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Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

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Submission on the Proposal to Delay the Implementation of Five Minute and Global Settlement

1. This is Vector Limited's (Vector) submission on the Australian Energy Market Commission's (AEMC) consultation paper on the proposed *National Electricity Amendment (Delayed Implementation of Five Minute and Global Settlement) Rule 2020*, dated 14 May 2020.
2. Vector considers the proposed delay of the commencement date of Five Minute Settlement (5MS) and Global Settlement (GS) to be reasonable, given the ongoing challenges posed by COVID-19 to industry participants in the National Electricity Market (NEM).
3. We agree with the proposed delay on the assumption that the AEMC will make a final decision on timeframes by July 2020 through an expedited consultation process. This would avoid introducing further uncertainty or further delays to this process.
4. Vector supports the decision by the AEMC, the Australian Energy Regulator, and the Australian Energy Market Operator identifying 5MS as one of the key initiatives that will be progressed under their joint work programme that has been re-prioritised due to COVID-19.
5. The delivery of the benefits of 5MS and GS, and many other new and innovative services in the NEM, is enabled by advanced meters. It is therefore important that incentives for the adoption of advanced meters be strengthened, rather than stymied by greater uncertainty, so the benefits from these services can be delivered to consumers in a timely manner.
6. We set out below our responses to the consultation questions of significance and interest to our advanced metering business (Vector Metering) using the template provided by the AEMC for this consultation.
7. No part of this submission is confidential, and we are happy for the AEMC to publish it in its entirety.
8. We are happy to provide further information to support our submission or discuss any aspects of it with the AEMC. Please contact Paul Greenwood (Industry Development Australia) at Paul.Greenwood@vectorams.com.au or 0404 046 613 in the first instance.

Yours sincerely



Mitch Webster
Group Manager – Sales and Marketing
Vector Metering

ATTACHMENT 1

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper. Stakeholders are also encouraged to provide evidence to support claims where possible.

SUBMITTER DETAILS

ORGANISATION: Vector

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CHAPTER 4 – SECTION 4.1 – TIME PERIOD FOR DELAY

Question 1 – Time period for delay	
a) If a delay to the start date of 5MS is necessary, is a 12-month delay appropriate? Alternatively, please explain why another time period is preferable and, if applicable, the implications on cash flow and capacity? Would the rules need to commence at the start of a quarter to align with the contract market, or could 5ms commence mid-quarter? What would be the impact of a mid-quarter commencement?	Vector's advanced metering business, Vector Metering, considers the 12-month delay to the 5MS start date to be necessary and reasonable, given the ongoing challenges posed by COVID-19 to industry participants.

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b) What is the appropriate date for the commencement of the 'soft' and 'hard' starts for global settlement? Should this be a linear move by the number of months of delay, or should the dates change to another timeframe?	No comment. Vector Metering is not currently involved in global settlement processes.
c) If there is a 12-month delay to the start date of 5MS and GS, is it still appropriate that all new and replacement meters (other than 4A) installed after 1 December 2018, and type 4A meters installed after 1 December 2019, be required to record and provide 5-minute data by 1 December 2022? If not, why and what time period would be appropriate?	Retaining the obligations that are scheduled to commence on 1 December 2022 under the proposed delayed timeframe requires Metering Providers to transition all new types and type 4A meters within a compressed period (5 months). While industry participants can plan and make the necessary adjustments for this change, there is little room for contingency should Metering Providers and/or data recipients experience scale-related issues that require the transition to be paused or slowed down so these issues can be addressed. Vector Metering recommends that the 1 December 2022 milestone be moved to 31 March 2023.
d) If global settlement is delayed, by what date should AEMO prepare and publish the first report on unaccounted for energy required under cl 3.15B(a)?	No comment. Vector Metering is not currently involved in global settlement processes.
e) Cl 11.112.6 states that AEMO must make and publish the unaccounted for energy reporting guidelines required under new cl 3.15.5B(d) by 1 December 2022. What is the appropriate date for the publication of these reporting guidelines if there is a delay to global settlement?	No comment. Vector Metering is not currently involved in global settlement processes.

