



26 August 2021

Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Ms Collyer

Contingency arrangement for five minute settlement implementation – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission (AEMC) Consultation Paper on contingency arrangements for five minute settlement implementation.

Origin is strongly supportive of ensuring the implementation of five minute settlement (5MS) is only deferred as a last resort measure in the event essential capability requirements for market start cannot be achieved. The objective of a contingency arrangement should also be to ensure market-commencement is not deferred any longer than *necessary*, while providing sufficient time to adequately de-risk the revised implementation program. This includes providing adequate time to re-design and test Australian Energy Market Operator (AEMO) / participant systems where required.

Noting the above, Origin is supportive of establishing 1 April 2022 as the contingency go-live date for 5MS / Global Settlement (GS soft start). In our view, the case for delay is likely to be limited to circumstance where a fundamental defect in AEMO systems is identified during the market trial process that requires rebuilding and retesting. A contingency date of 1 April 2022 would allow market trials/testing and system deployment to be undertaken after the 2021-22 summer period, thereby ensuring adequate resource availability and avoiding any potential disruption to operational activities over the period. It would also provide additional redundancy to accommodate any unforeseen issues that could subsequently emerge, minimising the risk of further delays to go-live being necessary.

Given the implementation challenges/risks that have been encountered under the 5MS program, it would also be prudent to ensure activities related to the implementation of other major reforms such as GS (financial start) can be adequately prioritised, regardless of whether 5MS is ultimately delayed. While not necessarily within the scope of this rule change process, we believe consideration should be given to establishing an alternate go-live date for Metering Coordinator Planned Interruptions (MCPI) such that it can be implemented after GS (financial start).

More detailed comments on the specific questions raised by the AEMC are also outlined in Attachment A. If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,

A handwritten signature in blue ink, appearing to be "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy

Section 4.1 – Contingency planning and readiness capability

Questions	Feedback
Question 1 – Contingency planning and readiness capability	
<p>a) Are there any other issue(s), in addition to AEMO’s market start notice, the Commission should consider for any potential delay to commencement of 5MS and GS soft start? If so, what issue(s) and why?</p>	<p>As outlined in the Consultation Paper, the AEMC will be heavily reliant on AEMO’s market start notice in determining the need for a delay to the commencement of 5MS / GS (soft start) and if so, whether a short or extended delay is appropriate given the nature of the underlying issue. We also understand a delay is only likely to be pursued as a last resort in the event essential capability requirements for market start cannot be achieved.</p> <p>Origin is broadly supportive of this approach and agrees that a delay to the commencement date should be no longer than <i>necessary</i>, meaning a short delay period should be accommodated where possible. However, we consider the case for delay is likely to be limited to circumstances where a fundamental defect in AEMO’s systems is identified during the market trial process that requires rebuilding and retesting, which will necessitate an extended delay period to ensure AEMO / participant system readiness.</p> <p>In considering the timeframes associated with any delay recommendation, it will therefore be essential for the AEMC/AEMO to give adequate regard to:</p> <ul style="list-style-type: none"> ▪ the need for subsequent industry testing periods and the extent to which testing and pre/post cut-over activities could be reasonably accommodated by market participants, noting heightened operational activities over the summer period can reduced resource availability; and ▪ the extent to which the delay timeframe would mitigate against the need for any further revisions to the go-live date if unforeseen issues emerge through the subsequent testing/trial period. <p>Regarding the latter, we consider a short delay scenario would provide limited time to address any additional issues that emerge through re-testing, heightening the risk of subsequent delays being required. This would fundamentally undermine the objective of the rule change proposal, which is to provide market participants with certainty around the alternate contingency go-live date. Where a short delay is to be pursued, the AEMC may therefore need to consider whether a subsequent contingency date could be required if testing is unable to be completed.</p>

Section 4.2 – Key trade-offs for an ‘extended delay’

