

MINUTES – SMWG

MEETING: Settlement Managers Working Group
DATE: Wednesday, 19 September 2018
TIME: 10.00 am
LOCATION: AEMO Offices, Melbourne

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1. Attendees

NAME	COMPANY
Alinta Energy Retail Sales Pty Ltd	Therese Sato
Aurora Energy Pty Ltd	Steve Wilson
BlueNRG	Wendy Yeap
BlueNRG	Sanjeev Ambalavaner
Click Energy Pty Ltd	Kristine Carroll
Crookwell Development	Gustavo Fedelich
Delta Electricity	Peter Kav
Delta Electricity	Violet Gan
Energy Australia	Deepak Gupta
Engie	Christine McMaster
Engie	Ria Hwang
ExxonMobil (Esso Australia)	Kate Frueh
First Solar (Australia)	Aaron Hawkins
Hydro Tasmania	Garth Johnson
Hydro Tasmania	Martin Ralph
Infigen Energy	Derek Perez
Infigen Energy	Christine Lu
Origin Energy	Fergus Stuart
Origin Energy	Darragh Walsh
Progressive Green Pty Ltd	Darren Betts
Progressive Green Pty Ltd	Mayank Parekh
Snowy Hydro	Rita Wu
Stanwell Corporation Limited	Ricky Brooks
Telstra Energy (Generation) Pty Ltd	Piera Lorenz
Tilt Renewables	Chloe Green
Tilt Renewables	Marcelle Gannon
Weston Energy	Gerrod Murphy
Y.E.S. (Aust) Pty Ltd	Mark Yates
ZEN Energy	Karen Jarrett
ZEN Energy	Jim Kapetas
SECRETARIAT:	
Stephen Harrison (Chair)	AEMO
Rebecca Malmur	AEMO

2. Presenters

NAME	COMPANY
Chris Muffett	AEMO
Canh Diep	AEMO
Cheryl Huang	AEMO
Callum Carpenter	AEMO
Paul Capes	AEMO
Jesse Goh	AEMO
Anne-Marie Foo	AEMO
Maria Haralabakos	AEMO
Andrea Jensz	AEMO
Nicole Dodd	AEMO
Pedro Riveros	AEMO
Melly Tan	AEMO
Arlyne Yuliana	AEMO
Nipun Saxena	AEMO



3. Apologies

NAME	COMPANY
Edwin Chu	AGL
Richard O'Brien	AGL
Maria Parodi	Pacific Hydro Australia
Thao Le	M2 Energy Pty Ltd
Catherine Phillips	Esso Australia

4. Review of previous minutes and action items

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

5. Items for noting – gas markets

5.1. Pipeline Capacity Trading (PCT) Reform Package

Arylne Yuliana detailed the reform package recommended by the AEMC as part of its east coast gas market review. The reform package includes the development of:

- a capacity trading platform (CTP),
- a day-ahead auction (DAA) of contracted but un-nominated capacity,
- standards for key contract terms in transportation agreements, and
- a reporting framework for secondary capacity trades.

Question: Will there be any bank guarantee changes?

AEMO Response: No changes to the format of the current AEMO bank guarantee however, participants may need to revise the amount. The PCT will be a joint market with the GSH and participants participating in the PCT may need to revise the amount of collateral provided to AEMO. Further details provided on slide 19 of the Settlement Managers Working Group slide pack.

5.2. Gas Day Harmonisation

Arylne Yuliana presented on the gas day harmonisation which has been approved by the COAG Energy Council and is applicable to all states except WA (NT awaiting Energy Council decision).

Standard gas day 6am to 6am AEST

- Applies to natural gas facilities
- Effective 6am AEST 1 Oct 2019

Standard nomination cut off time becomes 3pm on the gas day before

- Applies to Part 24 facilities only

5.3. AMDQ Credit Certificate Auction 2018

Melly Tan gave an overview of this year's AMDQ credit certificate auction and status.

