



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Australian Energy Market Commission

10 October 2024

Shortening the settlement cycle

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) National Electricity Amendment (Shortening the settlement cycle) Rule draft determination.

About AGL

Proudly Australian for more than 186 years, AGL supplies around 4.5 million energy and telecommunications customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

AGL supports shortening the settlement cycle

AGL is broadly supportive of the intent of the proposed rule to shorten the NEM settlement cycle. We acknowledge a shorter settlement cycle could reduce working capital requirements for market participants by:

- lowering the quantum of credit support that market participants must lodge with the Australian Energy Market Operator (AEMO) as part of the prudential regime.
- shortening the settlement cycle for certain financial contracts, which would reduce the quantum of working capital that market participants may need to hold to respond to Call Notices from AEMO.

We consider this change could benefit all market participants by assisting with capital management and financing costs, subsequently supporting better services and innovation. We support this change as a measure to improve the efficiency of the market and promote competition.

AGL supports AEMO's proposed approach (Pathway 3)

AGL supports Pathway 3, as proposed by AEMO in its High-Level Implementation Assessment (HLIA) for this rule change:

- Preliminary statement posted at business day 3.
- Final statement (tax invoice) posted at business day 7, settled by business day 9.
- Additional revision (R0) at business day 20 to include intervention settlement and exception resolutions.
- Outstandings reduced a further 4 days (from the draft rule)

Currently, we often observe significant variances in the final settlement due to the quality of data, particularly with large numbers of basic accumulation meters, which is why we focus heavily on R1 to make corrections. We acknowledge that the addition of an extra revision (R0) at business day 20 would be beneficial from a settlements perspective, as it would provide an earlier opportunity to address intervention settlements and exception resolutions. From a reconciliation perspective, there are no major concerns at this stage. However, we recognise that Pathway 3 entails associated costs, and an accurate assessment can only be made following the completion of a comprehensive evaluation of the impact on systems and procedures.



Smart meter rollout

We note the accelerated rollout of smart meters will further support the benefits of this change by substantially reducing the variability of metering data for settlement, as shown by AEMO's Unaccounted for Energy (UFE) reports.

We do not support the AEMC's draft determination

We do not support the draft rule as proposed by the AEMC:

- Shorten the settlement cycle from 20 business days to 11 business days.
- Preliminary statement within 5 business days of each billing period.
- Final statement within 9 business days of each billing period.
- Payment is due on the 11th business day after the billing period or 2 business days after receiving the final statement, whichever is later.
- Any outstanding issues would continue to be addressed through the 20-week revision (R1) process, as needed.

We are concerned this option may not effectively address metering data quality issues. The UFE Reports prepared by AEMO show that the variation between preliminary and final are very small, once a tipping point is reached with the rollout of smart meters. AGL considers that the combination of the R0 reconciliation and the accelerated rollout of smart meters will minimise meter data issues and no further changes would be required.

We note that the current implementation date for this option could impact other NEM projects impacting Metering Data Providers (MDPs), such as Flexible Trading Arrangements (FTA) and Accelerated Meter Rollout (Power Quality Data) requirements.

Dispute resolution timeframes

We are concerned with the proposal to shorten the dispute resolution time frame from 15 business days to 7 business days, as outlined in the AEMC's draft determination. We consider that this timeframe may be too short to adequately identify dispute issues and assemble the appropriate information in time to submit a dispute, therefore posing a risk to effectively resolving disputes in time. We do not consider this change supports the purpose of the proposed Rule Change. We consider the dispute resolution time frame of 15 business days should be maintained or could potentially be extended to after the proposed R0 revision.

Rule implementation and settlements timetable

We note the draft rule is currently set for implementation in April 2026. It is important to consider that implementing the rule during a period of market stability, where high prices or interventions are not anticipated, would be simpler and more effective. While the technical readiness for implementation is crucial, selecting an appropriate settlement window for deployment is equally critical to avoid unnecessary disruptions.

We recommend that AEMO conduct a thorough analysis to identify optimal periods within the year when the market is less volatile, and the likelihood of intervention is minimal, and make a recommendation for suitable rule implementation timing. By targeting one or two specific points in the year when market conditions are expected to be stable, the implementation process would be smoother, with fewer unforeseen challenges. This approach would allow for more effective management of the transition and reduce the risks associated with introducing such significant changes during periods of market stress. We also consider it would be of great benefit if industry were provided with the settlement timetable as early as possible to allow for adequate time to prepare.



Impact on RoLR

The shortening of the settlement cycle may have implications for the Retailer of Last Resort (RoLR) mechanism by reducing the time between electricity trades and financial settlements, which could increase cash flow pressures on retailers. It is important to recognise that for a RoLR, which is required to promptly assume responsibility for customers from a failed retailer, a compressed settlement cycle may elevate liquidity risks due to the necessity of managing larger transaction volumes within a shorter timeframe to secure essential funds. However, we acknowledge that this adjustment could facilitate quicker financial resolution following a retailer failure, thereby supporting more rapid market stabilisation.

If you have any queries about this submission, please contact Alifur Rahman at ARahman3@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager

Wholesale Markets Regulation