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3 October, 2024

Ms Kate Wild
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms Wild,

Re: Draft rule determination: Shortening the settlement cycle

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make a submission to the Australian Energy Market Commission's (the Commission) Draft rule determination in response to a rule change submitted by GloBird Energy (GloBird) on 'Shortening the settlement cycle'.

GloBird submitted a rule change proposal to the Commission to amend the National Electricity Rules (NER) and shorten the settlement cycle from 20 business days to 10 business days in late December, 2023. If approved, the rule change proposal would reduce the quantum of credit support that market participants are required to lodge with AEMO and the amount of working capital they need to respond to call notices.

After assessing the rule change proposal, the Commission decided to issue a more preferable draft rule and adjust the settlement cycle to 11 business days. The inclusion of an additional day in the settlement cycle would address any resourcing issues that the Australian Energy Market Operator (AEMO) may experience by having the draft and final statements issued on the same day of the week under the rule change proposal.

AEMO responded to the Draft rule by releasing an Alternative Settlement Cycle for its stakeholders that would reduce the current settlement cycle from 20 business days to 9 business days. More importantly, it would add another revision (R0) at business day 20 to mitigate any concerns about meter data quality that may arise under its shorter settlement cycle.

Having weighed up the merits of both the Draft rule and AEMO's Alternative Settlement Cycle, we support the Draft rule subject to an important condition; that the Commission brings forward the revision (R1) from 20 weeks to the maximum extent possible without compromising the integrity of any metering data. The Commission should support this adjustment for the following reasons.

1. The current revision (R1) 20 week cycle appears to be very generous. Over the cycle, manual meter reads occur every 13 weeks and the billing cycle takes a week which leaves six weeks vacant over the 20 week cycle. While accepting that additional time has been built into this process to deal with any contingencies, there appears to be room to bring it forward.
2. The accelerated rollout of smart meters over the next few years will mean fewer customers remain on basic meters reducing the amount of work required to manage them. Of course, the R1 revision will still be necessary but the volume of revisions will reduce significantly creating a real opportunity to bring forward the revision (R1) 20 week cycle.

As part of this consultation process, the Commission has encouraged market participants to respond to AEMO's High-Level Implementation Assessment (HLIA) which identifies different pathways for implementing the Draft rule. In terms of the different pathways included in the HLIA, (Pathway 1 & 2) would be implemented under the Draft rule and (Pathway 3) would be implemented under AEMO's Alternative Settlement Model.

We have considered the merits of the alternative pathways and suggest Pathway 1 represents the best approach subject to an important condition. Consistent with our position in response to the Draft rule, AEMO would be required to bring forward the revision (R1) in Pathway 1 from 20 weeks to the maximum extent possible without compromising the integrity of the metering data.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and the ACT to over 1.4 million customers. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager, on 0481 013 988.

Yours sincerely

A handwritten signature in dark ink, appearing to read "G Hargreaves".

Geoff Hargreaves

Manager - Regulatory Affairs

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd