

5MS Precautionary Rule Change Request

The Five-Minute Settlement (5MS) rule and Global Settlement (soft start) rules are scheduled to commence on 1 October 2021. For convenience, references in this document to 5MS commencement include both 5MS and Global Settlements (soft start).

The 5MS Program is **on track for commencement on 1 October** and participants should progress their compliance and readiness programs on this basis - unless notified otherwise by AEMO through the 1 September 2021 **5MS start notice** of a change to this date. As with any program of this complexity, risks exist, and issues could arise that could ultimately impact the commencement date of 1 October 2021. To mitigate the impact of such an event arising, AEMO has developed a contingency plan in consultation with the 5MS industry Program Consultative Forum, which is summarised within this document.

The contingency plan involves submitting a *precautionary* rule change request to the AEMC to allow for alternative commencement dates should an unexpected issue arise impacting 1 October.

The 5MS Program is on track for 5MS commencement on 1 October 2021. This rule change request is submitted as a *precautionary measure* for risk mitigation purposes.

The 1 September 2021 5MS start notice will provide a go/no-go status against 1 October 2021.

To help provide clarity to industry, AEMO has proposed two alternative commencement scenarios in the rule change request if 1 October is impacted – a **short** and an **extended** delay. AEMO has also applied the proposed changes to other regulatory programs that would be impacted if the 5MS commencement date was to move.



The 5MS commencement dates are set in the National Electricity Rules and can only be changed through an AEMC rule change process which takes a minimum of eight weeks under the urgent rule change process. AEMO's contingency plan involves the following key elements:

- AEMC commenced a four-week consultation process from 5 August on AEMO's precautionary rule change request.
- AEMO will publish a 5MS start notice no later than 1 September. This will be a go/no-go status against 1 October.
 - If the market readiness essential capability are met, then a go status will be provided and the 5MS commencement date will not change. This is the expected case.
 - If a no-go status is provided, AEMO will advise of the issue causing this status, the length of time needed to remediate the issue and the suggested alternative start date.
- The AEMC consultation process will close on 2 September. The 5MS Start Notice will be submitted to the AEMC consultation as well as published to industry participants.
- AEMC will publish the Final Determination, and if necessary, a final rule, on 30 September 2021. The 5MS Start Notice will inform the AEMC's Final Determination.

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The following frequently asked questions (FAQs) have been designed to answer questions you may have about this rule change request. However, if you still have outstanding questions, please contact the 5MS team at 5ms@aemo.com.au.

1. Why AEMO has submitted this Rule change request as 'urgent'?

AEMO requested that the "urgent" rule change process was followed given the time remaining until 1 October. The potential ramifications of not having an alternative rule change date should the 5MS market not be ready to commence on 1 October due to unforeseen circumstances include:

- AEMO not being able to settle the market on a 5-minute basis,
- Prudential arrangements being compromised leading to increased financial risk to both AEMO and market participants,
- Disruption to the wholesale electricity market.

2. When will AEMO inform the market if 1 October can be made?

AEMO's advice on whether the 5MS commencement date can be met will be determined based on whether market readiness criteria can be met by AEMO and market participants.

AEMO will advise via a 5MS start notice that will be issued no later than 1 September 2021 to affected industry participants and formally submitted to the AEMC as a submission to the Rule change process. AEMO's start notice indicate if a 1 October 2021 commencement date is not feasible, will recommend an alternative date for 5MS, and, where necessary, consequential changes to the commencement dates for other rules and regulatory initiatives whose implementation is impacted by the 5MS delay.

AEMO's 5MS start notice will be informed by participant engagement and input through the 5MS Program Consultative Forum and the 5MS Executive Forum.

3. What is the market readiness criteria that will inform the 5MS start notice?

The market readiness criteria are well established through the 5MS Program, and are set out in the following essential capability requirements:

- Generators and Market Network Service Providers are able to submit 5-minute offers.
- Metering Providers, Metering Coordinators and Metering Data Providers ensure all essential meters are able to produce, store and deliver 5-minute data.
- AEMO successfully deploys:
 - 5-minute bidding and dispatch solution, including the web bidding interface
 - The metering data management (MDM) solution
 - 5-minute settlements solution.

Note: there are other industry capabilities that are required for 5MS, but the above are considered minimum mandatory requirements for go-live and will determine the recommendation included in the market start notice.

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4. Why submit the request now rather than wait to see if something eventuates?

The AEMC rule change process requires 2 months under the urgent rule change process. Commencing the AEMC consultation process on 5 August 2021 results in a Final Determination by 30 September which is the latest date AEMC could provide a revised date given the current go-live date of 1 October.

5. Does this mean I can divert my attention from 5MS to other priorities within my organisation?

No, this should not be interpreted as meaning that AEMO and participants are not confident of meeting the 1 October rule change date. As stated in the answer above, this is only a precautionary measure and it is essential that participants continue readiness preparations for 1 October as scheduled.

6. What did AEMO recommend in the rule change request?

Stakeholders are directed to the aemc.gov.au to view the Rule Change Request and the consultation paper. However, for the purpose of summary, this rule change request contemplates two contingency scenarios - necessitating 1) a short delay and 2) an extended delay respectively. These contingency scenarios include:

- 1) Short delay: AEMO would recommend a two-month delay with a 1 December 2021 alternative commencement date. AEMO also recommends including Electricity B2B and WDR in this release date. Customer Switching would also be included in this bundle as it was always proposed to be released with 5MS.
- 2) Extended delay: If the identified essential capability issues necessitate delay longer than 2 months, 5MS commencement would need to be deferred until 2022 and account for the change freeze over the summer period. A longer delay would be required where an identified issue is assessed as more complex and therefore requires more time to remedy. This scenario considers the more significant implications for other regulatory initiatives and outlines two alternative dates of 1 February 2022 and 1 April 2022.

7. How is readiness for the 5MS start notice measured?

AEMO's readiness assessment will be carried out in collaboration with the 5MS Working Groups. Key inputs to the readiness assessment include:

- 5MS Capability Market Trial outcomes
- Industry Readiness Reporting
- Production operation
- Metering Transition Plan delivery including metering data delivery

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8. What happens if an issue arises after confirming a go status through the 5MS start notice, i.e. after 1 September 2021?

AEMO will assess market readiness based on the ability of AEMO and industry to meet the essential capability set out in Question 7. This capability is needed for the proper functioning of the market. In most cases, the essential capability will already be in place and will be demonstrated through Market Trial or production operation. For example, the AEMO systems can already accept 5-minute meter data and some metering participants have commenced delivery at this granularity. Similarly, the AEMO systems can already accept 5-minute bids and some generators have commenced using the 5-minute bidding service in transition mode.

If a situation arises where an essential capability has not been fully proven or established by 1 September 2021, AEMO will request a contingency plan from that participant. The contingency plan will need to provide certainty that it will be effective in managing the outstanding residual risk.

9. AEMC's Final Determination will be published on 30 September 2021. Does this mean industry is only receiving 24 hours' notice of a change to the 5MS commencement date?

No. The 5MS start notice issued on 1 September will provide advice on the go/no-go status for 1 October. The 5MS start notice will be taken into account by the AEMC's Final Determination. The AEMC will also attempt to provide notification to participants prior to publication of its final determination on 30 September.

10. What would happen to Customer Switching if the commencement date for 5MS is changed?

Through consultation with industry, AEMO previously aligned the 5MS and Customer Switching start date to 1 October 2021. AEMO has integrated the code for Customer Switching into the 5MS solution and it is understood many participants have done likewise. Therefore, AEMO is proposing that any change in date that is applied to 5MS would also be applicable to Customer Switching.

11. What would happen to the Wholesale Demand Response (WDR) date if the commencement date for 5MS is changed?

The WDR solution is designed on the basis of a 5MS market. Therefore, AEMO has concluded that it is not possible for WDR to commence prior to 5MS. Any change in date to 5MS would require a change in commencement date for WDR. AEMO is proposing that if 5MS is delayed, WDR should commence on the same revised date to minimise any further delays to this reform.

12. How was industry consulted during the development of this contingency plan?

AEMO developed the contingency plan in consultation with the 5MS Program Consultative Program (PCF) and Readiness Working Group (RWG). AEMO consulted on the proposed changes to other regulatory programs through the Regulatory Roadmap Implementation Forum.

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13. What are the impacts to the other regulatory implementation programs if the 5MS commencement date moves?

The table below provides a summary of the proposed changes to dates 5MS, Global Settlements and other regulatory programs.

| | Current | 2-month delay | Extended delay #1 | Extended delay #2 |
|--|------------------|-----------------------------|-------------------|-------------------|
| 5MS and GS rules | | | | |
| Commencement of 5MS and GS soft start | 1 October 2021 | 1 December 2021 | 1 February 2022 | 1 April 2022 |
| Commencement of GS financial start | 1 May 2022 | 1 May 2022 | 1 July 2022 | 1 September 2022 |
| AEMO required to publish UFE report on unaccounted for energy trends | 1 June 2022 | 1 June 2022 | 1 August 2022 | 1 October 2022 |
| AEMO required to publish UFE reporting guidelines | 1 March 2023 | 1 March 2023 | 1 May 2023 | 1 July 2023 |
| Other reforms | | | | |
| Customer switching | 1 October 2021 | 1 December 2021 | 1 February 2021 | 1 April 2022 |
| Gas business to business (B2B) changes | 29 November 2021 | 29 November 2021 (no delay) | | |
| Wholesale demand response mechanism | 24 October 2021 | 1 December 2021 | 1 February 2022 | 1 April 2022 |
| Electricity B2B changes | November 2021 | 1 December 2021 | 1 February 2022 | 1 April 2022 |