



NEWS

Extension for Five Minute Settlement draft determination

4 July 2017

The AEMC is extending the date for publishing a draft determination on the Five Minute Settlement rule change request. The draft determination will now be published on 5 September 2017.

The rule change request proposes changing the settlement period for the electricity spot price from 30 minutes to five minutes. It represents a fundamental change to the way the wholesale electricity market operates in Australia, including the hedge market that operates alongside the spot market.

Published in April 2017, the AEMC's directions paper set out the Commission's initial position that the adoption of five minute settlement is in the long term interest of consumers. The paper set out a proposed design of how 5 minute settlement could work so that stakeholders could provide comment. In response:

- a large number of stakeholder submissions were received – over 40 submissions
- substantive new issues have been raised in submissions that affect both the costs and benefits of the proposed rule change and require additional analysis
- stakeholders have argued that the AEMC must give greater emphasis to the risks when determining the appropriate length of time for any transition period if the rule change were made.

The AEMC must consider these matters raised by stakeholders. In order to do so adequately, the Commission has extended the time for publication by two months.

The need to consider carefully any change to settlement arrangements in the wholesale electricity market over multiple years is consistent with the approach taken internationally.

For example, the Federal Energy Regulatory Commission (FERC) in the US took two years to make a final decision to align dispatch and settlement. Following this decision, the timeframe for implementing the change was then close to two years. Further, changes to settlement arrangements in the New Zealand electricity market have been under consideration by the NZ Electricity Authority since 2013 and an implementation proposal is expected later this month. Implementation in New Zealand is anticipated to take four years.

The stakeholder submissions are available on our website.

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