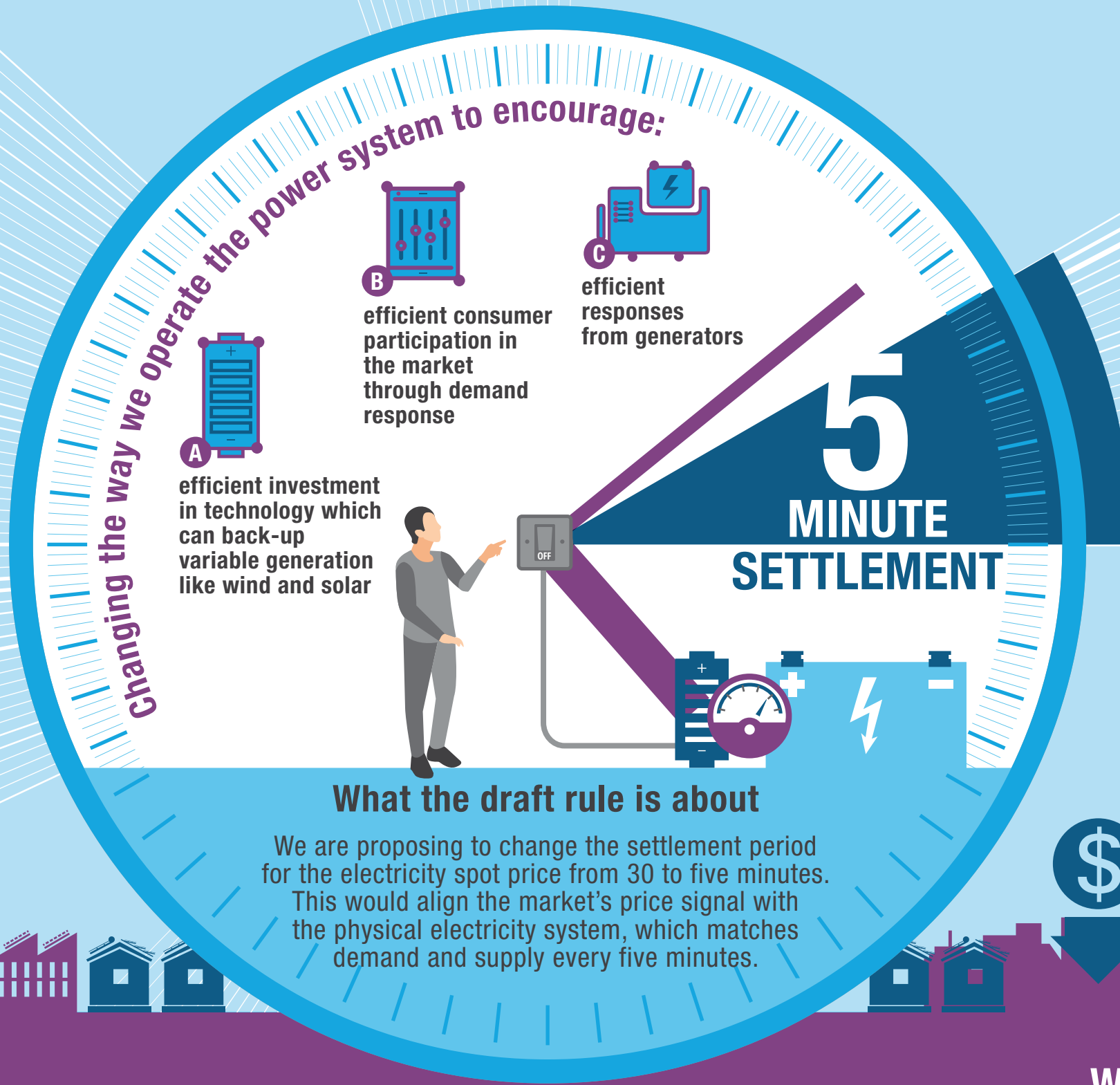


ALIGNING DISPATCH AND SETTLEMENT

FIVE MINUTE SETTLEMENT DRAFT DETERMINATION 5 SEPTEMBER 2017



Changing the way we operate the power system to encourage:

A efficient investment in technology which can back-up variable generation like wind and solar

B efficient consumer participation in the market through demand response

C efficient responses from generators

5 MINUTE SETTLEMENT

What the draft rule is about

We are proposing to change the settlement period for the electricity spot price from 30 to five minutes. This would align the market's price signal with the physical electricity system, which matches demand and supply every five minutes.

Lower wholesale electricity costs

Over time, improved price signals will lead to more efficient decisions by generators lowering wholesale costs which make up around one third of a typical bill.

Rewards for customers who respond to demand peaks

For example, factories that invest in smart IT can switch off machines quickly to avoid high spot prices. Homes with smart batteries can earn a high spot price by providing a boost of power when the system needs it.

BENEFITS FOR CONSUMERS

A more reliable power system

Investment in fast response and flexible technologies back up the system in real time when the wind stops blowing and the sun stops shining.



WHAT HAPPENS NEXT

This would be a fundamental change affecting the spot and contract markets and metering and IT systems. The draft rule sets a transition period of three and a half years to give everyone time to adjust. Submissions on the draft rule are due by 17 October 2017.

