

2 September 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
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Dear Ms Collyer,

Contingency arrangements for 5-Minute Settlements implementation

Proposed rule changes that would result in a delay to the implementation of 5-Minute Settlements (**5MS**) and Global Settlement and Market Reconciliation (**GS**) changes would cause serious issues and drive material additional costs for the electricity industry. The 5MS and GS rule changes represent very significant market reforms for the National Electricity Market (NEM) and will substantially change the way retailers, distributors, metering data providers operate and make the wholesale market better suited to more quickly dispatched energy storage solutions.

The contingency amendments rule change proposed by AEMO was established to maintain essential capability requirements in the electricity market, including:

- Generators able to submit 5-minute offers.
- 5-minute meter data produced, stored and delivered.
- Profiling of provided meter data and settlements.

AusNet and Mondo are well progressed in our two-year implementation program for 5MS, GS and other regulatory changes. We have successfully delivered and operationalised our metering data management system on 27 September and have commenced the delivery of 5-minute metering data for all connections points classified by AEMO as essential. Further system changes will be delivered to comply with the full suite of regulatory changes on 1 October. We have mitigation arrangements in place for all significant risks.

We are pleased that at the 5MS & GS Executive Forum, AEMO recommended that 5MS commencement proceed on 1 October 2021 as scheduled and ruled out the Extended delay to 1 February 2022 or later.

Proceeding as per the current Rules on 1 October avoids additional costs that would exceed \$1.7 million per month for AusNet alone as we would need to extend the engagement of key contract resources and maintenance of transitional IT server environments, as our pre-rehearsed staged industry cutover is already underway. We are pleased that AEMO has indicated that these costs associated with a delay, that would ultimately be partially funded by customers, can be avoided.

Our detailed response (attached) addresses the questions posed in the consultation paper related to this topic. If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,



Charlotte Eddy
Manager Economic Regulation

AusNet's Response to Consultation Questions

Question 1 – Contingency planning and readiness capability

a) are there any other issues, in addition to AEMO's market start notice, the Commission should consider for any potential delay to commencement of 5M and GS soft start, if so, what issues and why?

Response:

AusNet and Mondo agree with the Commission's assessment framework in the consultation paper. We consider a delay would reduce the assessed benefits of the 5MS rule change and result in substantial increases in IT implementation costs. Every possible alternative mitigation to a delay should be assessed.

It should be considered that last year AEMO requested a rule change to delay the 5MS commencement date to 1 July 2022 "due to the inherent uncertainty around the severity and impact of COVID-19." When AEMO's Rule change request for a 12-month delay was announced AusNet immediately paused our implementation of 5MS and this allowed us to maintain and improve our working from home arrangements essential for continued productivity in anticipation of at least a 6-month delay. However, the final determination concluded that "a 3-month delay balanced the capacity constraints placed on the industry by COVID-19 against the additional costs and deferred benefits". The 3-month delay provided in the final determination was less than our redeployment time, and we expended more additional project time on replanning and restarting our project than the 3-month delay provided in the Rules.

In response to this setback, we increased our resourcing levels to best meet the tight delivery challenge notwithstanding challenging operating conditions making it difficult to undertake IT work and change market critical Type 2 meters to provide 5-minute data.

We are on track to delivering on 1 October, and we have commenced our staged cutover with our new Meter Data Management systems on 27 September with other system cutovers between now and 1 October. These changes are required to deliver compliance with regulatory reform changes for 5MS, GS, customer switching, Wholesale Demand Response Mechanism, electricity B2B and gas B2B.

Question 2 – Extended delay options

a) If an extended delay to 5MS and GS is required, do you have a preference between commencing on 1 Feb 2022 or 1 April 2022? If so, which date and why?

Response:

AusNet and Mondo do not support any delay to the 5MS and GS start dates, but should a delay be required we would the delay is minimal to reduce the increased costs we will bear. If AEMO will not be ready 1 October 2021, then 1 December 2021 should be chosen. If AEMO would not be ready by 1 December 2021, then 1 February 2022 should be chosen.

Question 3 – Industry implementation costs

a) If an extended delay is needed, what is the estimated difference in costs to your organisation between 5MS and GS start commencing on 1 February.

Response:

As indicated above, if the effective implementation date is delayed our delivery date would be subject to \$1.7 million in costs per month for AusNet alone as we extend the engagement of key contract resources and maintenance of transitional IT server environments. Delaying to 1 February 2022 would result in around \$6.8 million in additional implementation costs for AusNet, a material part of which would be partially funded by customers.

Question 4 – Financial contract market implications

- a) If there is a delay to the commencement of 5MS, would you prefer the new commencement of 5MS to be mid-quarter or the start of quarter? How important is this relative to other issues considered?
- b) If an extended delay is needed, are there other contract market issues the Commission should consider when deciding between 1 February or 1 April? Please explain and provide evidence.
- c) What are the estimated legal costs associated with re-negotiating contracts?

Response:

AusNet as a network service provider, and Mondo our contestable business as a metering and transmission service provider, are not exposed to financial contracts for the purchase or hedging of wholesale electricity in the market.

Question 5 – Summer implementation

- a) Would the commencement of 5MS and GS soft-start on 1 February 2022 be considered high risk for implementation given the additional risks of summer operations for your business or the market as a whole? Please explain and provide evidence.

Response:

Late January and early February is the peak bushfire season in our network area. If a major bushfire event occurs it could disrupt our ability to cutover IT systems depending on the event severity.