

GAS MARKET SETTLEMENT REVISION GUIDELINE - DWGM & STTM

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| 2.0 | 16 Nov 18 | Five yearly review of Special Revision materiality thresholds |

IMPORTANT NOTICE

AEMO has prepared this Guideline to provide information about the basis on which AEMO issues revisions to final settlement statements under the National Gas Rules (NGR). The National Gas Law, NGR and Wholesale Market Procedures, in that order, have priority over this Guideline.

Disclaimer

This Guideline is current to version 40 of the NGR. It does not constitute legal or business advice, and should not be relied on as a substitute for obtaining detailed advice about the National Gas Law, the NGR, or any other applicable laws, procedures or policies. AEMO has made every effort to ensure the quality of the information in this document but cannot guarantee its accuracy or completeness.

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GLOSSARY

(a) A word or phrase that is a defined term in the NGR has the same meaning when used in this document, unless otherwise stated. A term that is defined in both Part 19 for the Declared Wholesale Gas Market and Part 20 for the Short Term Trading Market of the NGR, has the meaning applicable to the relevant market, depending on the context.

(b) In this document, the words or phrases or acronyms in the table below have the meaning set out in that table.

| Term | Definition |
|--------------|---|
| DWGM | The declared wholesale gas market, as defined in the National Gas Law |
| STTM | The short term trading market, as defined in the National Gas Law |
| NGR | National Gas Rules |
| Participants | Market Participants in the DWGM and Trading Participants in the STTM. |

1 Purpose

The purpose of this Guideline is to provide an overview for when AEMO prepares and issues revised statements for both the Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM), as required by the National Gas Rules (NGR), and the matters AEMO can apply when exercising any discretion under rules 249 or 473 of the NGR.

This Guideline is not intended to be a substitute for rule 249 or 473 of the NGR, or to restrict the exercise of AEMO's discretion consistent with the NGR.

2 Application

This Guideline provides information for Market Participants in the DWGM and Trading Participants in the STTM. Definitions and interpretation

3 THE NEED FOR REVISED STATEMENTS

In both the DWGM and STTM, preliminary statements are issued within 7 business days after the end of each monthly billing period as per 244(1) and 468(1), respectively in the NGR. AEMO and Participants can check and reconcile the settlement results from the preliminary statements, which form the basis for the final statements which are published 18 business days after the end of the billing period as per 245(1) and 498(1), respectively in the NGR.

After final statements are issued, situations may arise where the data used in the final statements did not accurately reflect the value of trading activity conducted in the relevant market.

Examples of these situations are:

- The read cycle of basic meters (2 months in the DWGM and 3 months in the STTM) can lead to delays in the accurate reporting of data;
- Meter data changes where actual data becomes available in place of substituted data which were used in previous settlement statements;
- Retrospective transfers of customers between Participants;
- System processing errors;
- Allocation data errors.

Meter data changes and error corrections present the need for revised statements on a routine basis - at 6 months after the end of a billing period in the DWGM or 9 months in the STTM.

Special Revision Statements are only issued in the circumstances specified in the NGR, for example to reflect the resolution of a dispute on a revised statement or to correct a material error that is discovered within a further defined period.

4 DECLARED WHOLESALE GAS MARKET

4.1 Key obligations

The following points are the main settlement timeline requirements as stipulated in NGR 249 for the DWGM:

- AEMO must revise each final statement issued. A revised statement must be run using the most recent information available to AEMO on the 118th business day after the relevant billing period. A revised statement and supporting data must then be issued within a further 5 business days;
- A Market Participant may only query the latest issued settlement statement for a particular billing period;
- The latest time to initiate a dispute in respect of a revised statement is 60 business days after that statement was issued as noted in 248 (4) of the NGR;
- There is an 18 month window from the issue of a revised statement, where AEMO must issue a Special Revised Statement if it becomes aware of an error and believes a Participant would be materially affected if that error is not corrected. In those circumstances, a Special Revised Statement will be issued as soon as practicable to the Market Participant(s) affected by the revision; and,
- AEMO must also issue a Special Revised Statement at any time if necessary to reflect the outcome of a dispute in relation to a revised statement (where that dispute was raised within 60 business days of issue).

4.2 Settlement Calendar

Typically, there are three settlement statements issued each month:

- a preliminary, within 7 business days of the end of the billing period;
- a final, no later than 18 business days from the end of the billing period; and
- a revised, within 5 days of a revision being made using the most recent information available to AEMO on the 118th business day after the relevant billing period.

It is important that all Market Participants are aware of the statement and payment dates which are published in the settlement calendars by AEMO for the billing year. The settlement calendars contain the date of issue for preliminary, final and revised statements as well as the dates for payment transactions for all billing periods in the year. This is made available on the AEMO website via:

<http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Settlement-calendars>

4.3 The Revision Process for DWGM

4.3.1 Routine Revised Statements

AEMO and the affected Market Participants will attempt to resolve any errors or discrepancies found in final statements within 113 business days after the end of the billing period. This will allow sufficient time for the changes to be included in the routine revised statement.

Routine revised statements are run using the most recent information available to AEMO on the 118th business day after each billing period using the most recent information available.

4.3.2 18 Month Window

Market Participants may notify AEMO of a potential error in a routine revised statement up to 18 months from the date of issue of the routine revised statement. If AEMO agrees there has been an error, or discovers an error through other means, AEMO will decide whether to issue a Special Revised Statement after considering the materiality of the error (see clause 4.3.4 of this Guideline).

