

MINUTES

MEETING: Settlement Managers Working Group
DATE: Tuesday, 31 October 2023
TIME: 10:00am to 12:00am
LOCATION: TEAMS

ATTENDEES:

| Company | Company | Company |
|------------------------------------|------------------------------------|------------------------------|
| 1st Energy | CS Energy | Origin Energy Electricity |
| AGL Energy Sales & Marketing | CSR Limited | Perpetual Energy |
| Amalgamated Energy Services | Delta Electricity | PowerSync |
| Ampol Energy | Enel Energy Australia | RES Group |
| Atmos Renewable | Energy Locals | Shell Energy Australia |
| Alinta Energy | Engie | SIMEC Energy Australia |
| Amber Electric | GLNG Operations | Sojitz Corporation |
| Arrow Energy Trading | Globird Energy | Sumo Power |
| Aurora Energy | GOLDWIND | Stanwell Corporation Limited |
| Beijing Energy International | Group Energy | Tas Gas Retail |
| Bluescope Steel | Haast Energy | Telstra Energy (Generation) |
| CECEP Wind Power Australia Holding | Hydro Tasmania | Tomago Aluminium Company |
| Clean Energy Transfer Fund | Iberdrola Australia Energy Markets | The Collective |
| Cleanco (QLD) | Next Business Energy | |

1. Welcome and Session Introduction (Presenter: Stephen Harrison)

Stephen reflected on changes in the energy industry over the past 10 years. Discussing the increase in the number of participants, the change from being predominantly fossil fuel generation to the now, broad range of technologies in the market, and the subsequent need to update policy and the IT modifications as a result of these changes.

It was indicated that participants lead the change, so AEMO encourages suggestions for improvement and efficiencies.

2. Reassessing MCL under extreme market conditions (Presenter: Katalin Foran)

AEMO Prudentials has revised its' approach to assessing the Maximum Credit Limit (MCL). This approach was developed as a response to the 2022 winter season where there were very high prices, high liabilities and comparatively low credit support held.

The triggers and the new calculation methodology were explained and are outlined (with an example) in the slide pack.

It was mentioned that when AEMO requests something from participants, it will be due to minimum standards as driven by the rules and proactivity is strongly encouraged.

Question: What is the specific timeframe will the additional bank guarantee be required to be delivered to meet increased MCL?

Answer: Typically, the rule of thumb is 5 business days, but this is not set in stone and the minimum amount of time we can give is 1 business day. However, we would work with participants in the same way that we always have and would give plenty of warning that we are looking at this. There would be collaboration in the journey of increasing an MCL. Based on previous experience, when we had such high prices and there was a lot of pressure during the market last year, a number of participants already went off and arranged their additional credit support themselves. We would be working with participants to determine a reasonable approach.

Question: For increased MCLs, does it have to be covered by a bank guarantee or can it be covered by additional deposits?

Answer: Increased MCLs are treated the same as normal ones and so must be covered by a bank guarantee due to risk, and therefore there is no change.

3. Credit Limit Procedure (CLP) consultation – IESS and other changes (Presenter: Katalin Foran)

There will be three changes to CLP. The reason behind these changes are:

- Terminology updates are required to align with terminology as a result of the new IESS Rule change.
- Incorporating ancillary services (which were previously excluded) into MCL calculations. Noting that, very few participants will be affected by this change, and the impact is considered to be small.
- Incorporating bidirectional flows (will only apply to new market PIDs). This will be a separate MCL calculation.

4. Settlements Estimates consultation (Presenters: Ben Beikoff/Pedro Riveros)

Ben explained changes to the NEM Settlements Estimates Policy, required not only to reflect terminology updates as a result of the IESS project, but also additional improvements AEMO is wanting to make to the policy. These updates include:

- Minor updates to terminology to align with the IESS Rule.
- Accounting for resource providers or MSRP's into the policy, to ensure AEMO uses the best possible data, though if not available utilise zero.
- Simplifying the estimations data hierarchies which determine how estimations are performed.
- Improving the settlement estimations for aggregated reads when no meter data is available. A multiple linear regression model will replace the regional scaling factors currently used.

Pedro discussed scaling factors anomalies, and the big fluctuations in the estimation of energy that occurred in South Australia on 22nd of October, affecting prudential position of several participants. The new method discussed above will remove this type of issue and highlights that the fact that the scaling factor formula is no longer fit for purpose. If this occurs again, analysis and trading margin adjustment will be assessed on a case by case to avoid breaches. For any participants that AEMO does not perform an adjustment, when the interim data is received, the prudential position is fixed (3 days after the event). In the participant data interchange, the fix only becomes visible at the time of publishing the

preliminary. So, AEMO Prudentials is requesting IT to provide a new report to publish the interim reports. These will be available on an 'opt in' basis, due to amount of data involved and are still to be developed.

So, if your company has an interest in getting these reports, please let us know.

Question: So, the idea for the INTERIM, it will be separate to SETCPDATA otherwise too much data in that table?

Answer: In the future due to the IESS project, SETCPDATA will no longer exist. It will be replaced by a single table for energy that includes sent-out energy and consumed energy. The interim data is five days rolling, and in some cases we may need to trigger 2 interim runs, so the amount of data is huge.

5. Gas Special Revisions (Presenter: Nipun Saxena)

Revised statements are published six months after the end of the billing period. If there are material errors in data, a special revision is sent out. Material errors is considered to be either \$30K per participant or \$60K for the entire market. There have been a large number of special revisions recently, primarily due to site meters not being able to be read during COVID period. This is considered unusual and will not necessarily occur as frequently going forward.

AEMO is aiming to proactively check meter updates on a more regular basis. Noting that small data differences do add up and can go over the threshold.

There is a review DWGM and STTM Special Revision financial thresholds due by 24 Nov 2023. Email feedback has been requested from relevant market participants via AEMO Settlements Communication No. 565.

6. Summer Readiness (Presenters: Sarah Gould, Cheryl Huang, Suchita Balasubramanian)

The Melbourne office is moving. So, the bank guarantee proforma will be updated to reflect the new address. The new address details will be available on the AEMO website in November. Noting that this move is close to the Summer MCL.

Updates to Austraclear, in particular a change to a new version. The pre-production environment has been updated for testing. There is mandatory connectivity test, and all companies must test the link. A few weeks ago, an assured mode operation test was initiated for all interested participants. If an event occurs in the future, it will be a joint decision between Reserve Bank and Austraclear to conduct the assured mode for it.

Also, a reminder that if there any changes to your company Austraclear account, please notify AEMO Prudential and request a \$ test.

With the up-coming Christmas holiday period:

- Provide at least two contacts to AEMO who are working over this period.
- Early payment in the holiday period is encouraged, and
- Check subscriptions details in the Markets Portal to ensure they are up to date.

Another a reminder that there is refresher training available from the Prudentials team re summer risks.

7. Projects Update (Presenter: Darren Gatty)

A summary of projects was provided:

- **Fast Frequency Response (FFR)** went live on 9/10/2023, and very Fast Raise and Lower (1sec) services are now being dispatched and settled.

- **Integrating Energy Storage Systems (IESS)** is expected to come into effect on 2-Jun-2024. This is a major change to the current system for batteries to be registered, connected, and managed in AEMO systems. Currently there are two NMIs per battery site, which due to IESS will be changed to a single NMI. In addition, non-energy cost recovery (currently calculated via Net energy), will be based on gross energy.

Consequently, changes to data tables are required to make this effective, so SETGENDATA and SETCPDATA tables will no longer exist. New tables will be created and populated. There will be a transition period where all tables will be populated until the next data model release (~ April 2025). Resources and links have been supplied in the slide pack.

- **Frequency Performance Payment (FPP)** is the next major change to be implemented. It introduces frequency performance payments and charges and is a change in the recovery methodology for the Regulation FCAS services, moving away from the current causer pays approach.

8. Closing and Q & A

Question: Has there been progress on digital back guarantees?

Answer: The Lygon Group came in a couple of years ago and present us with a prospective platform that would form the basis for transition of paper-based bank guarantees into a digital form. Unfortunately, continuity of funding for their project didn't transpire and the project has gone into administration. While AEMO contributed as much as we could around product development, unfortunately there was not enough traction in this space and over the past two years there has been no companies available to pick it up.

Question: We are keen to understand AEMO's view on shortening the settlement period from say 4 weeks to 2 weeks and the prospect of a rule change being implemented. We believe this will have a number of benefits to the key stakeholders in the energy market.

- **Retailers:** holding less working capital
- **Generators:** receiving monies earlier
- **Regulators:** reducing risk of retailer failures / less external parties cash to hold
- **Customers:** lower prices and increased choice

Answer: This has been considered in the past and keeps reemerging. Technology is probably transitioned to a point where potentially there's access to more accurate meter data. AEMO's view is that all the mentioned benefits appear to be true and from our perspective, we would need to be informed on costs for AEMO and other parties. In short, there is merit in this, and we are keen to hear what others think. It is believed that this proposal is going to be taken to AEMC, so watch this space.

Attendee Comment: My initial reaction is that the shortening of the settlement period is a positive change for the reasons listed, and we would be interested in seeing how it progresses through the rule change process.

Stephen informed that the presentation slides and answers to questions will be sent out to participants in about a week. Contact us via the support hub if any you have any further questions.

No further questions asked at the end of the meeting.