

Julia Cassuben
Senior Adviser
Australian Energy Market Commission
Level 15
60 Castlereagh Street
Sydney NSW 2000

4 April 2024

Dear Julia,

Shortening the Settlement Cycle Consultation Paper

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission on the Globird Energy Shortening the Settlement Cycle rule change proposal.

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC supports consideration of this rule change alongside further analysis, given the complexity of issues it has raised. The AEC recommends that further analysis includes:

- Stress testing using the June/July 2022 Retailers of Last Resort ('RoLRs') as a test case - June/July 2022 was a market stress event with RoLR events in both gas and electricity. It was a period where the NEM settlements, credit limit and prudential standards were stretched to the limit. Stress testing the proposed rule change against this period should tell the market what unintended consequences could arise. Ideally, AEMO would rerun the prudential requirements calculations for that 4-week period and tell the AEMC what would have occurred from a Market Credit Limit ('MCL') perspective.
- Analysis of the quantum of OTC vs ASX contracts and the relative impact on call notices
- AEMO insights into the level of data inaccuracy when using a 20 day versus 10 day settlement period and whether extra revisions address data accuracy issues
- The expected frequency of call notices
- Determination of the point at which penetration of smart meters becomes a tipping point for consideration of refreshing AEMO's settlement process
- The difficulty of acquiring reallocations
- Analysis of the impact of different periods e.g. 15 days, 5 days
- Requirements for a transition period, including allowing for any issues to be addressed with existing contracts.

The AEC believes that the AEMC should request advice from AEMO on matters such as how the MCL procedures would change and consult further with industry through a Directions Paper once the AEMC has that advice and analysis, before proceeding to a Draft Determination.

Any questions about this submission should be addressed to Jo De Silva, General Manager Retail Policy by email to jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100.

Yours sincerely,

Jo De Silva

Jo De Silva
General Manager Retail Policy