

11 June 2020

John Pierce  
Chair  
Australian Energy Market Commission  
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Reference code: ERC0298

Dear Mr Pierce,

### **Delayed Implementation of 5-Minute Settlements and Global Settlement Rule**

Forthcoming 5-Minute Settlements and Global Settlement and Market Reconciliation rule changes represent very significant market reforms for the National Electricity Market (NEM). The implementation of these new rules will substantially change the way retailers, distributors, metering data providers operate and make the wholesale market better suited to more quickly dispatched energy storage solutions.

The Rule amendments proposed by AEMO mitigate the impacts of COVID-19 on implementation by strengthening the energy industry's financial resilience and allow participants to redirect scarce resources from implementing 5MS to better meet arising customer needs. Over the last 3 months, AusNet Services and other energy distribution businesses have used these resources to implement pricing relief packages for small business and residential customers impacted by COVID-19. Additionally, the assumed delay allowed us to maintain and improve our working from home arrangements essential for continued productivity. With pandemic restrictions IT projects can no longer be implemented in the same way they were previously implementing using international resources while maintaining the necessary security protocols.

On this basis, AusNet Services welcomes this proposal to refocus industry resources. The treatment as a non-controversial rule change is important to resolve an extended period of costly uncertainty, where project replanning and uncertainty could consume more time than the delay allows for.

AusNet Services immediately paused implementation of the 5-minute settlement program when the Rule Change proposal was announced. This proposed deferral is now essential to avoid problems caused by a lack of implementation time, including billing system changes impacting customers.

Restarting our 5MS implementation program after this delay will risk industry participants running out of time and in a program where retailers, distribution networks, metering services providers and AEMO are transacting metering data we are all impacted by each other's performance. It is important that the entire electricity supply chain has sufficient lead time to work together to ensure a smooth implementation. Therefore, it is important that adequate time is still allocated to rigorously testing systems and processes.

Please find our completed stakeholder feedback template addressing the questions posed in the consultation paper. If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam  
General Manager, Regulation and Network Strategy

## 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:** AusNet Services

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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 SMS 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 SMS commence mid-quarter? What would be the impact of a mid-quarter commencement?

AusNet Services supports the 12-month delay as being in the best interest of the market and hence customers.

We also recommend avoiding the peak summer period which also provides as much chance to avoid the impacts of Covid-19 for meeting compliance and avoid additional costs to our program.

<p>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?</p>	<p>As previously identified as most efficient, the soft start date for Global Settlements should align to the 5MS commencement date. E.g. 1 July 2022 as proposed.                  The hard start date can occur within four to six months later.</p> <p>AusNet Services supports the linear movement of dates as proposed in the rule change deferral.</p>
<p>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?</p>	<p>For a customer, the change from 30-minute data to 5-minute data should be seamless and not impact their billing in any way. Preventing impacts to customers requires the substantial testing and trialling between the systems of the MDP who creates the metering data and the parties receiving the data. The market and configuration data associated with each customer in the systems of MDP, network and retailer is considerably variable in nature. Industry testing can only test the common combinations of data. Therefore, a stage approach is required to carefully trial the transitioning of customer records to providing 5-minute data, and then increase the rate of transition.</p> <p>Adequate time is required to start trialling transitions at low daily volumes then increasing volumes. The proposed 5-month is inadequate to make this complete transition and a very significant reduction from the 17 months allocated in the current rules. The inevitable outcome of the inadequate time proposed is significant volumes of exception in the systems of meter data recipients and potentially billing errors.</p> <p>The current transition completion date of 1 Dec 2022 and go-live date proposed, would require us to transition customers at a cadence of 1,000 5-minute conversions per day. While this cadence is achievable with mature systems and processes, inevitable delays to resolve issues could result in unachievable conversion rates. The reduced transition window would cause significant strain on the market as a large number of CATS transactions will be generated in a very small time period by Metering Coordinators (MCs) and Metering Data Providers (MDPs).</p> <p>Increasing the timeframe of the 1 Dec 2022 date in the rule change by 7 months to undertake this transition would only have a very marginal benefit reduction while avoiding significant customer issues. While the proposed significant reduction in the transition window down to 5 months (from 18 months) is patently inadequate to convert all eligible interval Type 4 (and VICAMI) meters to 5-min and is likely to severely impact customers. It would also impose a large workload on back office processes to trigger, process and action the required work orders (both remote and local) to affect the 5-minute conversion at the physical meter.</p> <p>Therefore, AusNet Services recommends the extension of the time to complete the meter transition for meters installed after 1 Dec 2018 by at least 7 months, if the 5MS/GS effective rule date is delayed 12 months.</p>

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<p>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)?</p>	<p>The first UFE report's accuracy depends on the establishment of NCUL NMIs in the market, the UFE report should be run after NCUL NMIs have been loaded into MSATS by the LNSPs and prior to the hard go live date.</p>
<p>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?</p>	<p>AusNet Services supports the extending of all Global Settlement dates by the same deferral timeframe of 12 months proposed in the 5MS/GS rule change. These dates were established after careful planning and a delay to all dates preserves the necessary delivery timeframes.</p>

## CHAPTER 4 – SECTION 4.2 – PARTICIPANT COSTS AND CAPACITY

### Question 2 – Participant costs

- 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?
- b) For participants that are required to implement changes to IT systems and procedures for SMS 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.