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CHAPTER 4 – SECTION 4.2 – PARTICIPANT COSTS AND CAPACITY

Question 2 – Participant costs	
<p>a) What is the expected impact of COVID-19 on participant cash flows? How material is this impact? How long are these cash flow impacts expected to last?</p>	<p>The direct impacts of COVID-19 on Vector Metering relating to the proposed delayed implementation of 5MS are likely to be minimal. However, the sharp economic downturn in the aftermath of COVID-19 is likely to reduce the volumes of advanced (smart) metering installations, which will drive up costs. We anticipate our installations to drop by as much as 40%, with a corresponding increase of 10-20% in per unit operating cost. This anticipated reduction in scale, hence in efficiency, is expected to increase the risk of not meeting mandated metering installation timeframes especially in regional and rural areas.</p> <p>If the adoption of advanced meters is not accelerated, the benefits of the significant investment to transition to 5MS will be lost.</p>
<p>b) For participants that are required to implement changes to IT systems and procedures for 5MS and GS, how would the proposed 12 month delay impact your implementation costs? Please quantify and provide evidence where possible. Any confidential cost information will be treated as confidential and redacted from submissions published on the AEMC's website.</p>	<p>We do not consider the impact of the proposed delay of the 5MS start date to our implementation costs and operations to be significant.</p>
<p>c) To what extent can additional market testing periods run by AEMO minimise costs associated with the delayed commencement of 5MS and GS? To what extent do participants rely on B2B data flows for 5MS and GS testing?</p>	<p>Additional market testing or prolonged testing periods will increase costs for the affected participants, as testing teams will be required to support these activities for a longer period. For this reason, we are inclined to opt out of any prolonged testing programme that the Australian Energy Market Operator may undertake.</p>
Question 3 – Participant capacity	
<p>d) To what extent has COVID-19 affected participants' ability to implement the necessary changes for 5MS and GS by 1 July 2021?</p>	<p>The proposal to delay the start date for 5MS and GS has created uncertainty. This has made it difficult for the affected participants to deal with some vendors who are already assuming the delay to be a <i>fait accompli</i> and are attempting to shift already agreed timelines. Should the AEMC not be able to make a final decision by July 2020 under an expedited consultation process, then the rule change request should be rejected.</p> <p>Uncertain timeframes, increased implementation costs, and lower adoption rates of advanced meters will drastically reduce the expected benefits from 5MS and GS. The net result could just be an increase in cost to consumers.</p>

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CHAPTER 4 – SECTION 4.3 – Electricity contract market implications

Question 4 – Electricity contract market	
a) To what extent have you purchased 5-minute cap products for FY 2021-22? What would the impact of a delay be to the value of those 5-minute cap products as risk management products for your business?	Not applicable to Vector Metering.
b) Would a delay to commencement of SMS impact swap, captions or any other financial hedging products trading for FY2021-22 and beyond? If so, how?	Not applicable to Vector Metering.

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CHAPTER 4 – SECTION 4.4 – DELAYED BENEFITS

Question 5 – Delayed benefits	
<p>a) To what extent were investments that have been made, or are planned to be made, in technologies that are capable of responding to a five-minute price signal, dependent on the 5MS rule commencing on 1 July 2021, as opposed to other factors? What effect would a 12-month delay have on the expected return on investment for these assets? Please quantify and provide evidence, noting that submissions can be treated as confidential if requested, or confidential information can be redacted from submissions published on the AEMC’s website.</p>	<p>As indicated in our response to Question 2a, the direct impacts of COVID-19 on Vector Metering relating to the proposed delayed implementation of 5MS are likely to be minimal. However, the sharp economic downturn in the aftermath of COVID-19 will likely reduce the volumes of advanced metering installations, reducing scale economies and driving up the costs of deploying advanced meters.</p> <p>Furthermore, as indicated in our response to Question 3, uncertain timeframes, increased implementation costs, and lower adoption rates of advanced meters will drastically reduce the expected benefits from 5MS and GS. This would not be in consumers’ long-term interest.</p>
<p>b) To what extent would a 12-month delay to the start of 5MS and/or GS delay the realisation of other benefits for individual participants and/or the industry as a whole? Please quantify and provide evidence, noting that submissions can be treated as confidential if requested, or confidential information can be redacted from submissions published on the AEMC’s website.</p>	<p>While we consider the proposed delay to be reasonable, it is important that the AEMC make a final decision on timeframes by July 2020 to avoid further uncertainty. This would ensure that the benefits of 5MS and GS, enabled by advanced meters, can still be delivered to NEM consumers in a timely manner.</p>

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CHAPTER 4 – SECTION 4.5 – IMPLICATIONS OF DELAY ON RULE DRAFTING, PROCEDURES AND DETERMINATIONS

Question 6 – Drafting and procedure implications of delay	
a) Is there any feedback on the high-level description of a potential rule presented in Appendix A? Are there any other interactions with affected rules and schedules that have not been identified?	No comment.
b) Should AEMO, the AER and the IEC be required to review and if necessary, amend their relevant procedures to take into account a delay to five minute and global settlement?	No comment.
c) In its rule change request, AEMO proposes that there should be no consultation on any changes to its procedures if those changes are solely related to a delay to five minute and global settlement. Are there any reasons that this could be an issue?	No comment.