11 June 2020

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

Dear Mr Pierce

**Consultation Paper: Delayed implementation of Five Minute and Global Settlement (ERC0298)**

Energy Queensland Limited (Energy Queensland) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) in response to the consultation paper on the *National Electricity Amendment (Delayed Implementation of Five Minute and Global Settlement) Rule 2020* (consultation paper). The consultation paper is in response to a rule change request received from the Australian Energy Market Operator (AEMO) seeking a 12-month delay to the commencement of the *National Electricity Amendment (Five minute settlement) Rule 2017* (5MS) and the *National Electricity Amendment (Global settlement and market reconciliation) Rule 2018* (GS).

Energy Queensland does not support a 12-month delay to implementation of 5MS and GS. We do not consider that the severity and impacts of the COVID-19 pandemic response on program delivery has been of significant magnitude to warrant a 12-month delay and that the anticipated benefits of such a lengthy delay would likely be outweighed by increased participant project costs. However, Energy Queensland would welcome a shorter, three to five-month delay, to allow enough time for testing and for participants to manage any impacts of COVID-19. We consider this shorter delay would result in minimal impacts to participants' project costs.

**As per the consultation paper, Energy Queensland requires its confidential cost information to be treated as confidential and redacted from this submission prior to its public release.**

Should you require any additional information or wish to discuss any aspect of this submission, please contact me on 0467 782 350 or Charmain Martin on 0438 021 254.

Yours sincerely

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# Energy Queensland

## Submission to the
## Australian Energy Market Commission

# Delayed implementation of Five Minute and Global Settlement

**Energy Queensland Limited**

11 June 2020

## About Energy Queensland

Energy Queensland Limited (Energy Queensland) is a Queensland Government Owned Corporation that operates businesses providing energy services across Queensland, including:

- Distribution Network Service Providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy);
- a regional service delivery retailer, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail); and
- affiliated contestable business, Yurika Pty Ltd (Yurika), which includes Metering Dynamics Pty Ltd (Metering Dynamics).

Energy Queensland's purpose is to 'safely deliver secure, affordable and sustainable energy solutions with our communities and customers' and is focused on working across its portfolio of activities to deliver customers lower, more predictable power bills while maintaining a safe and reliable supply and a great customer service experience.

Our distribution businesses, Energex and Ergon Energy Network, cover 1.7 million $km^2$ and supply 34,000GWh of energy to 2.25 million homes and businesses each year.

Ergon Energy Retail sells electricity to 738,000 customers in regional Queensland.

Energy Queensland also includes Yurika, an energy services business creating innovative solutions to deliver customers greater choice and control over their energy needs and access to new solutions and technologies. Metering Dynamics, which is a part of Yurika, is a registered Metering Coordinator, Metering Provider, Metering Data Provider and Embedded Network Manager. Yurika is a key pillar to ensuring that Energy Queensland is able to meet and adapt to changes and developments in the rapidly evolving energy market.

## Contact details

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# 1 Introduction

On 14 May 2020, the Australian Energy Market Commission (AEMC) published a consultation paper on the *National Electricity Amendment (Delayed Implementation of Five Minute and Global Settlement) Rule 2020*. The consultation paper is in response to a rule change request received from the Australian Energy Market Operator (AEMO) seeking a 12-month delay to the commencement of:

- the *National Electricity Amendment (Five minute settlement) Rule 2017* (5MS); and
- the *National Electricity Amendment (Global settlement and market reconciliation) Rule 2018* (GS).

The rule change has been proposed by AEMO "to allow industry participants to focus on the supply of energy as an essential service, and support for customers, as they deal with the broader economic and social impacts of COVID-19".[1]

The consultation paper sets out a number of questions in relation to the rule change request, including:

- whether there is a need for a delay and the optimal period of any delay;
- impacts of COVID-19 on participants' financial health and cash-flows;
- impacts of a delay on the contract market and participant risk management;
- impacts of delaying the benefits of 5MS and GS by 12 months; and
- any implications for other parts of the National Electricity Rules or procedures and guidelines managed by AEMO, the Australian Energy Regulator, or the Information Exchange Committee.[2]

The AEMC has requested that interested parties make submissions on the questions raised in the consultation paper by 11 June 2020. Energy Queensland's comments are provided in sections 2 and 3 of this submission.