The financial impact of COVID-19 is uncertain as it will ultimately depend on a range of factors including the number of customers that enter into hardship arrangements with retailers, the duration and severity of the pandemic, the duration and severity of government restrictions that are imposed in relation to social distancing, and the response from any regulatory authorities. In particular, so called 'second wave' economic effects from the ending of key Government support measures are expected but uncertain. In addition, AusNet Services is closely monitoring the availability and pricing of debt and equity markets given that, as a regulated utility, it is heavily reliant on continuing sources of funding to support its expenditure programs.

Given this uncertainty and the current volatility in funding markets, AusNet Services has responded in a prudent manner by reprioritising our capex plans (including the deferral of some projects) in order to provide some short-term financial headroom and minimise disruption to our customers as they work and learn from home during the restrictions. This will enable us to effectively respond to the actual impacts as they arise as well as provide a quick and deliberate response to support any post pandemic recovery.

In addition to the financial considerations of COVID-19, the reprioritisation and deferral of our capex plans has allowed AusNet Services management and executive to dedicate their focus on business critical activities and ensuring the continued supply of safe and reliable energy for our customers.

While there have been a small amount demobilisation and pause costs, deferral of the SMS and GS program is welcomed and has been beneficial to AusNet Services' overall management of its sizable capex program during the FY21 period, allowing it to devote scarce management resources to its Covid-19 response. It has also allowed our ICT Division to focus on maintaining and improving working from home arrangements enhancing the productivity of our workforce and customer interface systems to improve customer experience outcomes during the crisis.

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<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>AusNet Services has a strong reliance on B2B data flows (MDM/PMD/VMD). Successful industry testing will require the participation a range of registering participant and metering data providers. We expect most participants to be ready in the 6 months prior to the Go Live date. Extending the market testing window is positive overall as AusNet Services will only be in position to participate in market testing once our 5MS/GS program has remobilised and 5MS system/processes are ready (i.e. inline with deferred dates).</p>
<p><b>Question 3 – Participant capacity</b></p>	
<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>AusNet Services considered it essential to act when the Rule Change proposal was announced and immediately paused implementation of our program. Immediate deferral of all non-critical program activities ensured AusNet Services could put in place the prudent financial management measures referenced above, and maximise customer benefits associated with our Covid-19 response.</p> <p>In respect of the longer term effects of Covid-19 on implementation, AusNet Services transitioned early to working-from-home arrangements where possible, including the entire 5MS/GS program. It is understood that while there may have been a longer-term impact on productivity for the program it is too early to quantify at this stage.</p> <p>AusNet Services strongly supports a 12 month deferral to ensure industry has the ability and time to respond to the Covid-19 situation, and return to normal as best as possible. It is also an opportunity for AEMO and the AEMC to reassess the final 5MS/GS solution to ensure it is delivering the biggest net benefit for customers.</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?

N/A to AusNet Services (as LNSP and MC/MDP)

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?

N/A to AusNet Services (as LNSP and MDP/MC)

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**CHAPTER 4 – SECTION 4.4 – DELAYED BENEFITS**

**Question 5 – Delayed benefits**

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 SMS 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.

There are no financial benefits derived from implementing the SMS rule for AusNet Services (as LNSP and MC/MDP), therefore no benefits are delayed due to the rule deferral.

b) To what extent would a 12-month delay to the start of SMS 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.

There are no financial benefits derived from implementing the SMS rule for AusNet Services (as LNSP and MSP), therefore no benefits are delayed due to the rule deferral.

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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**

<p>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?</p>	<p>AusNet Services agrees with the identified transitional clauses in Appendix A of the Consultation paper and has not identified other interactions with the affected rules and schedules.</p>
<p>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?</p>	<p>AusNet Services believes that the date change does not warrant changes to the relevant procedures, other than to the effective dates to reflect the delay.</p>
<p>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?</p>	<p>We agree with the proposed rule change that changes to AEMO, AER and IEC procedures relating to the rule change deferral do not need further consultation insofar as they are only to alter the effective dates.</p>