



# SETTLEMENT RESIDUE DISTRIBUTION AGREEMENT ASSIGNMENT GUIDE

ASSIGNING SRDAS AND UNITS

Published: **July 2016**





# IMPORTANT NOTICE

## Purpose

AEMO has prepared this document to provide information about assigning Settlements Residue Distribution Agreements (*SRDAs*) and *SRDA Units*, as at the date of publication. The document is to be used as a guide only.

Assignment of *SRDAs* for *SRDA Units* and the rights and obligations including payment obligations under an *SRDA* is subject AEMO's consent. This guide is not to be taken as a representation or warranty either express or implied that AEMO will consent or agree to transfer or assignment of an *SRDA* or *SRDA Units* or the rights and obligations including payment obligations under an *SRDA*.

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# 1. INTRODUCTION

## 1.1 Purpose

The purpose of this Guide is to explain the requirements that must be met for assignment of a Settlements Residue Distribution Agreement (*SRDA*) and the process of applying for the agreement of AEMO to an assignment.

*Units* are an entitlement to a proportion of the net *settlements residue* attributable to the *directional interconnector* under clause 3.6.5 of the National Electricity Rules (NER).

*Units* for a given calendar quarter are auctioned off in 12 tranches over a three year period. All tranches are auctioned before the quarter starts.

*Auction Participants* participate in the *auctions* for *Units*. If AEMO allocates *Units* to an *Auction Participant* in accordance with the *auction rules* and sends a confirmation to the *Auction Participant*, AEMO and the *Auction Participant* will have entered into a Settlements Residue Distribution Agreement (*SRDA*) in respect of the given quarter for which the *Auction Participant* has been allocated *Units*.

Pursuant to an *SRDA*, AEMO agrees to grant to the *Auction Participant*, and the *Auction Participant* agrees to acquire, the *Units* allocated to the *Auction Participant* for the purchase price on the terms and conditions set out in the *Auction Participant's auction participation agreement*.

*Units* allocated in an auction can be assigned subsequently to another person by assigning the *SRDA* for those *Units*, subject to the prior agreement of AEMO.

If AEMO agrees to an assignment of an *SRDA*, the *Auction Participant* assigning the *SRDA* assigns all their legal rights and obligations under that *SRDA* to the assignee, including the entitlement to receive the proportion of the *settlement residue* which the *Units* under that *SRDA* represent. The assignee must comply with all obligations of the *Auction Participant* under the *SRDA*, including the obligation to pay the purchase price.

## 1.2 Definitions and Interpretation

Terms defined in the National Electricity Law (Law), the NER or the *auction rules* developed by AEMO in accordance with clause 3.18.3 of the NER have the same meanings in this Guide unless otherwise specified in this Guide. Those terms are intended to be identified in this Guide by italicising them, but failure to italicise a defined term does not affect its meaning.



## 2. PROCESS FOR ASSIGNMENT OF SRDAS

If an Auction Participant wishes to apply to AEMO for agreement to assign its currently held Units to another person (the proposed assignee), the following must be satisfied.

### 2.1 Participation

The proposed assignee of an *SRDA* must enter into an *auction participation agreement* (APA) with AEMO.

A copy of the *auction participation agreement* can be found on the AEMO website:

<http://www.aemo.com.au/Electricity/Market-Operations/Settlement-Residue-Auction/Participation-Agreement>

### 2.2 Eligibility

To enter into an *APA*, a proposed assignee must meet all eligibility criteria. The *NER* and *auction rules* set out the eligibility criteria to enter into an *APA*, including:

- Must be registered under the *NER* in a capacity to be able to participate in the Settlement Residue Auctions (*SRAs*) (Market Customer, Generator or Trader) (Rule 3.18.2(b) and auction rule 3.2(a)).
- Is not registered under the *NER* as a Transmission Network Service Provider.
- Would not be a 'retail client' as defined in section 761G(7) of the Corporations Act 2001 (Cth).

Further detail on eligibility criteria can be found on the AEMO website under Settlements Residue Auction Rules:

<http://www.aemo.com.au/Electricity/Market-Operations/Settlement-Residue-Auction/Rules>

Or in the *NER*:

<http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/Current-Rules>

### 2.3 Application

Both the *Auction Participant* that wishes to assign an *SRDA* (called the assignor) and the proposed assignee must each send AEMO a request by letter (on each party's letterhead) for assignment of the *SRDA* and *SRA Units*.

- The letter from the assignor must include:
  - The name of the proposed assignee (including Australian Business Number (ABN)).
  - Details of *SRDA* and *Units* to be assigned (including *SRDA* Contract ID (i.e. C2018Q3T01), Participant Name and ID, Interconnector and From Region ID's, quantity of *SRDA Units* purchased and amount bid).
  - The details should be summarised in the month and the year payment is due (based on the calendar quarter to which they relate).
  - Acknowledgement that, subject to AEMO consent, assignment will transfer all rights and obligations under the *SRDA* for the applicable *SRDA Units* from the assignor to the proposed assignee, the entitlement to receive a proportion of the settlement residue which the *Units* under the *SRDA* represent.



- A request for AEMO to provide consent to the assignment (in accordance with APA clause 14.4(b)).
  - Effective date for assignment.
  - Reason(s) why the assignment is being requested.
- The letter from the proposed assignee to AEMO must include:
    - The name of the assignor (including ABN).
    - Confirmation of the proposed assignee's acceptance of assignment of the applicable *SRDA* and *Units* as detailed in the letter from the assignor.
    - Effective date of assignment.
    - Acknowledgement that, subject to AEMO consent, assignment will assign all rights and obligations under the *SRDA* for the applicable *SRDA Units* to the proposed assignee from the assignor, including payment obligations.
    - A request for AEMO to provide consent to the assignment (in accordance with the assignor's APA, clause 14.4(b)).
    - Reason(s) why the assignment is being requested.

## 2.4 Response

AEMO will acknowledge receipt of the letters to their senders and assuming consent has been given, will process the transfer.

If, for some reason, consent is not given or further information is required, all parties will be notified within 10 business days of receipt of the letters.

AEMO will notify the parties when the transfer is complete.