[1] AEMC, *Consultation Paper: National Electricity Amendment (Delayed implementation of Five Minute and Global Settlement) Rule 2020*, 14 May 2020, p. 1.
[2] Ibid, p. 2.

# 2 General comments

Energy Queensland welcomes the AEMC's consultation on delaying the implementation of 5MS and GS and the opportunity to provide feedback. Energy Queensland's detailed comments on the proposed rule change and the questions set out in the consultation paper are provided in section 3 of this submission. This submission is provided by Energy Queensland, on behalf of its related entities:

- Distribution network service providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network);
- The regional service delivery retailer, Ergon Energy Queensland Limited (Ergon Energy Retail); and
- Affiliated contestable business, Yurika Pty Ltd including its subsidiary, Metering Dynamics Pty Ltd (Yurika).

In summary, Energy Queensland does not support a 12-month delay to implementation of 5MS and GS. We do not consider that the severity and impacts of the COVID-19 pandemic response on program delivery has been of significant magnitude to warrant a 12-month delay and that the anticipated benefits of such a lengthy delay would likely be outweighed by increased participant project costs.

However, Energy Queensland would welcome a shorter, three to five-month delay to allow enough time for testing and for participants to manage any impacts of COVID-19. We consider this shorter delay would result in minimal impacts to participants' project costs.

**As per the consultation paper, Energy Queensland requires its confidential cost information to be treated as confidential and redacted from this submission prior to its public release.**

We are available to discuss this submission or provide further detail regarding the issues raised.

# 3 Specific comments

Energy Queensland provides the following comments on the specific questions raised in the consultation paper:

### SUBMITTER DETAILS

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|---|---|
| **ORGANISATION:** | Energy Queensland |
| **CONTACT NAME:** | Charmain Martin |
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### CHAPTER 4 – SECTION 4.1 – TIME PERIOD FOR DELAY

| **Question 1 – Time period for delay** | |
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| a) If a delay to the start date of 5MS is necessary, is a 12-month delay appropriate? Alternatively, please explain why another time period is preferable and, if applicable, the implications on cash flow and capacity? Would the rules need to commence at the start of a quarter to align with the contract market, or could 5ms commence mid-quarter? What would be the impact of a mid-quarter commencement? | The Energy Queensland Group (Ergon Energy Retail, Energex, Ergon Energy Network and Yurika) does not consider a 12-month delay to the implementation of 5MS is appropriate, given that, in our view:<br>• the impacts on program delivery attributable to the COVID-19 pandemic response to date do not warrant such a lengthy delay; and<br>• a 12-month delay is expected to result in increased project costs.<br>Instead, Energy Queensland would welcome a short delay to the commencement of 5MS of between three to five months to ensure sufficient time is available to test AEMO's Metering Data Management (MDM) solution. This timeframe also provides a reasonable contingency window for participants to manage any impacts of COVID-19 with minimal impact to project costs. It is noted, however, that a brief three to five-month delay does not take into consideration the potential impacts of a second wave of COVID-19.<br>Overall, Energy Queensland believes that a short delay to the 5MS commencement date will minimise risks associated with a 12-month deferral, including:<br>• Increased participant and vendor costs associated with a project delay; |