If AEMO does not agree there has been an error, either AEMO or the Market Participant must formally initiate the dispute resolution processes within 60 business days after the revised statement was issued. Otherwise the issue cannot be dealt with through the settlement revision process. It is therefore important for Market Participants to raise issues with AEMO within the first 60 business days if possible.

4.3.3 Agreement with Participants

If a Market Participant notifies a matter to AEMO, this Market Participant is the primary Participant with whom AEMO will negotiate to resolve the issue.

4.3.4 Special Revised Statements

If AEMO agrees or determines that there has been an error in relation to one or more revised statements within 18 months after the end of the relevant billing period, AEMO must consider whether a Participant would be materially affected if the error were not corrected. AEMO will consider that the error has a material effect if the financial impact of the error exceeds:

- \$30,000 (absolute value) for an individual Market Participant; or
- \$60,000 (aggregate of absolute values) for the settlement amounts across the Market, in the relevant billing period.

If AEMO decides that the error is material, each Market Participant likely to be materially affected by the error will be informed within 5 business days. A timetable will then be communicated to all Market Participants for the issuing and payment of the Special Revised Statement(s).

5 SHORT TERM TRADING MARKET

5.1 Key obligations

- The following points are the main settlement timeline requirements as stipulated in NGR 473 for the STTM: AEMO must revise each final statement issued. A revised statement must be run using the most recent information available to AEMO on the 5th business day after the end of the 9th billing period after the relevant billing period. A revised statement and supporting data must then be issued within 5 business days;
- A Trading Participant may only query the latest issued settlement statement for a particular billing period;
- The latest time to initiate a dispute in respect of a revised statement is 60 business days after that statement was issued;
- There is an 18 month window from the issue of a revised statement, where AEMO must issue a Special Revised Statement if it becomes aware of an error and believes a Participant would be materially affected if that error is not corrected. In those circumstances, a Special Revised Statement will be issued as soon as practicable to the Trading Participant(s) affected by the revision; and,
- AEMO must also issue a Special Revised Statement at any time if necessary to reflect the outcome of a dispute in relation to a revised statement (where that dispute was raised within 60 business days of issue).

5.2 Settlement Calendar

Typically, there are three settlement statements issued each month:

- a preliminary, within 7 business days of the end of the billing period;
- a final, no later than 18 business days from the end of the billing period; and
- a revised, within 5 business days after the 5th business day after the end of the 9th billing period.

It is important that all Trading Participants are aware of the statement and payment dates details of the settlement calendar can be found in section 4.2 of this Guideline.

5.3 The Revision Process for STTM

5.3.1 Routine Revised Statements

AEMO and Trading Participants will attempt to resolve any errors or discrepancies found in final statements before the 1st business day after the end of the 9th billing period after the relevant billing period. This will allow sufficient time for the changes to be included in the routine revised statement.

Routine revised statements are run on the 5th business day after the end of the 9th billing period after the relevant billing period, and the revised statements made available to Trading Participants within 5 business days of the revision being made.

5.3.2 18 Month Window

Trading Participants may notify AEMO of a potential error in a routine revised statement up to 18 months from the date of issue of the routine revised statement. If AEMO agrees there has been an

error, or discovers an error through other means, AEMO will decide whether to issue a Special Revised Statement after considering the materiality of the error (see clause 5.3.4 of this Guideline).

If AEMO does not agree there has been an error, either AEMO or the Trading Participant must formally initiate the dispute resolution processes within 60 business days after the revised statement was issued, otherwise the issue cannot be dealt with through the settlement revisions process. It is therefore important for Trading Participants to raise issues with AEMO within the first 60 business days if possible.

5.3.3 Agreement with Participants

If a Trading Participant notifies a matter to AEMO, this Trading Participant is the primary Participant with whom AEMO will negotiate to resolve the issue.

5.3.4 Special Revised Statements

If AEMO agrees or determines that there has been an error in relation to one or more revised statements within 18 months after the end of the relevant billing period, AEMO must consider whether a Participant would be materially affected if the error were not corrected. AEMO will generally consider that the error has a material effect if the financial impact of the error exceeds:

- \$30,000 (absolute value) for an individual Trading Participant; or
- \$60,000 (aggregate of absolute values) for the settlement amounts across the Market, in the relevant billing period.

If AEMO decides that the error is material, each Trading Participant likely to be materially affected by the error will be informed within 5 business days. A timetable will then be communicated to all Trading Participants for the issuing and payment of the Special Revised Statement(s).

6 REVIEW OF MATERIALITY THRESHOLDS

6.1 Current threshold

The Settlement Managers Working Group in November 2013 agreed on the materiality thresholds of \$30,000 (absolute value) for an individual Participant or \$60,000 (aggregate of absolute values) for the relevant Market, to be applied to both the DWGM and STTM for the purposes of determining whether to issue a Special Revised Statement for settlement errors.

During the Settlement Managers Working Group in September 2018, AEMO proposed no changes to the currently agreed materiality thresholds for both the DWGM and STTM. AEMO invited stakeholders to provide submissions on the proposal for the current materiality thresholds to remain unchanged. Subsequently no submissions were received.

Therefore, no change to the current materiality thresholds of \$30,000 (absolute value) for an individual Participant or \$60,000 (aggregate of absolute values) for the relevant Market, to be applied to both the DWGM and STTM for the purposes of determining whether to issue a Special Revised Statement for settlement errors.

6.2 Review

The materiality thresholds for both the DWGM and STTM will be reviewed at an interval of 5 years.