

# MINUTES

MEETING: Settlement Managers Working Group  
 DATE: Monday, 21 October 2019  
 TIME: 10am to 2.30pm  
 LOCATION: AEMO Melbourne Office

## ATTENDEES:

NAME	COMPANY / DEPARTMENT
Chloe Green	Tilt Renewables
Bessie Tu	Globird Energy
Gerald Sim	Globird Energy
Anna Porteus	Alinta Energy
Ricky Brooks	Stanwell
Junwei Zhang	Click
John O'Neil	Click
Jack Yates	CQEnergy
David Jenkins	CSEnergy
Kristen Matthews	CSEnergy
Christine Lu	Infigen Energy
Derek Perez	Infigen Energy
Mitchell Parker	Infigen Energy
Christine McMaster	Engie
Varun Dewan	Engie
Greg Fawcett	Engie
Peter Kav	Delta Electricity
Violet Gan	Delta Electricity
Darragh Walsh	Origin
Sanjay Khushalani	Next Business Energy
Clinton Lamplugh	Shell Energy
Linh Lee	Blue NRG
Asta Suyono	Blue NRG
James Pickford	1st Energy
Mark Kennedy	AGL
Adrian Leong	Powershop
Breeana Sandley	BayWa r.e.
Tri Cao	OVO
Deepak Gupta	Energy Australia
Arunesh Choubey	Red Energy
Gerrod Murphy	Weston Energy
Sunny Lee	Discover Energy
Rita Wu	Snowy Hydro

Jason Donald	Reamped Energy
James Nymeyer	Reamped Energy
Andrew Jackson	SA Water
Jim Kapetas	SIMEC Energy
Paul Forsyth	NBE
Scott Wells	Elysian

#### APOLOGIES:

NAME	COMPANY / DEPARTMENT
Brad Evans	APA
Maree Madden	AGL
Valerie Cronin	1 <sup>st</sup> Energy
Elias Bozoglou	Palisade Integrated Managements Services Pty Ltd
Anson Zhang	Discover Energy
Mayank Parekh	Flow Power

## 1. Review of previous minutes and action items

All action items from the previous meeting were presented as in progress or addressed within specific agenda items during the working group presentation.

## 2. Items for noting

### 2.1. Electricity Market

#### 2.1.1. Settlement Residue Auction (SRA) – introduction to the secondary market

Callum Carpenter and Dimi Botha presented the platform for secondary trading of settlement residue distribution units (units).

Following design/rule required updates, IT/business testing and pre-prod participant facing portal testing, the SRA secondary was implemented on 1 Oct 2019.

Benefits:

- Improve liquidity in units
- Promote and increase interstate trade
- Improve risk management
- Increase competition in retail and wholesale markets

#### 2.1.2. Settlements frequently asked questions

Dimi Botha provided an overview of frequently asked questions relating to:

- Reliability and Emergency Reserve Trader (RERT)
  - Cost of RERT decreased significantly between Summer periods.
- Full Retail Contestability (FRC) Fees
  - As of 1 July 2019, FRC fee structure changed from fee rate per MWh to fee rate per connection point.

- Direction fees
  - As per the rule change all directions issued after the 30 May 2019 will be included in the 20-week/30-week revision.
  - Any directions issued before the 30 May 2019 will continue with the legacy process.
- Frequency Control Ancillary Services (FCAS)
  - From March 2019 AEMO increased its procurement of regulation FCAS in a response to declining power system frequency control. As a result, cost of regulation FCAS increased.

**Question:** What was the cost increase of AEMO procuring regulation FCAS from March 2019 for system security?

**Answer:** Please see the link: <https://aemo.com.au/Electricity/National-Electricity-Market-NEM/Security-and-reliability/Ancillary-services/Load-relief>

### **2.1.3. 5MS reallocations and timetable**

Pedro Riveros provided a look at the 5MS reallocations web user interface. The new functionality will include:

- Introducing bulk edit, condensed view, grid view
- Offering search facility
- Ability to download and upload to and from CSV file format
- Improved authorisation confirmation
- Authorising party can now reject a submitted (not yet authorised) reallocation
- Selection of a calendar for applicable public holidays for a specific region
- Reverse or duplicate a reallocation

AEMO is reviewing the reallocation timetable and is considering small changes to more clearly describe the parameters for entering an ex post reallocation to be included in a final statement.

**Question:** Will the function to put in a sum total and click a button that divides it over the total number of intervals?

**Answer:** This functionality was requested during the requirements stage, it is likely this feature will be available in production.

**Question:** When will the staging environment be available?

**Answer:** It is expected to be ready on the 1<sup>st</sup> of November 2019.

### **2.1.4. NEM prudentials – overview, key indicators and recent modelling changes**

Katalin Foran presented on the Credit Limit Procedures (CLP) prudential indicators and recent modelling changes. AEMO's 2018 review of the CLP found the 2% prudential standard was not met for all regions, caused by sustained high prices and volatility over the 2016-2018 time period and design limitation of AEMO's regional model.

**Question:** Is there any allowance around if participants know their load is increasing and they inform AEMO will the MCL be re-run?

**Answer:** Please notify AEMO that your load will be increasing and provide a date. We will monitor your data and re-run your MCL once we can see the load increase.

**Question:** If load is decreasing will AEMO re-run an MCL at participants request?

**Answer:** Again, we would need to see the load data decrease, also a participants outstandings is settled 4 weeks in arrears and this needs to be taken into consideration when performing an MCL review.

