

John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000



11 June 2020

Re: Delayed Implementation of five minute and global settlement

Dear John

The Energy Efficiency Council (EEC) thanks you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) consultation paper on the proposal to delay implementation of five minute and global settlement.

The EEC has a broad range of membership with different positions on the delay to five-minute settlement. The EEC fully understands the AEMC considering delays to the introduction of five-minute settlement in the context of COVID-19 and commends the AEMC for rapidly and proactively considering the impact of COVID-19 on the energy sector.

The EEC notes that any delay in the introduction of five-minute settlement will materially disadvantage the development and deployment of storage and demand response, which will be increasingly critical for the affordability and reliability of electricity. COVID-19 may hasten the need for more reliable fast-response capacity, as reduced energy demand could result in a greater proportion of energy coming from intermittent sources such as wind and solar PV.

Demand response and storage are particularly disadvantaged by the distortions inherent in 30-minute settlement. Automated demand response can provide capacity extremely quickly (switching equipment down or off), but often has a relatively high dispatch cost (foregone consumption). Under five-minute settlement, energy users can respond to a price signal and be adequately rewarded. Under 30-minute settlement, energy users will be far less certain that they will be adequately remunerated for dispatching their demand-response capacity, dissuade them from both developing and dispatching their demand-response capacity.

We understand that the AEMC will need to consider many factors while it decides whether to delay the implementation of five-minute settlement. However, we urge the AEMC's deliberations to consider the serious and deleterious impact that a delay to five-minute settlement will have on Australia's fledgling markets for demand response and storage, including the impact of regulatory certainty from a last-minute change to the implementation process for five-minute settlement.

We look forward to continuing to engage with the AEMC on this matter. For further information please contact me on rob.murray-leach@eec.org.au or 0414 065 556.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Murray-Leach".

Rob Murray-Leach
Head of Policy
Energy Efficiency Council