



Our Ref: D20021201

Mr John Pierce
Chairman
AUSTRALIAN ENERGY MARKET COMMISSION
PO BOX A2449
SYDNEY SOUTH NSW 1235

A handwritten signature in black ink, appearing to read 'John', written over the printed name 'Mr John Pierce'.

Dear Mr Pierce

ERC0298 – Delayed implementation of five minute and global settlement

The Energy and Technical Regulation Division (the Division) of the Department for Energy and Mining welcomes the opportunity to comment on the Australian Energy Market Commission's (the Commission) delayed implementation of five minute and global settlement.

The Division has supported the introduction of five minute settlement. This reform will better enable electricity supply and demand to be balanced in real time resulting in a more efficient mix of generation and demand response.

The Division considers that the benefits of five minute settlement are likely to be material and increase over time. As noted in previous submissions by the Division, the opportunity to implement new generation technologies as older generators retire and system security and reliability challenges are met exists in South Australia currently. The introduction of five minute settlements will allow their value to be clearly communicated to the market and support their development. To maintain investor certainty, we see it as crucial that key market reforms like five minute settlement proceed as originally signalled to the industry.

Timely introduction of five minute settlement will ensure technologies entering the market are those that best reflect the cost of generating electricity and its value to consumers. To this end, the Division has always supported this reform being introduced with as short a transition period as practicable.

The Division understands the uncertainty around the severity and impact of COVID-19 and there may be some lag time for normal business functions and economic activity to return to "normal". This could adversely impact the financial position of some market participants.

However, the Division is concerned that a significant delay in implementation may come at greater cost to the broader market, as the benefits and opportunities that will be realised under five minute settlement are further delayed.

The Division notes that a significant period of time was provided in the Commission's final rule for the implementation process and that a significant amount of work has already been undertaken by the Australian Energy Market Operator and participants to prepare for commencement on 1 July 2021. The Commission should carefully consider the potential cost impacts in delaying or interrupting this process and having to potentially recommence processes and procedures at a later date.

The Commission should also take into consideration the fact that Australia's response to COVID-19 has been very effective in reducing the number of active cases and that restrictions are already being lifted in all jurisdictions to varying degrees.

When making its assessment the Commission should consider how this effects future impacts and risks related to COVID-19, and whether a delay of a full 12 months, if at all, is justified. It may be preferable that implementation continues while measures to contain COVID-19 are proving effective.

The Division supports the continued co-implementation of the five minute settlement and global settlement rules and that any delayed implementation should continue with this approach.

If you have any further queries, please contact Mark Pedler on 08 8429 3361.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Vince Duffy', written over the typed name.

Vince Duffy

EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION DIVISION

05/06/2020