Questions	Feedback
Question 2 – Extended delay options	
<p>a) If an ‘extended delay’ to 5MS and GS is required, do you have a preference between commencing on 1 February 2022 or 1 April 2022? If so, which date and why?</p>	<p>Origin is supportive of establishing 1 April 2022 as the contingency go-live date where a delay to the commencement of 5MS / GS (soft start) is required, most likely due to a fundamental defect in AEMO systems for five minute essential functions being identified that requires some level of re-design. This approach would best satisfy the additional criteria outlined in our response to Question 1 above. I.e. it would:</p> <ul style="list-style-type: none"> ▪ allow market trials/testing and system deployment to be undertaken after the 2021-22 summer period, thereby ensuring adequate resource availability and avoiding any potential disruption to operational activities over the period; and ▪ provide additional redundancy to accommodate any unforeseen issues that could subsequently emerge, minimising the risk of further delays to go-live being necessary. <p>In contrast, 1 February 2022 is unlikely to provide sufficient time to rectify such a defect or conduct essential market trials, noting it would be impractical to schedule trials between mid-December 2021 and mid-January 2022 due to the heightened level of operational support required over the summer period and general resourcing constraints associated with the Christmas/New Year period.</p> <p>1 April 2022 would also align go-live with the commencement of a financial quarter. It is recognised this approach would prolong the misalignment between physical market settlement and the settlement of ASX five minute cap contracts by two months (relative to a 1 February 2022 commencement date). However, on balance we see greater benefit in alignment given the associated reduction in administrative complexity of managing our physical and contractual position.</p>
Question 3 – Industry implementation costs	
<p>a) If an extended delay is needed, what is the estimated difference in costs to your organisation between 5MS and GS soft start commencing on 1 February 2022 or 1 April 2022?</p>	<p>Any revision to the 5MS start date would result in disruption to Origin’s program cut over and necessitate additional actions/resourcing to deprioritise and reschedule activities. However, the costs associated with accommodating the alternate extended go-live dates proposed are unlikely to be materially different for Origin.</p>

Question 4 – Financial contract market implications

a) If there is a delay to the commencement of 5MS, would you prefer the new commencement of 5MS to be mid-quarter or the start of quarter? How important is this relative to other issues considered?	As outlined in response to Question 2 above, Origin's preference is to align the commencement of 5MS with the start of a financial quarter.
b) If an extended delay is needed, are there other contract market issues the Commission should consider when deciding between 1 February or 1 April? Please explain and provide evidence.	Origin is not aware of any additional contract market issues that should impact the AEMC's assessment of the alternate extended delay dates, noting other bespoke over-the-counter (OTC) contracts will likely have provisions that deal with delay scenarios such as this.
c) What are the estimated legal costs associated with re-negotiating contracts?	Origin has not undertaken an assessment of the costs associated with contract renegotiations. However, to the extent any costs are likely to be incurred, we expect those costs would be similar under the two extended delay periods proposed.

Question 5 – Summer implementation

a) Would the commencement of 5MS and GS soft-start on 1 February 2022 be considered high risk for implementation given the additional risks of summer operations for your business or the market as a whole? Please explain and provide evidence.	As outlined in response to Questions 1 and 2 above, Origin is strongly supportive of adopting a contingency go-live date that avoids the summer peak period. Historically, summer is the most volatile trading period in the NEM and resourcing can often be constrained due to the need to prioritise operational activities. Consistent with the rationale for applying a regulatory change freeze over that period, it would be imprudent to adopt a go-live date that creates an additional burden for industry and AEMO over that period, noting a 1 February 2022 go-live would require final testing, deployment and hyper-care arrangements to be established during the volatile summer period.
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Question 6 – Delayed benefits

a) If an extended delay is needed, to what extent would commencing 5MS and GS on 1 February or 1 April 2022 delay the realisation of benefits for individual participants or the industry	The efficiency benefits associated with 5MS and GS are expected to accrue over the medium to long term. Deferring the go-live date by an additional two months under the extended delay scenario (i.e. from 1 February 2022 to 1 April 2022) is therefore unlikely to result in the deferral of net market benefits.
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as a whole? Please quantify and provide evidence.

