



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Wednesday, 27 May 2020

Mr Michael Bradley
A/Executive General Manager – Retail & Wholesale Markets
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Bradley

RE: Delayed implementation of five minute and global settlement consultation paper

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the delayed implementation of five minute and global settlements rule change.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial and industrial businesses in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General Comments

The energy sector, like many other sectors in the Australian economy is navigating through an extremely difficult period in which the COVID19 global pandemic has disrupted normal business operations and indeed society in general. It has also exposed the fragility of the interconnected economy in which customers and suppliers' participation has been suspended through 'lockdown', resulting in cascading effects to parts of the economy that are normally more resilient to the economic cycle. One of the greatest challenges of the COVID-19 pandemic has been the uncertainty, particularly impacting the ability of businesses to plan for what the conditions of recovery look like. It is conceivable that economic impacts will be felt beyond the immediate crisis as recovery is predicted to be challenging and arduous.

In this uncertain environment, ERM Power supports this urgent rule change that provides a 12 month delay to the implementation of five minute and global settlements. The five minute and global settlement system changes are far reaching and involve an enormous project undertaking with numerous participants. Although the full costs of this major market change have never been made transparent, it is likely the costs to the industry will be in the hundreds of millions of dollars. It is paramount that these changes are made with a smooth

¹ Based on ERM Power analysis of latest published information.



implementation whereby all affected participants are ready and can implement the changes in an efficient and cohesive manner. Importantly the implementation timeframe should consider the vulnerability of the market to withstand this change.

We agree with the proponent AEMO, that risks to the implementation must be prudently managed. The environment of COVID-19 will have created challenges for a number of participants to progress system changes, due to cashflow pressure from the economic downturn, accumulating bad debt, or securing resources for IT teams to progress development. It has also been a time for retailers to extend assistance to customers who may be under financial stress. The ongoing viability of energy businesses and the ability for these businesses to sustain a program of relief measures to impacted customers will have forced many to prioritise customer assistance over system development.

In its implementation delay planning, AEMO has provided flexibility for participants to continue the path of system development, if able, and has accommodated a testing regime. This is a sensible and pragmatic approach.

Although the full economic impact of the pandemic will be uncertain for some time, we believe a 12 month delay to implementation is a prudent measure that will allow participants to navigate through the immediate impacts of the COVID-19 crisis and be appropriately resourced to support a smooth transition.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Libby Hawker

Senior Manager - Regulatory Affairs

03 9214 9324 - lhawker@ermpower.com.au