5.4. Gas Market Settlement Revision Guideline – DWGM & STTM 2018 Review

Anne-Marie Foo discussed AEMO's intention to review the guideline and materiality thresholds used for special revisions.

Participant feedback to be emailed to market.settlements@aemo.com.au by 1st October 2018 and that any requests for changes specific to the guideline/thresholds include specific reasons. AEMO will consider conducting a formal consultation based on this initial feedback.

Question: Why is an absolute value used instead of a % of the bill?

AEMO Response: The use of an absolute value for the materiality threshold was decided during a consultation process over 5 years ago. If participants would like this methodology reviewed please email market.settlements@aemo.com.au and provide reasons behind the change to a dollar value.

5.5. Gas Supply Hub (GSH) Exchange Agreement – Removal of Security Deposit Limit

Jesse Goh gave an overview on the removal of the security deposit limit. Participants are now able to provide an unlimited amount of security deposits as collateral, the bank guarantee ratio is no longer a prudential requirement in GSH.

5.6. Cross Gas Market Bank Guarantees

Callum Carpenter discussed AEMO's proposal to implement a cross market bank guarantee for the gas markets. AEMO will continue to monitor and measure the risk separately in accordance with the National Gas Rules and would facilitate the sub-allocation across the gas markets.

Question: How quickly will AEMO be able to perform the sub-allocation?

AEMO Response: The sub-allocation request would be processed as soon as it is received.

Question: How will AEMO facilitate the sub-allocation?

AEMO Response: This project is currently in the conceptual stage and AEMO is currently mapping out the processes and considering all avenues. Participant feedback is welcome and can be emailed to prudentials@aemo.com.au with suggestions for functionality and market benefits.

Question: Is there a reason that AEMO won't do a Net Gas Exposure?

AEMO Response: As per the National Gas Rules AEMO is required to monitor and calculate the gas markets individually. A rule change would be required to change to a net gas exposure methodology.

Question: How will the sub-allocation work in the event of a margin call?

AEMO Response: AEMO is still developing how the sub-allocations will be facilitated in the event of a margin call.

Question: Which bank is currently on board?

AEMO Response: CBA

5.7. Open Forum

Action Item 1: Reallocations in the gas market?

AEMO Response: AEMO is currently reviewing this option and invites participants to nominate their interest in the gas market reallocations by sending an email to prudentials@aemo.com.au listing the preferred type and market benefits.

6. Items for noting - All Markets

6.1. Application of Goods and Services Tax (GST) on AEMO Electricity and Gas Market Fees

Nipun Saxena presented on the private ruling from the Australian Taxation Office (ATO) which determined that AEMO electricity and gas market fees charged to the participants will not be subject to GST.

Question: The GST column is still appearing in the prelim and final statements, will this be fixed?

AEMO Response: This has now been resolved, settlement communication sent on the 24th September 2018

6.2. Electricity Market Management System (EMMS) and Market Settlement and Transfer Solution (MSATS)

Paul Capes clarified the MSATS administration process and demonstrated how to find the person with the 'Participant Administration Rights' within your organisation and how to set up a new user.

6.3. Registration News/Updates for all Markets

Maria Haralabakos gave an overview on company name change requirements and the mandatory contacts required by AEMO.

6.4. Open Forum

Cheryl Huang notified participants of the ongoing review of the NER and Parts 19 and 20 of the NGR (i.e. the NEM, the DWGM and the STTM), the relevant rules require that the replacement credit support must be provided 10 clear business days before the existing credit support is due to expire or terminate.

Legal review indicated that AEMO should not count the expiry date or the date provided. AEMO is waiting on the final determination from legal, this will change the date the replacement bank guarantees are due.

AEMO will send out a settlement communication to participants once the final determination has been confirmed and there will be a courtesy period.

Action Item 2: GSH bank guarantee 10 business day period not included in prudential calculations. AEMO to investigate aligning GSH with the other markets.

Question: Is AEMO going to provide justification for this reason?

Answer: The legal review has indicated the AEMO is unable to draw down on the bank guarantee after 3:00pm on the expiry date.