Section 4.3 – Implications for global settlements, wholesale demand response mechanism and other reforms

Questions	Feedback
Question 7 – Implications for Global Settlements, Wholesale Demand Response Mechanism and other reforms	
a) If there is a delay to the start date of 5MS and GS soft start, AEMO proposes a minimum period of 5 months between GS soft start and GS financial start. Are there any issues with this transitional period?	Origin is supportive of ensuring a minimum period of five months between GS (soft start) and GS (financial start) if 5MS / GS (soft start) is delayed. This will ensure market participants have sufficient time to understand their exposure to unaccounted for energy (UFE) costs and potentially take actions to minimise their exposure before UFE cost allocation commences.
b) If there is a delay to GS financial start, should there be an equivalent delay to the date when AEMO is required to publish the UFE trends report and UFE reporting guidelines? If not, why not?	Origin is supportive of shifting the publication date for the UFE trends report commensurate with any change to the commencement of GS (soft start) and GS (financial start) (i.e. as set out in Table 4.1 of the Consultation Paper).
c) Are there any issues stakeholders can identify related to commencing the WDRM on the same date as 5MS and GS soft start? If so, what are these issues and how material are they? Further, what alternative date after 5MS implementation would be preferred, and why?	Origin agrees the commencement of the Wholesale Demand Response Mechanism (WDRM) would likely need to shift to align with any change to the 5MS commencement date given dependencies between the two programs.
d) Are there other impacts on other regulatory reforms that should be considered?	Given the implementation challenges/risks that have been encountered under the 5MS program, it would be prudent to ensure activities related to the implementation of other major reforms such as GS (financial start) can be adequately prioritised, regardless of whether 5MS is ultimately delayed. While not necessarily within the scope of this rule change process, this

	<p>may require the AEMC/AEMO to reconsider the current approach of bundling the commencement dates of multiple major reforms.</p> <p>Bundling ultimately creates technical dependencies and heightens the risk of multiple reforms being delayed as a result of issues that aren't directly related to their implementation. To this end, Origin is concerned the implementation of the MSATS Standing Data Review and Metering Coordinator Planned Interruptions (MCPI) has been aligned with GS (financial start). This creates a risk that GS (financial start) may need to be deferred if MSDR/MCPI are unable to be successfully tested in conjunction with GS, noting systems will be built concurrently according to AEMO's Regulatory Roadmap.</p> <p>To address the above, it would be prudent for the AEMC to provide AEMO with the scope to establish an alternate go-live date for MCPI such that it can be implemented in conjunction with MSDR after GS (financial start). More broadly, bundling of other reforms should only be pursued where the benefits have been clearly identified/quantified.</p>
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Section 4.4 – Implication of further delay on rule drafting, procedures and determinations

Questions	Feedback
Question 8 – Drafting implications for a potential further delay	
a) Are there any interactions that stakeholders are aware of with other rules or initiatives that have not been identified in this paper?	Consideration should be given to decoupling the implementation of electricity and gas B2B changes from 5MS in the event a short delay scenario is pursued, with electricity B2B changes to be implemented after 5MS / GS (soft start) in early 2022. This would assist with further de-risking the implementation of 5MS / GS (soft start).
b) In its rule change request, AEMO proposes that any changes that are required to already-determined procedures for the sole purpose of deferring the effective date of 5MS, GS, customer switching and WDRM should not require consultation? Are there any reasons that this could be an issue	In circumstances where an already-determined procedure requires updating solely for the purpose of changing the effective date of five minute and global settlements, Origin agrees it would be reasonable for AEMO to update those procedures without a full consultation process. However, any change/update process should be transparently communicated to market participants.