

FIVE MINUTE SETTLEMENT – PROCEDURE FOR THE DISPATCH AND ACTIVATION OF RESERVE CONTRACTS CHANGES

FINAL REPORT AND DETERMINATION

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1. STAKEHOLDER CONSULTATION PROCESS

The matter for consultation involved changes on the Procedure for the Dispatch and Activation of Reserve Contracts (Procedure) as a result of the Five Minute Settlement¹ (5MS) Rule.

This consultation was conducted in accordance with the Rules consultation process in rule 8.9.

AEMO's timeline for this consultation was as follows.

Deliverable	Indicative date
Notice of first stage consultation published	21 August 2019
Closing date for submissions in response to the Notice	26 September 2019
Publication of Draft Determination	24 October 2019
Closing date for submissions in response to the Draft Determination	8 November 2019
Publication of Final Determination	29 November 2019

AEMO also consulted broadly on all 5MS-related changes through its 5MS program engagement channels.² The relevant engagement channels include:

- Procedures Working group (PWG)
- Dispatch Focus Group (DFG)

The publication of this Final Report marks the end of this consultation.

2. BACKGROUND

2.1. NER requirements

Clause 3.20.7(e) of the NER requires the publication of procedures by which the reliability and emergency reserve trader (RERT) function will be exercised under clause 3.20. The Procedure is one of the procedures that fulfils this requirement.

2.2. Context for this consultation

2.2.1. Five-Minute Settlement

In November 2017, the AEMC made the Five-Minute Settlement (5MS) rule. The rule reduces the trading interval for financial settlement in the National Electricity Market (NEM) from 30 minutes to five minutes, aligning with NEM dispatch.

Five minute settlement will commence in the NEM on 1 July 2021. Settlement across the NEM will then be based on five-minute trading interval prices.

5MS will change many NEM processes, including energy and ancillary service bidding, online dispatch, intervention pricing, the calculation of trading amounts, the calculation of the cumulative price threshold, and periodic energy metering.

The final 5MS rule requires AEMO to update and publish a number of specified relevant procedures by 1 December 2019, including the Procedure under consultation.

¹ AEMC. 2017. National Electricity Amendment (Five Minute Settlement) Rule 2017. Available: <https://www.aemc.gov.au/sites/default/files/content/97d09813-a07c-49c3-9c55-288baf8936af/ERC0201-Five-Minute-Settlement-Final-Determination.PDF>

² For details on forums and groups specific to the 5MS program see: <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Five-Minute-Settlement>



2.3. First stage consultation

On 21 August 2019, AEMO issued a Notice of First Stage Consultation, including a summary of the specific amendments proposed in the initial consultation pack to address the potential impact of 5MS.

AEMO received one response to the first stage consultation from Origin Energy. Origin noted that it had reviewed the draft Procedure and had no additional feedback.

2.4. Second stage consultation

On 24 October 2019, AEMO issued a Notice of Second Stage Consultation together with the Draft Determination. No additional feedback was received from stakeholders and AEMO maintains its draft determination in its final determination.

3. DISCUSSION OF ISSUES

3.1. Proposed amendment and submissions

The matter for consultation involves minor terminology changes to the Procedure to reflect the introduction of five-minute settlement (5MS).

As a result of the 5MS rule, the following definitions will be amended from 1 July 2021:

- The definition 'dispatch interval' will be removed, and 'trading interval' will be redefined as an equivalent 5-minute period.
- The definition of 'intervention price dispatch interval' will change to 'intervention pricing interval'.

AEMO proposes to make the necessary drafting changes to update any terms in the Procedure that will be obsolete from 1 July 2021.

No issues were raised in relation to the proposed amendments in the first and second round consultation.

3.2. AEMO's assessment

AEMO notes that the proposed amendments do not affect the function of the Procedure, but are minor terminology changes to reflect the introduction of 5MS. Therefore, AEMO considers the proposed amendments appropriate.

3.3. AEMO's conclusion

AEMO's final determination is to maintain the proposed updates to the Procedure as outlined in the first stage and second consultation.

Note that AEMO has commenced a separate consultation on amendments to the Procedure following the AEMC's National Electricity Amendment (Enhancement to the reliability and emergency reserve trader) Rule 2019.

4. FINAL DETERMINATION

AEMO's final determination is to amend the Procedure as outlined in this report.