



New deal for fast energy – five minute settlement

The Australian Energy Market Commission today made a final rule to change the settlement period for the electricity spot price from 30 minutes to five minutes, starting in 2021.

This fundamental change will help get the electricity wholesale market ready for new technologies that enable the power system to operate in a more dynamic way.

Five minute settlement provides a better price signal for investment in fast response technologies, such as batteries, new generation gas peaker plants and demand response.

These fast responders are needed to support the increasing penetration of variable generation in the market.

“With more wind and solar generation entering the market, along with the retirement of thermal generators, there is an important role for fast response generation and services to plug the gaps when the wind isn’t blowing and the sun isn’t shining,” said AEMC Chairman John Pierce.

Moving to five minute settlement will align the physical electricity system – which matches demand and supply of electricity every five minutes – with the price signal provided by the market for that five minute period.

“Price signals that align with physical operations lead to more efficient bidding, operational decisions and investment,” said Mr Pierce.

“Over time, this flows through to lower wholesale costs, which should lead to lower electricity prices than in a market with 30 minute settlement. Wholesale costs make up around one third of a typical electricity bill.”

Five minute settlement will start on 1 July 2021. This gives industry time to adjust to this major change which affects the spot and contract markets, metering and IT systems.

The timeframe balances the need to capture the benefits of moving to five minute settlement as soon as possible against transitional costs and risks. It also gives industry a timetable for building and developing new fast response generation and technologies in preparation for the change in three years’ time – so this investment can start happening now.

The Australian Energy Market Operator (AEMO) will work closely with industry to develop an implementation plan, with policy guidance from the AEMC. The Australian Energy Regulator (AER) will monitor and report on the conduct of market participants and the effectiveness of competition throughout the transition.

The five minute settlement rule change proposal was submitted by Sun Metals, a zinc refinery and large energy user. Under the National Electricity Rules, any individual, group or organisation can lodge a rule change request or submission with the AEMC.

Media: Prudence Anderson 0404 821 935 or (02) 8296 7817

28 November 2017