Question: How does AEMO go about changing the Electricity and Gas Rules?

AEMO Response: AEMO uses the SMWG to scope out the issues/concerns/suggestions participants may have in relation to the current Rules, processes and/or procedures.

If AEMO believes that a Rule change is required, AEMO will consult on the proposed Rule change with market participants at the relevant wholesale forum for that market. Taking into consideration feedback from market participants, AEMO will then develop the Rule change proposal and submit it to the AEMC for consideration. If the Rule change is made, AEMO will implement the Rule through relevant system and/or procedure changes. Most procedure changes require an additional round of consultation with market participants before they can be implemented.

Please note participants are able to submit Rule change proposals to AEMC directly for consideration.

7. Items for noting - Electricity Market

7.1. 5 – Minute Settlement Overview

Chris Muffett presented on the 5-Minute Settlement (5MS) Program and outlined the impact to participants;

The key activities within the program are:

- Procedures workstream – implement changes to AEMO procedures and supporting documentation required to give effect to the new rules.
- Systems workstream – build and test changes to AEMO market systems.
- Readiness workstream – coordinate activities necessary to transition to the new procedures and systems, particularly around industry testing and cutover.
- Stakeholder engagement – communicate and collaborate with industry participants and other interested parties on the changes.

Chris also detailed AEMO's rule change proposal to the AEMC which, proposes that global settlement be implemented to replace settlement-by-difference in the NEM. This will be accommodated for in the 5MS program if the rule is made.

Question: What is the major change occurring in relation to global settlement?

AEMO Response: Meter Data Providers will need to send through meter data for all connection points to allow for transparency for the unaccounted for energy, participants won't be affected.

7.2. 5 Minute Settlement Approach to Updating Settlement Estimation Procedure and Guide

Canh Diep presented on AEMO's proposed updates to section 5 and 6 of the settlement estimation policy;

Section 5;

- AEMO proposes to replace section 5 with business processes AEMO currently use to manage settlement system and communications risks.

Section 6;

- AEMO preferred option:
 - Current hierarchy of data and estimation methodology will be retained for calculating settlement estimates for monitoring market participants' outstandings when actual metering data is not available.
 - Settlement estimates will be calculated at 5-minute TI.
 - Reflective of 5MS principles.
 - Endorsed by Ergon via email.

Please send any feedback to 5ms@aemo.com.au by Friday 28 Sep 2018.

7.3. Reallocations: swaps, caps and floors worked examples and 5-minute settlement

Pedro Riveros demonstrated examples of a swap reallocation and a cap reallocation and outlined the effects of the 5-minute settlement program on reallocations.

Discussion: AEMO now has the facility for net reallocations and no participants are using the swaps, caps or floor reallocations.

Participant Response: The market has changed in the last 10 years, a lot more trades are not on the OTC market.

AEMO: For those participants using reallocations now are swaps, caps and floors better than MWh reallocations? What is AEMO missing?

Participant Response: they serve no purpose for the generators.

Participant Response: these worked examples help.

Question: How do the swaps, caps and floors flow into the MCL?

AEMO Response: The credit limit procedures outline the formulas used. The benefit is the MWh and the value is the difference between the strike price and the volatility adjusted price. Caps are calculated using a different volatility factor.

Discussion: Post July 2021 are participants going to want to still use 30-minute reallocations or will participants swap over to 5-minute reallocations?

Participant Response: As a retailer, I will go straight to 5-minute reallocations.

Question: Can you do load reallocations?

AEMO Response: Not at the moment. Reallocations are a mechanism for Participants. If AEMO can demonstrate there is enough value to undertake the project. Can participants raise their hands if this is something they would want to see AEMO investigate?

Participant Response: 2 Participants raised their hands.

Participant Response: As a generator it would be more useful.

Action Item 3: AEMO to investigate load following Reallocations

7.4. Credit limit procedures for 5-minute settlement

Cheryl Huang presented on how the 5-Minute Settlement Program will impact on prudentials. Noting that All references in the CLP to half hourly load, price and reallocations to will be updated to reference five-minute load, price and reallocations. All formulas for calculating MCL in the CLP will remain unchanged and only the granularity of the data will change.

7.5. Annual Review of Effectiveness of National Electricity Market (NEM) prudential settings methodology

Cheryl Huang gave an overview of the 2018 CLP effectiveness review which found the 2% prudential standard is not being met in any region and detailed the steps AEMO is taking to meet the 2% prudential standard again, preserve the integrity of the methodology and ensure that AEMO can realistically assess the prudential risk against the prudential standard going forward.

Question: Is the amount of credit support held higher than required?

AEMO Response: Previously the amount AEMO determined on participants MCLs wasn't enough to cover the exposure in the market.

7.6. Shoulder 1 MCL potential changes

Cheryl Huang discussed AEMO's proposal to remove the shoulder 1 MCL review and include April in either the summer or winter season. The second option was to extend the shoulder 1 season to 2 months which is not preferred as the cost of saving is very minimum.

Question: Can AEMO remove both the shoulder 1 and 2 seasons and just have the summer and winter seasons?

AEMO Response: AEMO welcomes participants suggestions and asks participants to email all feedback to prudentials@aemo.com.au listing preferences and market benefits.

7.7. Supervisory Control and Data Acquisition (SCADA) configuration and settlement estimation

Callum Carpenter presented one of AEMO's current methods to calculate settlement estimation that enables AEMO to more accurately estimate customer load which will be reflected in the participants prudential assessment. It is available to a participant that is the FRMP (Financially Responsible Market Participant) for entire load at a TNI (Transmission Node Identifier).

7.8. Security Deposit Arrangements Procedure

Rebecca Malmur presented on the changes made to security deposit arrangements, where AEMO now holds all NEM and GSH security deposits (SDAs) in a high interest account, which allows participants to early mature the SDAs.

7.9. Early Settlement Payment Procedure

Rebecca Malmur presented on the updated functionality for NEM early payment nomination through EMMS. To enable the early payment option in EMMS email prudentials@aemo.com.au using the format in the procedure and AEMO will enable the Market Participant to select the early payment option when they perform a payment nomination through AEMO Markets Portal.

7.10. Settlement Residue Auction (SRA) secondary trading

Nicole Dodd presented on AEMO's proposal to facilitate the secondary trading of SRA units through the auction. The sale of units by one participant (having previously purchased the units in an auction) to another participant is referred to as secondary trading.

7.11. Frequency Control Ancillary Services (FCAS)

Andrea Jenz clarified on the FCAS cost recovery split where an issue occurred resulting in incorrect allocation of cost between regulation and delayed contingency (5-Minute) FCAS costs. The issue resulted in over-recovery of Regulation FCAS and under-recovery of Delayed Contingency FCAS. Preventative action has been taken in production with effect from 2018 Week 27 (June 2018). Details of the issue has been distributed through the NEMWCF, we can make that available to participants if interested.

7.12. Reliability and Emergency Reserve Trader (RERT)

Andrea Jenz provided an overview of AEMO's procured RERT contracts. RERT contracts are in place to maintain power system reliability and system security. AEMO will publish list of RERT providers prior to start of reserve period, when new RERT providers are contracted and at activation.

7.13. National Electricity Market (NEM) directions

Andrea Jenz presented on NEM directions which are a physical operational intervention action taken by AEMO to maintain/restore the power system in a secure and reliable operating state.

8. Other Business

8.1. Survey Results

In response to the feedback collated from the survey, AEMO proposes to schedule two Settlement Managers Working Groups per year.

A video conference Settlement Managers Working Group available in AEMO's Brisbane, Sydney and Melbourne offices, in six months. Followed by a face to face Settlement Managers Working Group six months later.

9. Next Meeting

The meeting closed at 3:00pm and the next SMWG meeting is to be held via video conference and available in AEMO's Brisbane, Sydney and Melbourne offices, in six months.