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2 August 2023

Mr Dora Guzeleva
Director, Wholesale Markets
Energy Policy WA
Email: energymarkets@dmirs.wa.gov.au

Dear Ms Guzeleva,

Exposure Draft – Five-Minute Settlement Wholesale Electricity Market Amending Rules

The Australian Energy Market Operator (AEMO) appreciates the opportunity to submit feedback to the exposure draft of the Five-Minute Settlement Wholesale Electricity Market (WEM) Amending Rules.

AEMO welcomes the proposed amendments to the WEM Rules and supports the continued implementation of the Western Australian Government's reforms to the WEM as part of the Energy Transformation Strategy. The amendments reflect the two key drivers for change to settlement arrangements – to enable the foundation market parameters required for Security-Constrained Economic Dispatch, and to improve the operational and dynamic efficiency of the market¹.

The Energy Transformation Taskforce communicated its decision to implement five-minute- settlement from 1 October 2025, noting that the timeframe allows for the installation of compliant meters and the development of regulatory amendments, infrastructure and system upgrades, and necessary changes to Market Participants' systems².

AEMO is committed to working with Energy Policy WA and Market Participants to ensure the timely delivery of five-minute settlement. Notwithstanding, implementing five-minute settlement will require AEMO to design and develop integrated systems capable of managing a substantially increased volume of metering data. AEMO cannot confirm its ability meet the 1 October 2025 commencement date until this design work is undertaken and it has confidence that the solution will be operational by that date.

As part of the system design process, AEMO will be able to identify efficiencies that can be reflected in the drafting of the five-minute settlement rules. For example, AEMO will investigate (and confirm) whether it will be more cost effective and less complex to operationalise Dispatch Interval-based calculations for cost recovery of all relevant market services, instead of some market services as proposed in the exposure draft. Please refer to Attachment 1 for further detail.

¹ Energy Transformation Taskforce (2019), *Foundation settings for market settlement, Information paper*, September. See <https://www.wa.gov.au/government/document-collections/taskforce-publications>

² Energy Transformation Taskforce (2019), *Market settlement, Implementation of five-minute settlement, uplift payments and Essential System Services settlement*, 1 December, p.3. See <https://www.wa.gov.au/government/document-collections/taskforce-publications>

Energy Policy WA may wish to consider finalising the five-minute settlement rules following the completion of the Cost Allocation Review (CAR), which is currently underway³. The CAR is likely to identify outcomes for implementation that will necessitate the leveraging of rule amendments and system upgrades that facilitate the delivery of five-minute settlement. There is an opportunity to optimise efficiencies where system design to deliver five-minute settlement and CAR outcomes is undertaken concurrently instead of successively, and to reflect those efficiencies in rule drafting for both.

AEMO therefore proposes to work closely with Energy Policy WA and industry stakeholders to develop a timeframe for the implementation of five-minute settlement and CAR solutions that reflects system design needs.

AEMO remains committed to supporting Energy Policy WA in the drafting and finalisation of rules to facilitate the delivery of five-minute settlement. If you would like to discuss any matters raised in this submission, please contact Mike Hales at mike.hales@aemo.com.au.

Yours sincerely,

DocuSigned by:

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Martin Maticka

Group Manager – WA Market Development

Att 1: AEMO feedback on exposure draft Five-Minute Settlement WEM Rules

³ Please refer to <https://www.wa.gov.au/government/document-collections/cost-allocation-review-working-group>



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Attachment 1 – AEMO feedback on exposure draft Five-Minute Settlement WEM Rules

Clause	Issue	Remedy
9.5.6A	The amending rules introduce a new ConsumptionShare(p,DI) variable for recovery of some costs (e.g. Energy Uplift and Contingency Reserve Lower) but not for recovery of System Restart Service (9.10.41) or Outage Compensation costs (9.11.7), which continue to use the equivalent Trading Interval share. AEMO acknowledges Energy Policy WA has identified these as potential future changes depending on the materiality of the difference, however introducing this change for some – but not all – market services may be more costly than introducing it for all at the same time.	AEMO investigate and confirm the cost of implementing and operationalising a DI-based calculation for some (as proposed) vs all relevant market services. Depending on the outcome, consider using ConsumptionShare(p,DI), as opposed to the TI-level equivalent, for all relevant market services from the commencement of the five-minute settlement rules – to avoid / minimise the cost and complication of doing so in future.
9.5.7A		
9.5.8A		