

² <https://aemo.com.au/en/initiatives/major-programs/nem-five-minute-settlement-program-and-global-settlement/procedures-workstream>

In terms of timeframes for delay, AEMO notes that the principles that underpin the scenario for a 12-month delay can be applied to a different period of delay. AEMO can, therefore, accommodate a different delay timeframe as determined by the Commission.

Further AEMO considers that the deadline for the first UFE Report and the UFE Report Guideline should be delayed by a corresponding period to facilitate the original policy intent of the decision to stagger these timeframes, relative to the commencement of the GS Rule. While AEMO proposed that a corresponding delay may not be necessary to the date by which metering installations must be configured to record and provide 5-minute interval data, it does not oppose a delay should an industry need be identified.