

Industry Readiness Approach - Final

FPP – Financial Operations
October 2024



Context

Financial Operations introduces new FPP arrangements replacing existing 'causer pays' arrangements. Generation Unit's performance and five-minute Contribution Factors (CF) calculated for FPP will be used to allocate the recovery of Regulation FCAS costs as penalties and payments.

Industry readiness & go-live criteria have been established for the second stage of delivery for Frequency Performance Payments – Financial Operations (FPP-FO) with rule commencement 8 June 2025.

The following slides outline:

- Purpose of the initiative readiness approach
- Confirmed changes to be introduced by FPP-FO
- Overview of the readiness approach framework for NEM Reform initiatives
- Readiness approach for FPP-FO

Purpose of Initiative Readiness Approach

- To assist industry with their own planning and delivery activities to be ready for FPP-FO as it is operationalised.
- To define the criteria against which go-live decisions will be made.
- Aligns to and supports the implementation approach for FPP-FO:
 - 8 June 2025 - Rule commencement and financial settlement changes (Financial Operations)
- The Readiness Approach, once endorsed, will form the basis of participant readiness activities in line with principles in the [NEM 2025 Industry and Business Readiness Strategy](#).

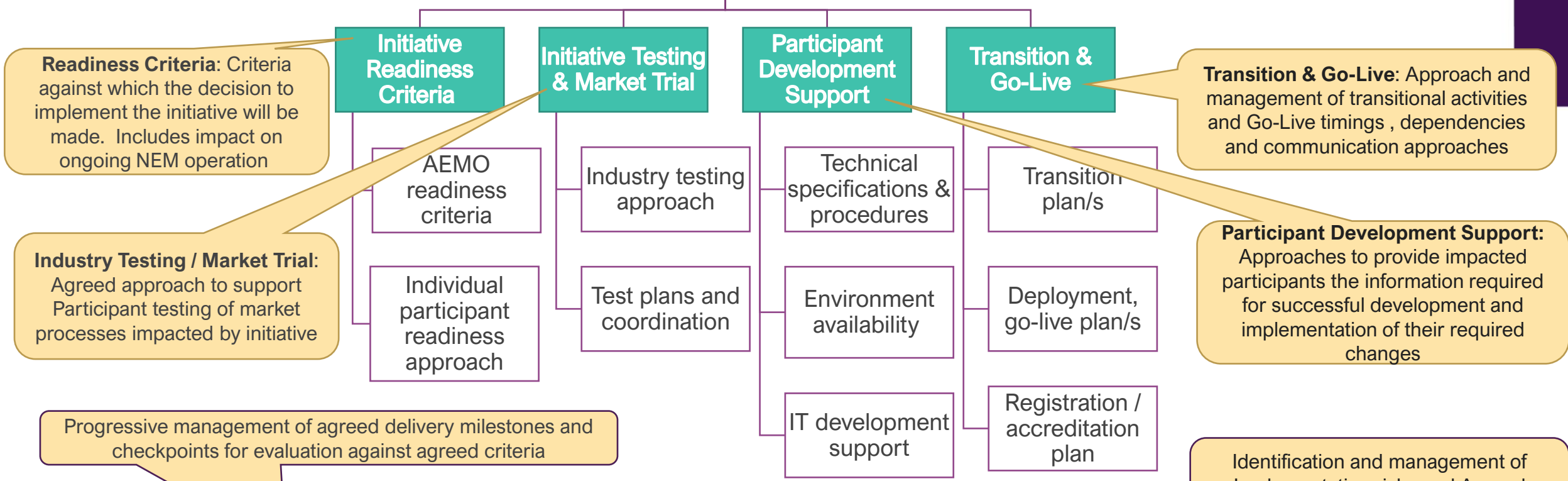
Confirmed Changes for 8 June 2025

- On 9 December 2024, AEMO will commence a period of ‘non-financial operations’ where the new FPP system will calculate and report on frequency performance payment calculations and is designed to allow participants to observe how different patterns of operation would result in penalties or payments, based on actual performance and in real time
- Financial operations commencement on 8 June 2025, will introduce the settlement and reporting of payments and penalties for recovering costs for Regulation FCAS services:
 - The costs for regulation services used in a trading interval will be allocated based on negative contribution factors determined for the trading interval
 - The costs for regulation services not used in a trading interval will be allocated based on default contribution factors, which are intended to reflect the longer-term historical performance of a facility.
- Causer Pays system will cease operation from 8 June 2025
- Further details can be found on [AEMO’s website for FPP](#).

