

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

DRAFT REPORT AND DETERMINATION

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NOTICE OF SECOND STAGE CONSULTATION – PROCEDURE FOR THE DISPATCH AND ACTIVATION OF RESERVE CONTRACTS

National Electricity Rules – Rule 8.9

Date of Notice: 24 October 2019

This notice informs all Registered Participants and interested parties (Consulted Persons) that AEMO is commencing the second stage of its consultation on the Procedure for the Dispatch and Activation of Reserve Contracts (Procedure) as a result of the Five-Minute Settlement (5MS) rule.

This consultation is being conducted in accordance with the Rules consultation requirements detailed in rule 8.9 of the NER.

Invitation to make Submissions

AEMO invites written submissions on this Draft Report and Determination (Draft Report).

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so.

Consulted Persons should note that material identified as confidential may be given less weight in the decision-making process than material that is published.

Closing Date and Time

Submissions in response to this Notice of Second Stage of Rules Consultation should be sent by email to 5MS@aemo.com.au, to reach AEMO by 5.00pm (Melbourne time) on 8 November 2019.

All submissions must be forwarded in electronic format (both pdf and Word). Please send any queries about this consultation to the same email address.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

Publication

All submissions will be published on AEMO's website, other than confidential content.

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CONTENTS

NOTICE OF SECOND STAGE CONSULTATION – PROCEDURE FOR THE DISPATCH AND ACTIVATION OF RESERVE CONTRACTS	2
1. STAKEHOLDER CONSULTATION PROCESS	4
2. BACKGROUND	4
2.1. NER requirements	4
2.2. Context for this consultation	4
2.3. First stage consultation	5
3. DISCUSSION OF ISSUES	5
3.1. Proposed amendment and submissions	5
3.2. AEMO’s assessment	5
3.3. AEMO’s conclusion	5
4. DRAFT DETERMINATION	5



1. STAKEHOLDER CONSULTATION PROCESS

As required by the National Electricity Rules (NER), AEMO is consulting on amendments to the Procedure for the Dispatch and Activation of Reserve Contracts (Procedure) in accordance with the Rules consultation process in rule 8.9.

AEMO's indicative timeline for this consultation is outlined below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions.

Deliverable	Indicative date
Notice of first stage consultation published	21 August 2019
Closing date for submissions in response to this 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 has been and intends to continue to consult through the Five Minute Settlement¹ (5MS) program engagement channels.² The relevant engagement channels include:

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

The publication of this Draft Report marks the commencement of the second stage of 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.

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.

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 current proposed amendments appropriate.

3.3. AEMO's conclusion

AEMO's draft determination is to maintain the proposed updates to the Procedure as outlined in the first stage 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. DRAFT DETERMINATION

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