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27 August 2019

Peter Geers
Executive General Manager, Markets
GPO Box 2008
Melbourne VIC 3001

Dear Mr Geers,

Re: Declared NEM Project - Five Minute Settlement Program (5MS)

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Market Operator's (AEMO) consultation on the determination of the 5MS Program (5MS) as a declared National Electricity Market (Rules) project.

Red and Lumo consider 5MS to be a "declared project" under the Rules. Pursuant to clause Section 2.11 (ba) of the Rules, AEMO has the right to determine any of the following projects to be a "declared project" including:

1. A major reform or development (including an anticipated reform or development) of the market; or
2. A major change (including an anticipated change) to a function, responsibility, obligation or power of AEMO under the Rules; or
3. A major change (including an anticipated change) to any of the computer software or systems that AEMO uses in the performance of any of its functions, responsibilities, obligations or powers under the Rules.

We are confident that 5MS satisfies the criteria of a major reform under clause 2.11 (ba) 1 of the Rules. The key reasons for this is that:

- The 30 minute settlement period in the wholesale market has been in place for over 20 years so a move to 5MS represents a significant change
- 5MS provides market participants with more granular price signals catering to a larger fleet of wind, solar and energy storage technologies changing the market and providing them with incentives to respond to supply and demand changes over the shortest time frames
- 5MS requires significant changes to metering, settlement, prudentials, and bidding processes, as well as electricity retail and wholesale market systems
- 5MS also requires significant changes to the Rules, procedures and system changes impacting both AEMO and participants.
- 5MS is costly with market participant implementation costs forecast to exceed roughly \$250 million, including system change costs of \$150 million

Finally, under clause 2.11 (bb) where AEMO determines a project to be a "declared project" under the Rules they must determine the period over which the cost recovery for the project will occur and the structure of the fees to be used in the recovery of the costs. We look forward to having this discussion with AEMO in the next phase of this consultation on these matters.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales and Queensland, and electricity in the ACT to over 1 million customers. Should AEMO have any enquiries regarding this submission, please Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd

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