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11 October 2019

Peter Geers
Executive General Manager, Markets
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Submitted via email to: 5MS@aemo.com.au

Dear Mr Geers,

Re: Declared NEM Project - 5MS Program Draft Determination (5MS)

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide this submission to the Australian Energy Market Operator (AEMO) on their Draft Report and Determination regarding whether the 5 Minute Settlement (5MS) program is a NEM Declared Market Project.

AEMO are currently running a program of work to implement 5MS and global settlement and have determined in their draft report that the program satisfies the definition of a NEM Declared Project under the National Electricity Rules (Rules). In the draft determination, AEMO also states that recovery for the 5MS and global settlement program will not occur until the commencement of the first rule applies to the market on 1 July 2021. Red and Lumo support the recovery timeline and that the program is considered a NEM Declared Project.

Cost Recovery

We continue to question the value that this project is delivering to consumers. At the 5MS Executive Forum on 20 February 2019, AEMO advised participants that the total cost that was required to be recovered was \$121m, recovered from electricity customers at approximately \$1.10/year over 10 years.¹ This is also noted in the AEMO draft determination. One of the key determinants of the establishment of this program as a NEM Declared Project is that the beneficiaries of this project will be subject to a proportion of the fees associated. AEMO should ensure that recovery of the 5MS program costs are recovered from the parties that have publicly argued they would benefit from the reform. We look forward to working with AEMO on the next phase of this consultation that deals with cost recovery for 5MS.

¹ AEMO: Five Minute Settlement - Executive Forum 4, 20 Feb, 2019: P.2 "J. Locandro discussed the high-level costs of the 5MS program, outlining that the expected total cost of ownership was \$121 million over 10 years. It was also noted that this option was considered the most cost effective, as existing legacy systems would incur high infrastructure costs, and a product-based solution would incur high licensing costs."

https://www.google.com/url?q=https://www.aemo.com.au/-/media/Files/Electricity/NEM/5MS/Program-Management/EF/2019/5MS-Executive-Forum-20-February-2019---Meeting-Notes.pdf&sa=D&ust=1570776157779000&usg=AFQjCNGmODkKbKocrrwXHjkzr_hG2f7Xw

Consistent with the views submitted to the initial consultation, we echo the requests for transparency in the costs borne by AEMO associated with the implementation of this program. This will ensure that participants are comfortable that the costs associated are only resulting from the 5MS and global settlement program, and that AEMO are acting in accordance with the National Electricity Objective and focused on the long term interests of consumers.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and electricity in the ACT to over 1 million customers.

Should AEMO have any enquiries regarding this submission, please do not hesitate to contact Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is stylized with a large, looped initial "R" and a long horizontal stroke at the end.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd