

# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE PROPOSAL NO: AEPC\_2020\_07

MARKET PROCEDURE: SETTLEMENT

Published: **January 2021**





## EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	21 January 2021
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Market Procedure: Settlement

The publication of this Procedure Change Proposal and the accompanying call for submissions, commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the Market Procedure: Settlement (Procedure) under the Wholesale Electricity Market Rules (**WEM Rules**).

In November 2019 AEMO submitted Rule Change Proposal RC\_2019\_04 Administrative Improvements to Settlements<sup>1</sup>. AEMO proposed several improvements to settlement processes including allowing AEMO to use updated input data for settlement, provide more time for Rule Participants to lodge a Notice of Disagreement and include Ancillary Service Providers in the settlement process.

The Amending Rules under RC\_2019\_04 were approved by the Rule Change Panel in modified form and following Ministerial approval, commenced on 2 July 2020.

Clause 2.9.3(b) of the WEM Rules requires a Market Procedure to be amended where a change is required to maintain consistency with Amending Rules. AEMO has therefore initiated this Procedure Change Proposal, proposing amendments to the Procedure to ensure that it is consistent with the Amending Rules introduced by RC\_2019\_04.

The Procedure Change Proposal was first consulted on at the AEMO Procedure Change Working Group (APCWG) meeting on 30 November 2020. Stakeholders did not request any changes at the meeting.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the Procedure or better meet the Wholesale Market Objectives in section 122(2) of the Electricity Industry Act 2004 (Electricity Industry Act) (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed amended Procedure by 5.00 pm (Australian Western Standard Time) on 19 February 2021, in accordance with the call for submissions published with this paper.

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<sup>1</sup> Refer to: [https://www.erawa.com.au/rule-change-panel/market-rule-changes/rule-change-rc\\_2019\\_04](https://www.erawa.com.au/rule-change-panel/market-rule-changes/rule-change-rc_2019_04)



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## 1. PROCEDURE CHANGE PROCESS

Clause 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of Market Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO Market Procedure would be appropriate.

If an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Under clause 2.9.3 of the WEM Rules, Market Procedures:

- (a) must:
  - (i) be developed, amended or replaced in accordance with the process in the WEM Rules;
  - (ii) be consistent with the Wholesale Market Objectives; and
  - (iii) be consistent with the WEM Rules, the Electricity Industry Act and the WEM Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

AEMO has published this Procedure Change Proposal in accordance with the Procedure Change Process in clause 2.10 of the WEM Rules.

AEMO’s indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Process Stage	Indicative date
Procedure Change Proposal published	21 January 2021
Submissions due on Procedure Change Proposal	19 February 2021
Procedure Change Report published	4 March 2021
Proposed commencement of amended Market Procedure	5 March 2021



Prior to the submission due date, stakeholders may request a meeting with AEMO to discuss the issues and proposed changes raised in this Procedure Change Proposal.

## 2. BACKGROUND

### 2.1. Regulatory requirements

Clause 9.2.1 of the WEM Rules, as amended by RC\_2019\_04, states:

*AEMO must document the settlement process, including the application of taxes and interest, and the processes to be followed in relation to Notices of Disagreement and Notices of Dispute in a Market Procedure.*

The current version of the Market Procedure commenced on 1 July 2019.

### 2.2. Context for this consultation

Clause 2.9.3(b) of the WEM Rules requires a Market Procedure to be amended where a change is required to maintain consistency with the Amending Rules. AEMO has initiated this Procedure Change Proposal to propose amendments to the Procedure to ensure that it is consistent with the Amending Rules under RC\_2019\_04: Administrative Improvements to Settlements<sup>2</sup>.

The Amending Rules introduced by RC\_2019\_04:

- allow AEMO to use updated input data for settlement
- provide more time for Rule Participants to lodge a Notice of Disagreement
- include Ancillary Service Providers in the settlement process
- require AEMO to determine the Minimum Transaction Cost (replacing the \$1.00 minimum settlement amount that applied under the pre-Amending Rules).

The proposed amendments to the Procedure to align it with the above changes are summarised in section 3.1 of this Procedure Change Proposal.

### 2.3. Consultation to date

A draft version of the proposed amended Procedure was presented at the APCWG meeting on 30 November 2020. Stakeholders did not request any changes at the meeting.

