

Five Minute Settlements Project: High-Level Impact Assessment

Document Title	Guide to the Settlements Residue Auction		
Rule Consultation Req.	No	Priority	High
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Consultation Group	SRC	Consultation Package	Settlements - SRA
Link	http://www.aemo.com.au/-/media/Files/PDF/Guide_to_the_Settlements_Residue_Auction_July_14.pdf		

Description of Document	<p>The guide provides an overview of the Settlements Residue Auction and its process, such as:</p> <ul style="list-style-type: none"> • Inter-Regional Settlements Residue (IRSR): underlying causes, factors that can affect the amount, negative residue and recovery, a methodology for allocation, and distribution. • Auction: eligibility, timetable, bidding, pricing, results, and expense fees • Settlements Residue Distribution Agreement payments, distributions, and adjustments 		
Precedent Procedures / External Document	N/A	Dependent Procedures / External Document	N/A
Summary of Changes – Five Minute Settlements	<ul style="list-style-type: none"> • Insert notification of a change in residue calculation due to the 5MS rule change at the beginning of the document, in the introduction section. • Clarify that negative IRSR will be calculated on a 5-minute basis, rather than a 30-minute basis, starting July 2021. • The guide should be published before 3rd September 2018, which is when the affected quarter's auction commences. 		
Summary of Potential Changes – Global Settlements	As of June 2018, none, as there are no proposed potential arrangements for Global settlements that may have any impact to SRA. However, Global settlements draft determination due in mid-September 2018. Re-evaluate the guide at the draft determination		
External Stakeholder Impacted	<ul style="list-style-type: none"> • SRC • TNSP • Auction participants 	AEMO Business Units Impacted	Settlements
Issues for Stakeholder Consultation	<p>It is expected that 5 minutes calculation will improve the firmness of the IRSR, as negative residues are less likely to occur.</p> <p>Some stakeholders have expressed concern about potential increases in price volatility as a consequence of introducing 5MS, which may impact</p>		

	IRSR. Auction participants (and stakeholders more broadly) should consider this as part of their participation in the market.
System Impact	Changing the guide has no direct impact to the system, however, the calculation of the residues will change to 5 minutes from 30 minutes as part of the 5MS rule change.