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Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235
Submitted electronically

Delayed implementation of five minute and global settlement - ERC0298

Alinta Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission's delayed implementation of five minute and global settlement consultation paper.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,000MW and in excess of 1.1 million electricity and gas customers. As an active market participant Alinta Energy expects to be directly impacted by the delayed implementation of five minute and global settlement.

The impact of COVID-19 has introduced extraordinary challenges to Australia's communities and economy. As such, Alinta Energy fully supports the proposed delay of the five-minute settlement rule change and suggests that an 18 to 24-month delay would be optimal. A delay is expected to lower implementation costs and will also free up resources for industry, to allow focus to remain on continuity of supply of energy and support for customers as they deal with the broader economic and social impacts of COVID-19.

Time period for delay and participant costs

Alinta Energy considers a delay to the start date of five-minute settlement to be appropriate and believes a delay of 18 to 24-months to be the optimal time period. A delay will likely decrease the costs of implementation across both AEMO and industry.

Implementing five-minute settlement across wholesale energy trading systems requires highly specialised skillsets both internally and externally. Under the existing 1 July 2021 implementation date, participants are currently deploying significant project spend to ensure works are completed on time. An implementation delay will allow AEMO and market participant's internal and external resources to better plan, engage and deploy project spend in a less constrained market environment.

The additional time will also allow participants to explore utilising more efficient and cost-effective technology options, given the massive increase in data flow and computational power required.

Rule Change Uncertainty and Participant Capacity

Alinta Energy is presently focussing its resources on ensuring the continuity of its services, including supporting customers as they deal with the broader social and economic impacts of COVID-19 and sustaining the safety and continuity of its operations. Specifically, Alinta Energy's customer operations team is currently undertaking the material task of delivering support and reporting measures relating to the COVID distribution network relief packages across the NEM states. These relief packages are directly impacting the same teams, who would have otherwise been working on five-minute settlement implementation. Other retailers in the industry would also likely be focussing on their customers at this time which may introduce resourcing constraints to implement five minute and global settlement.

Following the advice from Government for all employees to work from home, where possible, has increased the difficulty to onboard new members effectively to the project and collaborate with the wider business and industry. Alinta Energy's five-minute settlement program has, to an extent been paused whilst the AEMC is considering delaying the implementation of five-minute settlement. More broadly, Alinta Energy has observed a general level of confusion across industry regarding what participants should be doing when the proposed delay was announced. As a result, Alinta Energy understands some participants have kept working on the delivery program as normal, some have paused, and others have completely shut down their programs.

AEMO has stated that they are progressing their five minute and global settlement programs as normal however Alinta Energy has observed that the participation at the forums have decreased since the proposed delay announcement. This presents a challenge to recalibrate participants' progress given the lack of momentum and input from participants in forums.

As such, a level of regulatory uncertainty has now been introduced into many participant's implementation plans, which itself now represents a key risk to the delivery of the rule change. A resumption of the program where a no delay is potentially determined by the AEMC may at this point in time, significantly hamper some industry participant's ability to deliver the five minute settlement functionality and be compliant with the original five minute settlement timeframe of 1 July 2021.

Drafting and procedure implications of delay

Alinta Energy supports the view that AEMO should not be required to consult participants on any changes in its procedures if those changes are solely related to a delay to five minute and global settlements. Alinta Energy does not consider to be materially impacted by AEMO changing the date or timeline in the procedures when all other content remains constant.

Regulatory landscape

The five-minute settlement is a highly interdependent reform across the NEM, underpinning all wholesale market systems, settlement systems, and ultimately all retail billing systems. As such, several other key reforms across the regulatory landscape are dependent on the reform, for

example, the wholesale demand response mechanism builds upon the five-minute settlement reforms. Given this, Alinta Energy would encourage the AEMC to give consideration to how other rule changes initiatives may be potentially affected, and whether flexibility needs to be considered for these dependent rule changes / future rule changes over the 2020-2022 period.

Conclusion

Alinta Energy is supportive of the delayed implementation of five minute and global settlement and believes a delay of 18 to 24-months to be the optimal time period. We look forward to participating in the ongoing consultation process.

If you have any queries in relation to this submission, please contact me via email: anders.sangkuhl@alintaenergy.com.au or by phone 02 9375 0992 or Mr Sam Lei via email: sam.lei@alintaenergy.com.au or by phone 02 9375 0943.

Yours sincerely,

[signed]

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