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| | • Participant vendor delivery and associated impacts on support and maintenance agreements;<br>• Communications during the deferral period, including any decisions which impact project delivery and ability to meet compliance obligations;<br>• Ability to stand participant project teams back up within adequate time to meet industry timeframes;<br>• AEMO / participant loss of knowledge or transitional activities;<br>• Undeployed code being in the test environment for longer periods; and<br>• Re-work due to other business initiatives / projects.<br>From a trading perspective, Ergon Energy Retail suggests that it is preferable for 5MS to commence from the start of a quarter (for example, 1 October) to accommodate financial hedge products. |
| b) What is the appropriate date for the commencement of the 'soft' and 'hard' starts for global settlement? Should this be a linear move by the number of months of delay, or should the dates change to another timeframe? | Energy Queensland supports the view that the GS 'soft' start should commence with the adjusted 5MS start date (and MDM solution go-live), with the 'hard' start date to remain at 6 February 2022 as we believe a linear move is not necessary.<br>GS 'soft' start requires the ability for AEMO to receive and validate Tier 1 data which has the potential for AEMO to require refinement of settlement solutions as a result of the increase in consumption data from basic meters. This need should not be deferred and should continue as per the existing rule date. |
| c) If there is a 12-month delay to the start date of 5MS and GS, is it still appropriate that all new and replacement meters (other than 4A) installed after 1 December 2018, and type 4A meters installed after 1 December 2019, be required to record and provide 5-minute data by 1 December 2022? If not, why and what time period would be appropriate? | Ergon Energy Retail considers it appropriate to retain the 1 December 2022 deadline as it provides enough time for implementation in accordance with the metering transition plan.<br>Yurika is developing an automated remote reprogramming tool and a brief three to five-month delay would have no impact. However, a delay beyond five months would result in an uplift in data and storage costs. In addition, Yurika's solution provides the flexibility to collect 5-minute meter data and publish that data to participants and AEMO in different intervals. For example, Yurika can provide aggregate 30-minute data for participants and 5-minute data for AEMO, thereby reducing the potential impacts of the 5MS deferral. Type 4A meters are manually read each quarter. This manual process will be used to reprogram the Type 4A meters to a 5-minute template.<br>Energex and Ergon Energy Network offer no feedback on this question. |
| d) If global settlement is delayed, by what date should AEMO prepare and publish the first report on unaccounted for energy required under cl 3.15B(a)? | Ergon Energy Retail does not support a delay to GS implementation.<br>This question is not applicable to Yurika or Energex and Ergon Energy Network. |

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| e) Cl 11.112.6 states that AEMO must make and publish the unaccounted for energy reporting guidelines required under new cl 3.15.5B(d) by 1 December 2022. What is the appropriate date for the publication of these reporting guidelines if there is a delay to global settlement? | Ergon Energy Retail considers 1 December 2022 is the appropriate date for AEMO to publish the unaccounted for energy (UFE) reporting guidelines.<br><br>This question is not applicable to Yurika or Energex and Ergon Energy Network. |

## CHAPTER 4 – SECTION 4.2 – PARTICIPANT COSTS AND CAPACITY

| **Question 2 – Participant costs** | |
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| a) What is the expected impact of COVID-19 on participant cash flows? How material is this impact? How long are these cash flow impacts expected to last? | **The following includes data that is confidential cost information and should be redacted prior to public release.**<br><br>Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law.<br><br>The COVID-19 response has placed additional costs on retailers as a result of the need to quickly respond to industry expectations to introduce rebates, cease credit activities and disconnections for debt, and generate additional communications via print and digital channels. All responses have resulted in rapid system and process changes and these costs have not been incorporated into the costs reported above.<br><br>Rapid responses require 'hot fixes' which are followed by incident management for unforeseen impacts, and increased resource involvement in remediation and work-arounds. Once the COVID-19 restrictions are removed, the same effort will be required to reverse system and process changes, and modifications to print media and digital channel information. |

