



Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

The Energy and Technical Regulation Division (Division) of the Department of the Premier and Cabinet thank you for the opportunity to make a submission to your Draft determination on Five Minute Settlement (ERC0201).

The Division supports the Australian Energy Market Commission's (AEMC) Draft determination to introduce to align operational dispatch and financial settlements in the National Electricity Market from 30 minutes to 5 minutes. The Division considers that this will better enable electricity supply and demand to be balanced in real time, resulting in a more efficient mix of generation and demand response.

The Division notes that stakeholders have raised through the AEMC's consultation process that there will be significant practical challenges and risks associated with implementing five minute settlement and non-trivial one-off costs. However the Division supports the AEMC's assessment that the enduring benefits of five minute settlement will quickly outweigh the one-off costs and any ongoing costs

As stated in the Division's submission to the AEMC's Directions Paper, timely introduction of five minute settlements will ensure technologies entering the market are those that best reflect the cost of generating electricity and its value to consumers. To this end, the Division supports the rule change being introduced with as short a transition period as practicable, using a staged transition process if necessary.

The AEMC Directions Paper proposed a transition period of three years (Stage A), in which metering upgrades, IT upgrades, and adaptation of the net system load profile would occur. This would be followed by a period of two years (Stage B) in which metering upgrades would continue.

The Division notes that stakeholder feedback indicated a very wide range of views, between two and seven years, in regards to the time required to support the implementation of five minute settlements.

The Draft determination provides for a transition period of 3 years and seven months, commencing on 1 July 2021 and that this reflects the shortest time that the Commission believes is possible to enable market participants and AEMO to manage the implementation risks and that market participants begin implementation as soon as possible.

The Division acknowledges that the AEMC has made a draft decision based on its consideration of the time to transition contractual arrangements, the time for industry to update systems, process and metering and the benefit that may be achieved by having five minute settlement sooner.

While the Division notes that the AEMC's draft determination does provide for a transition period that is shorter than that considered necessary by a number of stakeholders, there were also stakeholders that supported the Divisions position that a shorter transition period would be preferable, for example the Future Business Council and Tesla. The Division again urges the AEMC to further consider transition options, including staggering implementation, which would enable implementation of five minute settlement as soon as practicable.

As noted in the Division's previous submission, the opportunity to implement new generation technologies as older generators retire and system security challenges are met exists in South Australia currently. Introduction of five minute settlements would allow their value to be clearly communicated to the market, and so support their development and a smoother transition to a low carbon future. The Division urges the AEMC to implement this rule change in a timely manner.

Thank you for accepting our submission. Please contact me for further clarification of discussion on (08) 8204 1724 or at vince.duffy@sa.gov.au.

Yours sincerely



Vince Duffy
Executive Director, Energy and Technical Regulation Division

19 October 2017