



## Five Minute Settlement

### Extension of time for draft rule determination

**The AEMC has extended the timeframe for publishing a draft rule determination on this rule change request. The extension is required to evaluate the complex issues raised by the request, engage further with stakeholders to understand the costs and benefits, and explore the relationship with other projects being considered by the Commission.**

### Background

In the wholesale electricity market, dispatch and settlement prices are determined over different time frames. Dispatch is the process by which the Australian Energy Market Operator determines which generators should operate to meet the expected demand for electricity. Dispatch prices are determined every five minutes. Settlement is the transfer of money for electricity supplied to the market and consumed by end users. Settlement prices are calculated on a 30 minute basis.

The rule proponent, Sun Metals Corporation, is of the view that the difference in the dispatch and settlement intervals leads to inefficiencies in the operation and generation mix of the market. It proposes a possible solution where some market participants, including generators, would be settled using five minute prices. Five minute settlement would be optional for other participants, including retailers and large consumers.

### Rationale for extension

On 25 August 2016 the AEMC extended the period of time for publishing a draft rule determination on the rule change request to 30 March 2017.

This rule change request is being considered against the background of market transformation - with an increasing share of renewables in the generation mix and new energy services on offer. Sun Metals Corporation proposes a fundamental change to the price calculation in the wholesale electricity market. As observed by stakeholders in submissions on the consultation paper, the proposed rule change would have implications for the spot market, the contract market, IT systems (including those of generators, retailers and the market operator) and metering, among others.

The costs and benefits of the rule change would accrue to most market participants, and ultimately impact on electricity prices for end users. The extension will allow the Commission to undertake a detailed assessment, informed by stakeholder input, of the materiality of the problem and how the proposed rule might affect market outcomes and market participants. If the problem is identified as being material, the Commission will also need time to investigate options for new market arrangements.

Were a rule to be made, a transition period of an appropriate length would be provided for; the extension allows for implementation issues to be fully explored and understood.

### Stakeholder consultation

In advance of the draft determination the AEMC will provide opportunities for stakeholder feedback through public forums, meetings and other engagement activities as needed to support an open and comprehensive assessment process.

**The AEMC will undertake further stakeholder engagement ahead of a draft determination in March 2017**

### Revised timeline

The revised timeline for the AEMC's consideration of this rule change request is set out below.

| Milestone                                   | Date          |
|---|---------------|
| Publication of consultation paper           | 19 May 2016   |
| Close of submissions on consultation paper  | 19 June 2016  |
| Publication of draft determination          | 30 March 2017 |
| Close of submissions on draft determination | 11 May 2017   |
| Publication of final determination          | 6 July 2017   |

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25 August 2016