**Question:** Summer MCL 2020, when will it be sent out?

**Answer:** It is expected to be available early November.

### 2.1.5. Changes to MCL review

Cheryl Huang outlined that from 1 July 2021, energy estimation will be assessed on the company level for all MCL reviews. For each company:

- Sum the energy values for all the participants under the same company per region and;
- Round up the company regional energy value to the nearly 1 MWh
- The first affected MCL review will be the 2021 Shoulder, effective 1 September 2021

Cheryl also detailed the removal of the shoulder 1 season. From 2020, the MCL seasons will be:

Season	Month Encompassed
Summer (no change)	December, January, February and March
Winter (changed to 5 months)	April, May, June, July and August
Shoulder (changed to 3 months)	September, October and November

**Question:** Will this allow participants to provide a bank guarantee at a company level?

**Answer:** The MCL letters are at a company level therefore, bank guarantees are supplied at the company level currently.

### 2.1.6. Subscriptions

Paul Capes presented on settlements direct, AEMO’s participant web interface, to view the prudential dashboard and forecasts and access, or subscribe to receive, settlement and prudential related reports, data and information.

AEMO has developed a series of NEM prudential alerts that Participants may subscribe to, at any time, for notifications of prudential position and collateral requirements.

Subscriptions are made through the MMS/Settlements/Settlements Direct/Subscriptions menu item. Select appropriate category in the subscription field

## 2.2. Gas Market

### 2.2.1. STTM and DWGM forecast alert

Callum Carpenter detailed the progress of the development of the prudential forecast alert for the STTM and DWGM. At this point in the development AEMO will notify a market participant

by email or phone call when they are forecasted to be <100% of their trading limit. If the alert is found to add value to both AEMO and market participants, AEMO will look at building an automatic daily forecast alert.

## **2.3. All Markets**

### **2.3.1. Update on credit support**

AEMO has been reviewing all aspects of bank guarantee establishment with a view to improving consistency, clarity and compliance.

#### **NEM Bank guarantee replacement:**

**NER Clause 3.3.6** *“at least 10 business days prior to the time at which the existing credit support is due to expire or terminate the Market Participant must procure a replacement credit support which will become effective upon expiry of the existing credit support such that it complies with the requirements of this rule 3.3.”*

Current process - Replacement bank guarantee by 10:30 AM on or before 11 business days prior to effective date of new bank guarantee. i.e. Expiry regarded as day zero. Potential exposure after 3 PM (bank draw down limit) on day of expiry prior to commencement of new bank guarantee.

Proposed process – Bank guarantee expiry and bank guarantee submission date are not recognised as clear business days so additional establishment day required. Effective date follows day of expiry (i.e. as per current process).

#### **DWGM and STTM bank guarantee replacement:**

**NGR Clause 257** *“the Market Participant must deliver to AEMO, at least 10 business days before the existing security is due to expire or terminate, a replacement security that complies with this Subdivision (and is, in particular, of sufficient value to enable the Market Participant to comply with rule 256(3)), and will take effect no later than the date the existing security is due to expire or terminate.”*

Current process - Replacement bank guarantee by COB on or before 11 business days prior to effective date of new bank guarantee. i.e. Expiry regarded as day zero. Potential exposure after 3 PM (bank draw down limit) on day of expiry prior to commencement of new bank guarantee.

Not NGR compliant with *“...taking effect no later than the date the existing security is due to expire or terminate.”*

Proposed process – Bank guarantee expiry and bank guarantee submission date are not recognised as clear business days so additional establishment day required. Transition towards having an effective date prior to the expiry date of the expiring guarantee (i.e. overlapping).

**Question:** Can a bank guarantee have a time stamp on it? That being one bank guarantee finishes at 3pm and the new one starts at 3pm?

**Answer:** AEMO to seek legal advice and respond.

#### **GSH bank guarantee replacement:**

GSH Exchange Agreement Clause 9.4.1 (c) *“The Trading Limit of a Market Participant at any time is an amount equal to the amount of that participant’s current valid and undrawn Credit Support, provided that any Credit Support having an expiry date of less than 10 Business Days from the date of calculation must be disregarded.”*

*“the Market Participant must deliver to AEMO, at least 10 business days before the existing security is due to expire or terminate, a replacement security that complies with this Subdivision (and is, in particular, of sufficient value to enable the Market Participant to comply with rule 256(3)), and will take effect no later than the date the existing security is due to expire or terminate.”*

Current process - Replacement bank guarantee by COB on or before 11 business days prior to effective date of new bank guarantee. i.e. Expiry regarded as day zero. With SDA, reallocation or bank guarantee with overlapping effective date (+11 business days) participant can trade. Otherwise will be locked out of trading platform.

Proposed process – bank guarantee expiry and BG submission date are not recognised as clear business days. Transition towards having an effective date prior to the expiry date of the expiring guarantee (i.e. overlapping).

**Guarantee digital signature review:**

An issue has been identified with the manner of execution of the guarantee in light of the requirements of the electronic transactions legislation. AEMO received external legal advice confirming there is an issue. AEMO will only be accepting bank guarantees in the prescribed form which are signed and witnessed in person by appropriately authorised personnel of the institution granting them, until further notice.

AEMO will work with participants to exchange existing digitally signed guarantees.