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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Re: Submission to the Consultation Paper *National Electricity Amendment (Five Minute Settlement) Rule 2016*

Infigen Energy appreciates the opportunity to make a submission with regards to the Consultation Paper on National Electricity Amendment (Five Minute Settlement) Rule 2016

Infigen Energy (ASX: IFN) is an Australian Securities Exchange listed specialist renewable energy business headquartered in Sydney. Infigen Energy is the largest owner and operator of wind energy facilities in Australia (557 MW) with six major wind farms in Australia capable of producing approximately 1,500 GWh per annum, or enough energy to supply over 200,000 homes annually. Infigen also has a significant pipeline of Australian solar photovoltaic and wind development opportunities.

The proposed rule change is based on two perceived inefficiencies with the market.

The first is that the mismatch between dispatch and settlement 'accentuates strategic late rebidding' with the suggestion that the proposed rule change will contribute to a reduction in such bidding behaviour.

The AEMC recently enacted the Bidding in Good Faith rule change. This rule will commence on 1 July 2016, and Infigen anticipates that it will be effective in reducing the incentive to undertake strategic late rebidding and the related price effects. If after the implementation of the rule change, and a sufficient period of assessment, strategic late rebidding is deemed to be an ongoing concern then further investigation and action may be advised.
The second concern that the proposed rule change seeks to address is the fact that 30 minute settlement is deemed to impede the entry of fast response generation and demand response.

The premise is that technologies that can respond within the five minute interval, and thus potentially provide valuable market benefits during periods of high demand, would not be adequately compensated for the service they could provide by the current settlement regime. From the perspective of the technology or service provider this may be case, however, the impact on price volatility and cash flows from the perspective of energy users also needs to be assessed as increased 5 min price volatility and subsequent settlement may impact on customer bills and cash flow should retailers move to 5 minute billing cycles.

However, undertaking a cost benefit analysis of the proposed rule change prior to assessing the effect of the Good Faith rule change might lead to an incorrect conclusion. If the perceived inefficiency in the market can be ameliorated through the Good Faith rule change then it would not be prudent for the market to incur the significant costs and disruption associated with implementing the rule change. Infigen supports a ‘wait and see’ approach.

The costs that Infigen foresees in implementing this proposed rule change are extensive and include

- new metering costs as SCADA data is neither fit for purpose nor standardised, and
- Electricity market contracts, documentation and settlement mechanisms would need to be redrafted resulting in significant administration and legal expenses. This would extend to wholesale hedging/derivative contracts, retail supply agreements, metering and billing service contracts
- Extensive system changes- physical and financial systems utilised to manage electricity market transactions and flows across the value chain would need to be modified and in some instances redesigned.
- ASX Electricity futures contracts would need to be modified which may require approval from ASIC as well as system changes.

In summary, Infigen opposes this proposed rule change at this point in time.

Please feel free to contact me directly in relation to Infigen’s submission.

Yours sincerely,

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