

2 September 2021

Sam Markham
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000



Dear Sam

Contingency arrangements for five minute settlement implementation (ERC0331)

Energy Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its consultation paper for contingency arrangements for five minute settlement (5MS) implementation.

While Energy Queensland notes the concerns raised in the consultation paper and the need for an expedited rule given the significant risks, our preference is for no short or extended delay, for both the 5MS and global settlement rules. Energy Queensland's more detailed responses to the questions are included in the template provided by the AEMC.

Should the AEMC require additional information or wish to discuss any aspect of our submission, please contact me on 0467 782 350 or Alena Christmas on 0429 394 855.

Yours sincerely

A handwritten signature in black ink that reads "Trudy Fraser".

Trudy Fraser
Manager Regulation

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Contingency arrangements for five minute settlement implementation

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

ORGANISATION: Energy Queensland

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PHONE: 0429 394 855

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CHAPTER 4 – SECTION 4.1 – CONTINGENCY PLANNING AND READINESS CAPABILITY

Question 1 – Contingency planning and readiness capability

a) Are there any other issue(s), in addition to AEMO's market start notice, the Commission should consider for any potential delay to commencement of 5MS and GS soft start? If so, what issue(s) and why?	The continued uncertainty of whether or not there will be a delay, the date of the delay and impacts to other AEMO reforms makes it very challenging for participants to plan internal programs of work and undertake business-as-usual activities. This uncertainty could have significant cost implications to participants.
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CHAPTER 4 – SECTION 4.2 – KEY TRADE-OFFS FOR AN 'EXTENDED DELAY'

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 February 2022 or 1 April 2022? If so, which date and why?	Energy Queensland does not support a short or extended delay. We consider that the effective date of 1 October 2021 should remain. However, if this is not possible, then our preference is for it to commence as early as possible in 2022 to minimise potential cost and resource impacts, including any other consequential impacts triggered as result of the delay. Furthermore, Energy Queensland has significant transformation activities due by 1 July 2022. As such, a late extended delay will impact the delivery of these activities.
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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 soft start commencing on 1 February 2022 or 1 April 2022?	<p>For Energy Queensland's distributors, Energex and Ergon Energy, the estimated costs associated with a delay is approximately \$400-500,000. In addition, with an extended delay, it is expected there will be additional costs associated with re-instating project team members and vendors which cannot be quantified in this short period. Energy Queensland's, contestable business Yurika, estimates that in the event of an extended delay, its additional costs are approximately \$780,000 for a 1 February 2022 start and \$1,300,000 for a 1 April 2022 start. These industry costs are material and shouldn't be overlooked.</p> <p>Furthermore, Energy Queensland anticipates there are other unquantified indirect costs that an extended delay will impact on other business initiatives, such as our Transformation ICT Project and business-as-usual operations.</p>
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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?	Energy Queensland has no comments.
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.	Energy Queensland has no comments.
c) What are the estimated legal costs associated with re-negotiating contracts?	Energy Queensland has no comments.

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.	<p>Energex and Ergon Energy summer period is from December to March each year. Both distributors consider there may be a risk if defects are identified during this period, and therefore, resources may not be available to assist. Equally, a change freeze may be in place prohibiting production changes to be made if required.</p> <p>Yurika Metering intends to deploy the 5MS, GS, R39_p1 and WDRM capability prior to 1 October 2021. Notwithstanding that they are on track, there are a number of activities that need to occur on or prior to the rule commencement date. However, these would need to be re-assessed at the time if there are any significant storm events.</p>
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Question 6 – Delayed benefits

a) If an extended delay is needed, to what extent would commencing 5MS and GS on 1 February or 1 April 2022 delay the realisation of benefits for individual participants or the industry as a whole? Please quantify and provide evidence.	Energex and Ergon Energy's benefits from 5MS and GS are realised as part of the post-transitional market transactions that can occur, primarily for NCONUML. As such, delaying the 5MS start and GS soft start will not have any impact on this benefit realisation.
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CHAPTER 4 – SECTION 4.3 – IMPLICATIONS FOR GLOBAL SETTLEMENTS, WHOLESALE DEMAND RESPONSE MECHANISM AND OTHER REFORMS**Question 7 – Implications for Global Settlements, Wholesale Demand Response Mechanism and other reforms**

a) If there is a delay to the start date of 5MS and GS soft start, AEMO proposes a minimum period of 5 months between GS soft start and GS financial start. Are there any issues with this transitional period?	Energy Queensland has no comments.
b) If there is a delay to GS financial start, should there be an equivalent delay to the date when AEMO is required to publish the UFE trends report and UFE reporting guidelines? If not, why not?	Energy Queensland has no comments.
c) Are there any issues stakeholders can identify related to commencing the WDRM on the same date as 5MS and GS soft start? If so, what are these issues and how material are they? Further, what alternative date after 5MS implementation would be preferred, and why?	Energy Queensland has no comments.
d) Are there other impacts on other regulatory reforms that should be considered?	<p>Energex and Ergon Energy have built capability for the customer switching reform independent to 5MS capability. As a result, any delay to customer switching will:</p> <ul style="list-style-type: none"> • Increase project delivery costs; and • Delay warranty period for market start activities. <p>Equally, Energex and Ergon Energy have already commenced work on the delivery of 1 May 2022 initiatives, such as, MSATS Standing Data Review, Metering Coordinator Planned Interruptions and GS GLOPOOL changes.</p> <p>In addition, any impact to the currently scheduled market start date will:</p> <ul style="list-style-type: none"> • Increase project delivery costs

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- Delay benefits associated with cleansing industry standing data. Notwithstanding a shift of the 'go live' date from the currently scheduled 1 May 2022 initiatives which would align with Energy Queensland's business transformation activities, it could create efficiencies in relation to capability deployment. However, it will also increase the risk profile on the transformation project and compliance activities required to support the 'go live' date.

Similarly, Yurika, has significant internal programs of work underway and are looking to align these changes with the upcoming AEMO initiatives, in particular, the MSATS Standing Data Review. This will ensure that they gain operational synergies through joint planning, compliance requirements, development and testing. However, Yurika is very concerned about the potential 5MS delay proposed less than 2 months before 'go live', as well as the uncertainties of the impacts to these upcoming initiatives.

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CHAPTER 4 – SECTION 4.4 – IMPLICATION OF FURTHER DELAY ON RULE DRAFTING, PROCEDURES AND DETERMINATIONS

Question 8 – Drafting implications for a potential further delay

a) Are there any interactions that stakeholders are aware of with other rules or initiatives that have not been identified in this paper?	Energy Queensland’s distributors consider that any uplift to direct costs of the 5MS and GS projects as result of this delay may push the total project cost over and above what was originally allocated.
b) In its rule change request, AEMO proposes that any changes that are required to already-determined procedures for the sole purpose of deferring the effective date of 5MS, GS, customer switching and WDRM should not require consultation? Are there any reasons that this could be an issue?	Energy Queensland agrees with AEMO’s assessment that no consultation is required.