

Level 17, Casselden  
2 Lonsdale Street  
Melbourne Vic 3000  
GPO Box 520  
Melbourne Vic 3001  
tel: (03) 9290 1800  
fax: (03) 9663 3699  
[www.accc.gov.au](http://www.accc.gov.au)

Your Ref: ERC0201  
Our Ref: 60178-D17/146289  
Contact Officer: Kyle Auret  
Contact Phone: 03 9290 1458

27 October 2017

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Pierce,

**Re: Submission on National Electricity Amendment – Five Minute Settlement**

The AER welcomes the opportunity to respond to the AEMC's draft determination concerning the Five minute settlement rule change proposal.

We support the AEMC's objective of better aligning market participants' financial incentives with the physical operation of the market. We consider the proposed rule creates improved market incentives for this objective to be achieved.

The AEMC's five minute settlement rule change draft determination will sharpen market signals to facilitate the introduction of more flexible generation technologies. As the wholesale markets continue to evolve, we expect these changes will improve the use of these technologies, which in turn will contribute to more efficient price outcomes.

We agree that the current reporting threshold for spot prices above \$5000/MWh should continue to apply to the defined 30 minute period. A reporting requirement for a single dispatch interval price above \$5000/MWh would be unduly sensitive to market movements. Whilst these high dispatch prices will be monitored through our ongoing monitoring activities, requiring reports to be provided for each dispatch interval in which prices exceed \$5,000/MWh would result in many reports on short intervals of high prices that would, in our view, be of little value to market participants.

We note the expected market outcomes of this draft rule change determination rely on the presence of generation and demand response that can react within five minutes. Following these reforms, these types of fast responses, particularly from new entrants, will provide a critical competitive pressure on the market. We expect bidding strategies will be positively influenced by these competitive pressures however additional elements in the market and

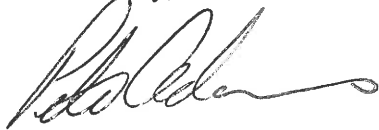
the technical parameters of the network, at the time the draft rule is implemented, will also determine the way in which market participants vary their bidding strategy.

Nonetheless as noted in the draft decision, the observed changes in generation coupled with the proposed transition period will mean that new types of generation and demand response should be available in the short term. We therefore consider the proposed changes to settlement are appropriately timed in this regard.

Should this draft rule determination proceed, in anticipation of the implementation of five minute settlement in July 2021, we intend to report on the market response through our Wholesale Market Performance report. This will provide us with an opportunity to report on the way in which market performance has changed in anticipation of, and in response to, the rule change.

We welcome the opportunity to discuss this submission with you. If you have any questions, please do not hesitate to contact Craig Oakeshott on 08 8213 3469, or [Craig.Oakeshott@aer.gov.au](mailto:Craig.Oakeshott@aer.gov.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Adams', with a long, sweeping flourish extending to the right.

Peter Adams  
General Manager  
AER Wholesale Markets

Sent by email on: 27.10.2017