11th June 2020
John Pierce
Chairman
Australian Energy Market Commission
AEMC, PO Box A2449
Sydney South,
NSW 1235

Submission via AEMC website portal

Consultation on: Delayed implementation of five minute and global settlement (ERC0298)

Dear Mr Pierce,

ENGIE appreciates the opportunity to respond to the AEMC in response to the delayed implementation of five minute and global settlement rule change ("the rule change").

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 725,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia. In exploring the requirements of the rule change proposal, ENGIE's submission briefly supports that **12-month delay is appropriate.**

ENGIE is supportive of the rule change and is comfortable with a 12-month delay to the implementation of both the new settlement rules. Any less time would not be worth the trouble of rescheduling implementation. Practically, the act of lodging the rule change has itself reset industry expectations around the implementation timeframes.

ENGIE appreciates that the AEMC does not want an excessive delay to undermine the benefits case that it used to approve the settlement rules. From ENGIE's perspective the delay does not undermine any business decisions taken to date as we did not see any material short-term benefits to the business from implementation of these rules. Nor had we been engaged in trading products that were predicated on the original implementation date of five-minute settlement.

In any case, ENGIE will continue its program of ensuring compliance with the metering requirements of five-minute settlement. The rule change will also allow ENGIE to reprioritise its work to focus on internal process improvement initiatives that ENGIE considers to be more value-added for its customers than five minute and global settlement. Without the delay, these initiatives would have to be deferred until after five minute and global settlement. Moreover, any cost implications for ENGIE of the delayed implementation are manageable.

A more detailed response to the consultation questions can be found in Attachment 1 (below), based on the template as requested. Should you have any queries in relation to this submission please contact Aakash Sembey, Industry Regulations Manager, on (03) 8807 1132 or Aakash.Sembey@simplyenergy.com.au.

Yours sincerely
Jamie Lowe
Head of Regulations

ATTACHMENT 1
STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper. Stakeholders are also encouraged to provide evidence to support claims where possible.

SUBMITTER DETAILS

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CHAPTER 4 – SECTION 4.1 – TIME PERIOD FOR DELAY

Question 1 – Time period for delay	
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?	A 12-month delay is appropriate when these processes (5MS/GS) are considered in isolation. Given that is the proposal by AEMO, ENGIE considers that the AEMC should focus on this time frame and set a very high bar for adopting a different timeframe. In particular a short delay, such as three months or six months, would not be sufficient to materially assist our business. More broadly, there are a number of other proposed reforms in the pipeline that are likely to require major systems changes given they will have a major impact on dispatch and settlement processes. These include locational marginal pricing as proposed by the AEMC as part of COGATI, a two-sided market with demand side bidding and dispatch as proposed by ESB and ahead markets as proposed by ESB. In the light of these uncertainties, there could be value in an extended timeframe to allow for resolution of these proposed reforms and the development of a harmonised implementation timetable that covers all major dispatch and settlement changes.

	There is no obvious merit in moving the commencement date to a mid-quarter date.
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?	See answer to a) above. A 12-month delay is acceptable, but an integrated implementation timetable that accounts for other major upcoming reforms of dispatch and settlement is preferable.
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?	Yes
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)?	If GS is delayed by 12 months as proposed then the first UFE energy report should also be delayed 12 months, i.e. to 5 February 2023. Having said that, ENGIE supports the proposed "soft" start date for Global Settlement (GS) to be 1 July 2022, i.e. date AEMO should prepare and publish the first report on unaccounted for energy however a "hard" start approximately 7 months thereafter i.e. 5 February 2023 in order to maintain the same policy logic of staggering GS implementation to reduce the combined financial impact of both 5MS and GS.
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?	If GS is delayed by 12 months as proposed then the guidelines should also be delayed 12 months, i.e. to 1 December 2023.

CHAPTER 4 – SECTION 4.2 – PARTICIPANT COSTS AND CAPACITY

Question 2 – Participant costs	
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?	There remain too many uncertainties to accurately estimate the overall cash flow impact. While states and territories are progressively relaxing restrictions, we may yet have to deal with a "second wave" of COVID impact. The long-term economic repercussions of the shutdowns are not fully known and are based on predictable modelling. Moreover, cashflows could be materially impacted by some of the pending rule changes, e.g. AER's proposed rule change (ERC0302) on deferral of network charges, if it is passed.
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.	ENGIE considers that a 12 month delay would not necessarily materially impact implementation costs. What it would do is allow prioritisation of certain other internal process improvement initiatives that ENGIE considers to be more value-added for its customers than 5MS/GS. Without the delay these initiatives would have to be deferred until after 5MS/GS.
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?	Additional market testing periods are advantageous, however if AEMO's cost-recovery of 5MS/GS has a potential to increase participant fees, there needs to be a careful assessment on whether extended testing periods are warranted. The current time-periods of testing are sufficient. ENGIE utilises B2B data flows quite extensively, especially with the Meter Data files.

Question 3 – Participant capacity	
d) To what extent has COVID-19 affected participants' ability to implement the necessary changes for 5MS and GS by 1 July 2021?	ENGIE works with multiple IT service providers. In some cases, overseas offices of our service providers have had to be closed down. Internally, ENGIE staff have had to make the adjustments to working from home. New regulatory requirements and voluntary arrangements that have resulted from the COVID-19 impacts have taken resources away from other projects, including 5MW and GS.

CHAPTER 4 – SECTION 4.3 – ELECTRICITY CONTRACT MARKET IMPLICATIONS

Question 4 – Electricity contract market	
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?	ENGIE does not consider that the delay will have a material impact on its hedging activity.
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?	ENGIE observes that the likelihood of a delay to 5MS has increased materially simply by AEMO canvassing participants and then lodging the rule change. There are no obvious signals in the market that these developments have materially impacted prices of financial hedging products.

CHAPTER 4 – SECTION 4.4 – DELAYED BENEFITS

Question 5 – Delayed benefits	
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.	No investments predicated on 5MS implementation. ENGIE continues to invest in providing relevant customers with five-minute meter data in any case, so regardless of delay to 5MS the informational benefits of this increased granularity will be realised.
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.	ENGIE does not see short-term benefits to its own business as aresult of 5MS. In the long run, there may be benefits realised across the industry as AEMC believes, but it's not clear that a 12 month delay materially undermines the lonmg-term benefits case. This is particularly in the context of COVD-19 impacts which may lead to delays across the industry in developing technologies and services that are dependent on 5 MS. Further, it allows more time to progress work on integrating fast frequency response technologies into the NEM. This is one of the key risk mitigation activities associated with 5MS. GS is simply a new cost from ENGIE's perspective. The increased incentives on participants are unlikely to be sufficient to drive invetsemnt in initiatives to minimise UFE. Accordingly, ENGIE does not consider a delay to GS to have a significant impact on the industry

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

Question 6 – Drafting and procedure implications of delay	
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?	N/A
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?	Schema changes should be combined with other market changes where possible, e.g. IEC changes, Customer Switching, etc.
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?	ENGIE believes that this could be achieved by changing the 'effective date' of the final procedures, however if there are other dates that requires to be changed in the Procedures, there should be a consultation (perhaps one round) as some of the dates may not be a clear 12 month delay related.