

11 June 2020

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

Project number: ERC0298

Delayed implementation of five minute and global settlement Consultation paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Commission (the Commission) on the Delayed implementation of five minute and global settlement Consultation paper.

Snowy Hydro has been preparing for the Commission's rule to align operational dispatch and financial settlement in the NEM at five minutes, setting out new requirements necessary to enable the recording and provision of five minute data for settlement purposes. The implementation of 5 Minute Settlement (5MS) requires significant effort from our generation and retail business who must all complete the readiness activities within a common timeframe. Since the Coronavirus disease (COVID-19) our ability to access Information Technology (IT) services has been compromised and our ability to deliver on the requirements of 5MS has become difficult.

With the above in mind, we support a delay of 5MS rule changes by 12 months allowing the costs and risks of implementing 5MS to be mitigated through a suitable transition period. The Australian Energy Market Operator (AEMO) correctly suggests that a delay to 5MS would free up both human and financial resources which would be under strain during this period, ensuring the ongoing supply of energy and appropriate customer support¹. The appropriate implementation will capture the expected benefits of moving to five minute settlement, while reducing the associated costs and risks.

The longer transition period is required to minimise the level of market disruption and any potential flow on impacts to consumers, particularly as the NEM is dealing with a significant period of regulatory change. New contracting obligations for participants under the Retailer Reliability Obligation (RRO) and Market Liquidity Obligation (MLO) have also placed renewed focus on the importance of a robust contracts market. A longer transition period will help to minimise any potential disruption to contracting and allow Snowy Hydro to prepare for the regulatory changes.

The Consultation Paper notes that COVID-19 to the energy industry is complex and broadly relates to the:

- *“ability of people to attend their places of employment*
- *ability of people to work (either remotely or at their usual workplace)*
- *availability of healthy people to perform routine or specialist tasks.”²*

These issues have led to plant upgrades being delayed which impact the availability of fast start plant which were expected to respond to five minute prices. More time would allow the 5MS to encourage further investment in fast start generation as these technologies continue to move down the cost curve.

¹ AEMC, Delayed implementation of five minute and global settlement, Consultation paper, 14 May 2020

² AEMC, Delayed implementation of five minute and global settlement, Consultation paper, 14 May 2020

With a delay to 5MS, a sensible approach would be for the Wholesale Demand Response mechanism to be implemented after or at the earliest with the delayed 5MS. It would be inefficient to configure systems for the 30 minute baselines and then to reconfigure the same systems for 5 minute baselines and settlement. In addition, most of the benefits for demand response are expected to be achieved from 5MS being implemented which further highlights the need for the mechanism to not be implemented before 5MS.

Snowy Hydro has experienced delays in preparing our market systems for 5MS as a result of COVID-19 with some direct impacts on the project and also some indirect impacts from senior staff diverted to managing operational impacts of COVID-19. To develop systems and update processes in accordance with technical/procedural specifications released by the Australian Energy Market Operator (AEMO) the longer transition period will allow sufficient time for market testing in practice, or to account for contingencies.

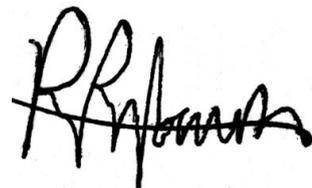
The 5 minute settlement implementation is likely to negatively impact on the efficiency and liquidity of the contracts market. Since cap liquidity post July 2021 has been low it would be beneficial for the market to have another year of 30 minute caps made available which would lead to higher levels of liquidity than if the 5 minute settlement caps are listed for FY 21/22.

About the Snowy Hydro Group

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market (NEM) and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy. Collectively, they retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and the ACT to over 1 million customers.

Snowy Hydro appreciates the opportunity to respond to the Commission on the Delayed implementation of five minute and global settlement Consultation paper and any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Panos Priftakis', written over a light blue horizontal line.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