The minutes and papers from the meeting are available at:

<https://aemo.com.au/en/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

## 3. PROPOSED PROCEDURE CHANGE

### 3.1. Detail of the proposed procedure change

The proposed changes to the Procedure are:

- Revisions to section 4 of the Procedure to:

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<sup>2</sup> The Amending Rules under RC\_2019\_04 were approved by the Rule Change Panel in modified form in the Final Rule Change Report and required Ministerial approval. The Minister approved the Amending Rules on 17 June 2020 and the rules commenced on 2 July 2020. Refer to: [https://www.erawa.com.au/rule-change-panel/market-rule-changes/rule-change-rc\\_2019\\_04](https://www.erawa.com.au/rule-change-panel/market-rule-changes/rule-change-rc_2019_04)



- clarify that AEMO may use updated input data for the Non-STEM Settlement Adjustment Process that AEMO considers to be in compliance with the WEM Rules or that has been revised in accordance with the WEM Rules (step 4.3.2)
- require AEMO to notify the Rule Participant during the final Adjustment Process that AEMO has decided to use a revised value and the reason for its decision (step 4.3.5)
- Revisions to section 8 of the Procedure to:
  - remove reference to the minimum settlement amount being \$1.00 (step 8.1.7)
  - specify that AEMO must nominate an EFT Facility to be used by all Rule Participants for settlement (step 8.2.1)
  - specify that AEMO must determine the Minimum Transaction Cost, which now replaces the \$1.00 minimum settlement amount (step 8.2.2)
  - require AEMO to publish any revised Minimum Transaction Cost where AEMO becomes aware that the minimum cost charged by the EFT Facility has changed (step 8.2.3)
- Revisions to section 9 of the Procedure to:
  - reflect the single disagreement deadline for initial and adjusted Non-STEM settlement statements and one disagreement deadline for adjusted STEM Settlement Statements (steps 9.1.1, 9.1.6, 9.1.7 and 9.1.8)
  - specify that a Notice of Disagreement should be submitted in the manner and form prescribed by AEMO on the Market Web Site (step 9.1.2).
  - remove the restrictions on the information that can be the subject of a Notice of Disagreement (step 9.1.5)
  - reflect that AEMO may seek further information from a Rule Participant in respect to a Notice of Disagreement submitted by that Rule Participant (step 9.1.9)
  - specify that AEMO may extend the deadline for it to respond to a Notice of Disagreement (step 9.1.14)
- Various other revisions to:
  - align terminology to the Amending Rules
  - formatting and typographical updates
  - minor consequential changes
  - minor changes to reflect AEMO's current Market Procedure Template.

### **3.2. Proposed drafting**

AEMO has published a draft of the Market Procedure: Settlements incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: [https://aemo.com.au/en/consultations/current-and-closed-consultations/aepec\\_2020\\_07](https://aemo.com.au/en/consultations/current-and-closed-consultations/aepec_2020_07).

### **3.3. Wholesale Market Objective assessment**

AEMO's Rule Change Proposal, RC\_2019\_04: Administrative Improvements to Settlements proposed rule changes that would:

- Allow AEMO to use updated input data for settlement, including data produced by itself and TES.



- Provide more time for Rule Participants to lodge a Notice of Disagreement in relation to a Non-STEM Settlement Statement and subsequent versions of Settlement Statements issued through the settlement Adjustment Process.
- Correct an oversight to include Ancillary Service Providers, who may not otherwise be Market Participants, in the settlement process.

These changes would result in more accurate settlements and efficient market outcomes, and therefore better meet Wholesale Market Objective (a) – to promote the economically efficient, safe, reliable production and supply of electricity related services in the South West interconnected system. The proposed amendments in this Procedure Change Proposal are required to ensure that the Procedure is aligned with the Amending Rules under RC\_2019\_04 and therefore the changes are consistent with Wholesale Market Objective (a).

#### **4. SUMMARY OF MATTERS FOR CONSULTATION**

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed Procedure or better meet the Wholesale Market Objectives. Stakeholders are invited to submit written responses on the proposed amended Procedure by 5:00 PM (Australian Western Standard Time) on 19 February 2021 in accordance with the call for submissions published with this Procedure Change Proposal.

Stakeholders with questions in relation to the proposed amended Procedure or this Procedure Change Proposal can contact AEMO via email at [wa@aemo.com.au](mailto:wa@aemo.com.au). All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC\_2020\_07: Market Procedure – Settlements [Name of the submitting company or individual]".