

25 October 2018



Mr Prabpreet Calais
Senior Advisor
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Submitted via AEMC website.

Dear Mr Calais,

Global settlement and market reconciliation draft rule determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact on people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's Global settlement and market reconciliation draft rule. PIAC supports the intent of the draft rule as a means of reducing costs passed on to consumers, and accepts the AEMC's changes in the more preferable rule.

It is important that AEMO is given the required flexibility to implement both this reform and five-minute settlement efficaciously and within the limits of its own resources. The final rule should therefore provide AEMO any flexibility it seeks with regard to implementation timing.

PIAC agrees that global settlement will have benefits for the NEM

PIAC agrees with AEMO's position that global settlement will have the following benefits:

- Improving transparency, leading to fewer settlement disputes;
- Removing distortions in retail competition where local retailers effectively subsidise competitors due to the allocation of losses; and
- Incentivising all retailers to reduce commercial losses by exposing them to the risk of unaccounted for energy (UFE).

PIAC agrees that the benefits of global settlement outweigh the costs of change

PIAC notes that the AEMC's analysis indicates the benefits outlined above are likely to be worth between \$3m and \$5m per annum. This is compared with one-off implementation costs of less than \$10m, which indicates a move to global settlement is likely to produce a net benefit.

Currently, the costs of disputes, distortions in competition and the lack of UFE risk exposure for retailers are recovered from consumers. These are not efficient costs. Therefore, we support the AEMC's draft rule which adopts AEMO's proposal, as a means of promoting the long-term interests of consumers.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

Tim Harrison

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