Context: NEM Reform program industry strategy

NEM REFORM READINESS STRATEGY (ALL INITIATIVES)

READINESS APPROACH FRAMEWORK



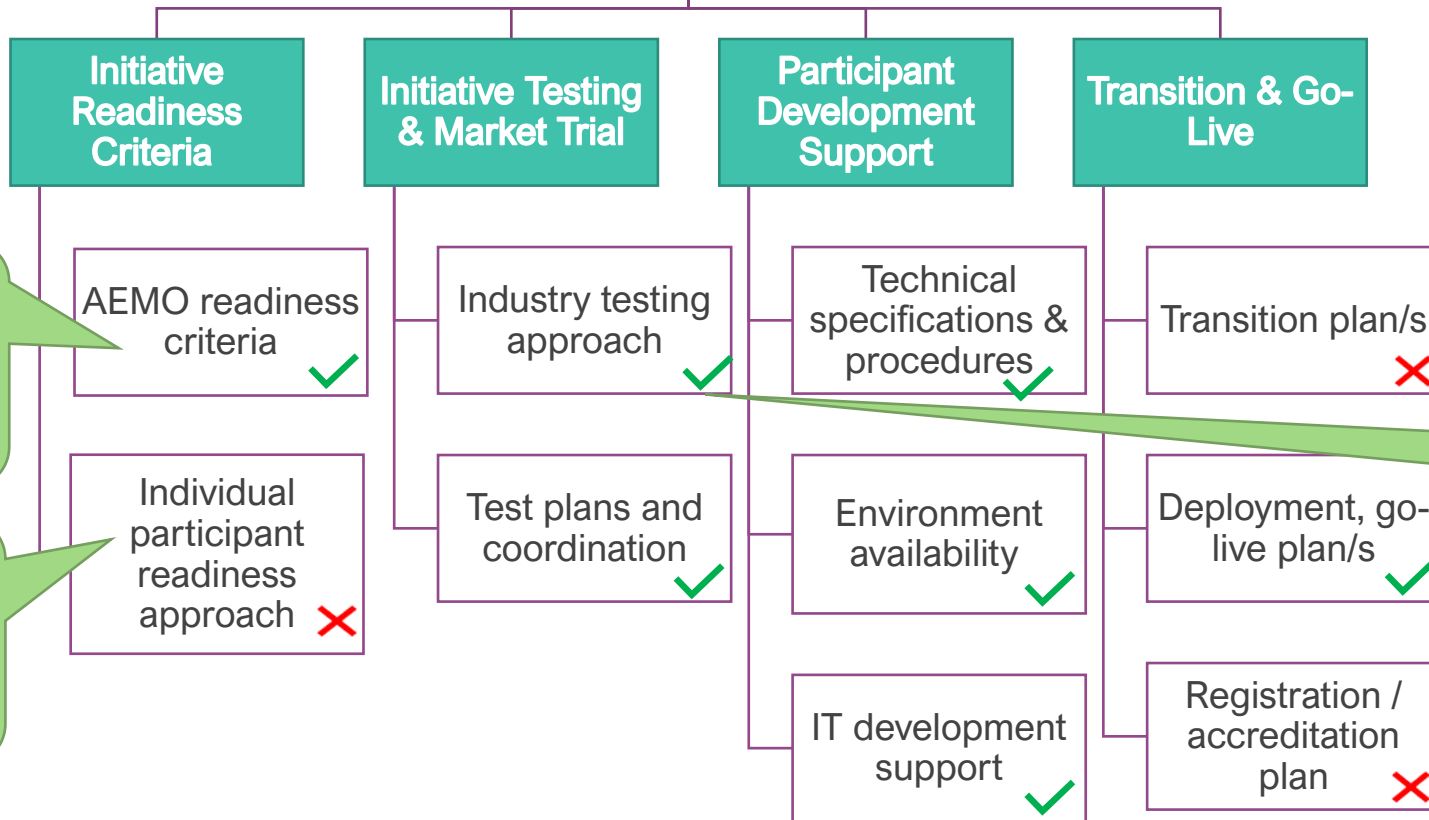
RISK & CONTINGENCY MANAGEMENT

Identification and management of Implementation risks and Agreed contingencies for the initiative

INITIATIVE READINESS REPORTING & GO-LIVE CRITERIA MANAGEMENT

NEM REFORM READINESS STRATEGY (ALL INITIATIVES)

READINESS APPROACH FOR FPP-FO



FPP-FO readiness approach adopts the standard NEM Reform program framework

- AEMO Market systems updated and tested.
- AEMO business needs to be ready to operate.
- AEMO IT support needs to be in place.

