

WEM Payment Default Process Impact of Aggregating Non- STEM Adjustment Trades

Presented to WA Electricity Consultative Forum
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Background



At the October 2021 WAECF, AEMO provided an overview of an operational issue related to aggregating Non-STEM Adjustment trades.



Participants were invited to provide feedback to AEMO on its proposed approach to rectify the issue.



The purpose of this presentation is to recap the issue, address feedback received and outline proposed next steps.

Summary of Process Issue

Current Process

- AEMO settles 3 Invoices, each associated with an adjusted Non-STEM Settlement Statement on the same day
- AEMO's current settlement process requires participants to enter a single trade in Austraclear that is the net of the 3 Invoice amounts.
- The current process may be non-compliant with MR 9.22.6.

Issue

- In the event of a Payment Default AEMO may be required to short-pay the market in accordance with MR 9.24.3A. The current process will:
 - Compromise AEMO's ability to short-pay the market; and
 - Result in AEMO being non-compliant with MR 9.24.3A.

Feedback Received

Feedback was provided that raised two matters: a query over the likelihood/frequency of occurrence and provided a proposed alternative approach.

1. Likelihood of Occurrence

- A participant understood that the risk arises when invoices net to zero and a default occurs.
- AEMO clarified that the potential issue arises whenever a participant owes money to AEMO in an adjustment invoice and is due to receive money in another adjustment invoice.
- The invoices do not have to net to zero.

2. Alternate approach

- A participant suggested an approach where:
 - NSTEM adjustment invoices are settled as an aggregated trade when either:
 - A participant owes money to AEMO in all 3 adjustment invoices; or
 - A participant is due to receive money from AEMO in all 3 adjustment invoices
 - Otherwise, NSTEM adjustment invoices are administered as separate trades.
- AEMO notes this approach would partially address the identified risk. However:
 - If a participant **partially** defaults, this approach does not clarify the amount defaulted on each of the 3 adjustment invoices.
 - This more complex implementation may cause confusion with participants, and may in itself result in a default situation.

Next steps

After considering the feedback provided and market impacts, AEMO proposes to amend the operational processes for facilitating settlement day trades for adjusted Non-STEM Settlement Statements to (1) align with WEM Rules and (2) address the issues identified.



Commencing from February 2022 Market Participants will be required to upload 3 separate Austraclear trades on adjustment settlement day (i.e. one for each of the 3 Invoices associated with the adjusted Non-STEM Settlement Statements).



- The first adjusted Non-STEM Settlement Statements impacted by this change will be the Aug 2021, May 2021, and Feb 2021 adjustments settled on 21 Feb 2022.
- To finalise and confirm the approach, AEMO will:
 - provide correspondence via Market Message to Market Participants in the lead up to this change.
 - closely monitor participant trades in Feb 2022 and contact participants ASAP if necessary.

Questions and Feedback

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