



8 June 2020

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent to: AEMC by online lodgement

Dear Sirs

**Delayed Implementation of Five Minute and Global Settlement
Response to Consultation Paper
ERC0298**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the issues raised in the Consultation Paper to consider a rule change proposal for a 12-month delay to implementing the scheduled five minute and global settlement (5 MS) process in the NEM.

The MEU was established by very large energy using firms to represent their interests in the energy markets. With regard to all of the energy supplies they need to continue their operations and so supply to their customers, MEU members are vitally interested in four key aspects – the cost of the energy supplies, the reliability of delivery for those supplies, the quality of the delivered supplies and the long term security for the continuation of those supplies.

Many of the MEU members, being regionally based, are heavily dependent on local staff, suppliers of hardware and services, and have an obligation to represent the views of these local suppliers. With this in mind, the members of the MEU require their views to not only represent the views of large energy users, but also those interests of smaller power and gas users, and even at the residences used by their workforces that live in the regions where the members operate.

It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU and its members are aware that the covid 19 pandemic has had a major impact on the economy of Australia and has resulted in considerable disruption. With

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this in mind, the MEU considers that the Consultation Paper identifies many of the aspects that need to be considered for assessing the rule change for the proposed delay to implement the 5 MS process for the NEM.

On balance, after assessing the high-level information provided coupled to its own awareness of the impact of the covid 19 pandemic, the MEU supports implementing a delay, although noting that it does not have the ability to provide detailed costing of the impacts on AEMO and market participants, or what costs the delay might impose on the NEM.

The MEU notes that the request for the delay was initiated by AEMO which has a major task in converting its systems to be able to accommodate the implementation of the 5 MS rule change. AEMO has identified that it would need additional time to carry out these changes and has proposed a 12-month extension to the implementation date for it to deliver the desired outcomes. The MEU does not have any better information than that supplied by AEMO to assess whether 12 months is an appropriate time or not but is prepared to accept that AEMO considers that a delay of this duration is not only necessary, but appropriate to the needs.

The MEU members report that implementation of a major system change is challenging and that more commonly such changes take longer than first identified. They also report that a critical element of any major systems change is testing and ensuring the new architecture and detailed design delivers the targeted outcomes. They advise that it is critical that when a new system is brought into operation that it operates seamlessly and accurately with the existing operations. To achieve this outcome, implementing new architecture, detailed design and coding requires great care and should not be rushed.

The MEU considers that the 5 MS system change will have far-reaching implications for all market participants, especially to retailers who are just as likely to be experiencing similar challenges to AEMO as they develop their systems to match the requirements of 5 MS, but at the same time providing support and assistance to their customers who are also experiencing their own covid 19 pressures.

It should be noted that as market participants carry out their systems changes to accommodate the new market controls, they will need to test their systems once AEMO has its systems in place. This means that if AEMO has a delay in delivering its work, then we must accept that there will be further testing needed by market participants subsequent to when AEMO has completed its work. This subsequent testing will ensure that the systems developed by the market participants seamlessly interact with the AEMO systems.

The MEU notes that concurrent with the development of the 5 MS system change, AEMO also has a number of other significant projects¹ under development and which add to the pressures faced by the AEMO system development team from the covid 19

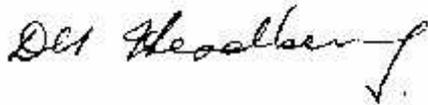
¹ Such as the wholesale demand response project which is probably needed more than the 5 MS project at this time

pandemic. The MEU would agree that, all told, AEMO would be facing considerable resource constraints to implement all of the projects it has under development and that a delay to one project (which is probably less time critical than some others) is an appropriate response.

The MEU considers that AEMO attempting to rush the development of the 5 MS project to meet the current timeframes has the potential to cause considerable harm to the market and to consumers, than a delay will cause. With this in mind, the MEU sees that as delay to the 5 MS project implementation is an appropriate response.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Headberry', with a checkmark at the end of the line.

David Headberry
Public Officer