Individual participant (or participant category) readiness is **NOT** a dependency for go-live.

Market Trial to coordinate settlement runs

RISK & CONTINGENCY MANAGEMENT ✓

INITIATIVE READINESS REPORTING & GO-LIVE CRITERIA MANAGEMENT ✓

Initiative readiness criteria	Individual participant readiness approach	<ul style="list-style-type: none"> Individual participant readiness is not a dependency for go-live. Introduction of FPP-FO is based on AEMO using existing standard approach for settlements and reporting. There is no preparatory participant activity that will prevent the initiative going live. However, impacted participants may wish to make system/process changes to be able to reconcile AEMO payments/penalties in accordance with rule commencement 8 June 2025.
	AEMO readiness criteria	<p>By the FPP rule commencement date, AEMO's:</p> <ul style="list-style-type: none"> solution needs to be updated and tested (FPP settlements and reporting) business needs to be ready to support financial operations IT support needs to be in place.
Industry Testing	Industry test strategy	<ul style="list-style-type: none"> Appropriate to hold a market trial as AEMO will need to coordinate the execution of FPP settlement runs High-level approach, test objectives and timeframes will be provided in the Market Trial Strategy to be published 31 Jan 2025 Scoping and planning will occur in collaboration with industry and in alignment with the project schedule. Preproduction will be available for a 2-month period from 2 Apr 2025. This will allow participants to test changes to their interfaces, FPP settlement financial flows and associated reports
	Test plans and coordination	<ul style="list-style-type: none"> Market Trial Test Plan to be published 28 Feb 2025 Scoping and planning in consultation with participants and in alignment with project schedule.
Participant development support	Documentation	<p>The following documents will be drafted, released for feedback and final versions published (consultation process not required):</p> <ul style="list-style-type: none"> Efficient Dispatch and Localised Recovery of Regulation Services Business Specification Spot Market Timetable
	Technical specifications	<p>To be published in time for participants to make their system changes:</p> <ul style="list-style-type: none"> MMS Data Model technical specification v5.5 with indicative table/report changes for FPP settlement reports From 31 Oct 2024 (to align to other v5.5 initiatives) with monthly updates as required MMS Data Model v5.5 released to Preproduction 25 Mar 2025 and Production 29 Apr 2025
	IT development support	<ul style="list-style-type: none"> As required, AEMO will provide industry support via NEM Reform forums, information sessions, focus groups and daily stand-ups for affected participants. Forums occur monthly and remaining engagements will be scheduled as required to support participants development.

Transition and go-live	Transition plans	<ul style="list-style-type: none"> No obligated transitional requirements for rule commencement
	Go-live plan	<ul style="list-style-type: none"> Will be developed in consultation with industry to confirm AEMO deployment activities and timeframes, any participant co-ordinated activity and required notifications to industry Draft plan to be published 14 Mar 2025 Final plan to be published 30 Apr 2025
	Registration or accreditation plans	<ul style="list-style-type: none"> Re-registration is NOT required for existing participants FPP settlement changes do not introduce or trigger any additional accreditation requirements
Risk & contingency management		<ul style="list-style-type: none"> Will be developed in consultation with industry
Initiative readiness reporting & go-live criteria management		<ul style="list-style-type: none"> Go-live criteria developed in consultation with industry AEMO will report to industry, progress against confirmed L1/L2 industry readiness milestones and on contingency checkpoints 3 and 1 month prior to go-live: <ul style="list-style-type: none"> 3-month Checkpoint – 14 Mar 2025 1-month Checkpoint – 9 May 2025 Additional checkpoints as needed in the lead up to go-live

Feedback

Please note that [feedback](#) on the readiness approach continues to be welcomed anytime.

Glossary

Term	Definition
CF	Contribution Factor
DCF	Default Contribution Factor
DM	Data Model
FCAS	Frequency Control Ancillary Service
FO	Financial Operations
FPP	Frequency Performance Payments
ITWG	Industry Testing Working Group
MSUG	Market Systems User Group
NEM	National Energy Market
NFO	Non-financial Operations
NSP	Network Service Provider