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| | The Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law. as a reset to debt management is dictated by the National Energy Retail Law and National Energy Retail Rules.<br><br>While Yurika has experienced a slightly reduced volume of service orders and restrictions in relation to access and travel, there have not been any material impacts from COVID-19 to date.<br><br>The impacts on Energex's and Ergon Energy Network's cash-flows attributable to COVID-19 are not yet known. The evolving COVID-19 situation and associated restrictions (including social distancing and travel restrictions) have reduced productivity and limited the distribution businesses' capability to operate and deliver their programs of work. However, it will be some time before the extent of the impacts on cash-flows can be quantified. Further, the outcome of the AER's rule change request to allow retailers to defer the payment of network charges for customers affected by the COVID-19 pandemic for six months, is not yet known but it may have an impact on the cash-flows of the distribution businesses. |
| b) For participants that are required to implement changes to IT systems and procedures for 5MS and GS, how would the proposed 12 month delay impact your implementation costs? Please quantify and provide evidence where possible. Any confidential cost information will be treated as confidential and redacted from submissions published on the AEMC's website. | **The following includes confidential cost information and should be redacted prior to public release.**<br><br>Ergon Energy Retail is implementing a new market gateway, MDM and settlement solution with a new vendor and managed service provider. In part, the development of this capability was driven by 5MS capacity risks together with the flow-on effects of Power of Choice (with increased interval data management). The roadmap for implementation remains targeted for June 2021 regardless of changes to implementation dates.<br><br>Upon the commencement of the 5MS/GS deferral rule change process, Ergon Energy Retail undertook a detailed options analysis, assessing a range of potential scenarios, including project deferment and partial deployment. Based on the outcomes of this analysis, Ergon Energy Retail's preferred option is to continue with the project delivery timeframe as initially proposed to avoid the potential for change in the project scope.<br><br>Ergon Energy Retail's implementation of its new settlement solution will, however, be based on GS methodologies. Ergon Energy Retail has accepted the risk of operating in the interim period (prior to the removal of the local retailer role), noting that during this period it will be unsupported by AEMO settlement reports.<br><br>Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law.<br><br>With respect to the wholesale trading systems, it is expected that EnergyOne (contracted by Ergon Energy Retail) will upgrade its wholesale market products and systems for its entire customer base. It is not expected that IT upgrades in addition to those supplied by EnergyOne will be required by Ergon Energy Retail's Wholesale Market Team. |

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| | Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law. |
| c) To what extent can additional market testing periods run by AEMO minimise costs associated with the delayed commencement of 5MS and GS? To what extent do participants rely on B2B data flows for 5MS and GS testing? | Ergon Energy Retail will heavily rely on B2B data flows for schema changes with participants and an expectation of support from AEMO for the provision of suitable GS RM reports. It is therefore Ergon Energy Retail's view that there is a need for the current window for supporting testing on the MSATS preproduction environment to be extended by three months to allow market participants sufficient opportunity to undertake detailed system testing ahead of the commencement of 5MS (preferably on 1 October 2021). |

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| | For Yurika, additional testing windows coordinated by AEMO will unlikely minimise the cost impacts of a 12-month delay, but rather may increase costs if more participation is required. The number of participants that intend to continue with the current schedule versus the deferred go-live date may suggest market testing should be undertaken earlier and that limited participants will be available in May/June 2022 for market testing.<br><br>Energex and Ergon Energy consider that additional market testing periods run by AEMO, particularly 5MS market trials, will assist in providing participants with greater assurance around their project delivery. Extending testing windows for participants increases risks associated with vendor engagement and has potential cost implications as well as the potential to reduce the overall view from AEMO to provide participant flexibility in delivery during the deferral period. |

| **Question 3 – Participant capacity** | |
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| d) To what extent has COVID-19 affected participants' ability to implement the necessary changes for 5MS and GS by 1 July 2021? | Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law. |

## CHAPTER 4 – SECTION 4.3 – ELECTRICITY CONTRACT MARKET IMPLICATIONS

| **Question 4 – Electricity contract market** | |
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| a) To what extent have you purchased 5-minute cap products for FY 2021-22? What would the impact of a delay be to the value of those 5-minute cap products as risk management products for your business? | Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law. |
| b) Would a delay to commencement of 5MS impact swap, captions or any other financial hedging products trading for FY2021-22 and beyond? If so, how? | Ergon Energy Retail notes that contracts from 1 July 2021 typically provide for 5MS and, as such, standard contract conditions will need to be amended.<br>This question is not applicable to Yurika or Energex and Ergon Energy Network. |

## CHAPTER 4 – SECTION 4.4 – DELAYED BENEFITS

| **Question 5 – Delayed benefits** | |
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| a) To what extent were investments that have been made, or are planned to be made, in technologies that are capable of responding to a five-minute price signal, dependent on the 5MS rule commencing on 1 July 2021, as opposed to other factors? What effect would a 12-month delay have on the expected return on investment for these assets? Please quantify and provide evidence, noting that submissions can be treated as confidential if requested, or confidential information can be redacted from submissions published on the AEMC's website. | Ergon Energy Retail has not invested in technologies capable of responding to 5MS signals.<br>This question is not applicable to Yurika or Energex and Ergon Energy Network. |

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| b) To what extent would a 12-month delay to the start of 5MS and/or GS delay the realisation of other benefits for individual participants and/or the industry as a whole? Please quantify and provide evidence, noting that submissions can be treated as confidential if requested, or confidential information can be redacted from submissions published on the AEMC's website. | Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law. |

## CHAPTER 4 – SECTION 4.5 – IMPLICATIONS OF DELAY ON RULE DRAFTING, PROCEDURES AND DETERMINATIONS

| **Question 6 – Drafting and procedure implications of delay** | |
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| a) Is there any feedback on the high-level description of a potential rule presented in Appendix A? Are there any other interactions with affected rules and schedules that have not been identified? | Industry participants could benefit from the deferral of the pass-through of AEMO NEM declaration participant fees at this time. A material reduction in retailer revenue will be further impacted by the pass-through of fees associated with AEMO's NEM declaration of project costs on the 5MS rule commencement. Consultation is yet to be undertaken but it is noted that these costs are inequitably borne by Financially Responsible Market Participants and Meter Data Agents rather than all market participants, including distributors, generators and embedded networks operators, or any other party associated with 5-minute capable meters that are benefiting from the rule change.<br><br>Ergon Energy Retail estimates that full installation of interval metering within its customer base is unlikely to occur until approximately 2038, but that the business will incur both industry costs and significant internal IT investment from commencement of 5MS without benefit. |

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| | In relation to the following extracts from Appendix A of the consultation paper, Yurika strongly opposes the inclusion of type 4 meters installed prior to 1 December 2018 and type 4A meters installed prior to 1 December 2019 in the scope of the 5MS project:<br><br>1. *Clause 1103.3 (sic) provides that all metering installations (other than excluded metering installations that were installed prior to 1 December 2018; and type 4A metering installations installed prior to 1 December 2019) do not have to be capable of recording and providing, or configured to record and provide, trading interval energy data until they are replaced. The Commission is considering if this is still appropriate given the delay.*<br>2. *Cl 11.103.5 states that metering installations (other than excluded metering installations) do not have to be configured to record and provide trading interval energy data prior to 1 December 2022. The Commission is considering if the date for this exemption is still appropriate given the delay.*[3]<br><br>Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law.<br><br>Energex and Ergon Energy note that the description of the potential rule should be updated to reflect the preferences in 1.a. related to the deferral period for the project. |
| b) Should AEMO, the AER and the IEC be required to review and if necessary, amend their relevant procedures to take into account a delay to five minute and global settlement? | Energy Queensland considers changes may be required to procedures insofar as the effective start date is delayed. AEMO, the AER and the IEC should take a portfolio view of reforms currently scheduled or underway to ensure any delay will cater for other industry changes as required and ensure efficient outcomes in line with the National Electricity Objective. |
| c) In its rule change request, AEMO proposes that there should be no consultation on any changes to its procedures if those changes are solely related to a delay to five minute and global settlement. Are there any reasons that this could be an issue? | Energy Queensland agrees that there should be no requirement for consultation where the changes are solely related to a delay in 5MS and GS commencement, except to the extent that any delay enables the IEC program of work to bring forward other changes which will impact the scope of work to be executed for 5MS and GS and erode any assumed benefits from delaying the current program of work. Any identified need for consultation to update procedures should be addressed through AEMO's Procedures Working Group. |

[3] AEMC, *Consultation Paper: Delayed implementation of Five Minute and Global Settlement*, p. 27