

NEM SETTLEMENT REVISIONS POLICY

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VERSION RELEASE HISTORY

Version	Effective Date	Summary of Changes
1.0	10 August 2012	Initial Version of NEM Settlement Revisions Policy. With effect from the Effective Date determined under clause 1, this Policy and the NEM Settlement Estimates Policy supersede the NEM Settlement Estimates and Revisions Policy version 3A, published on 15 November 2009
1.1	13 March 2012	Minor amendments to NEM Settlement Revision Policy to include effective date of 15 March 2013.
2.0	TBC	Amended to reflect 5-minute settlement and global settlement rule changes and general update

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1. INTRODUCTION

Drafting Note: Only substantive changes to the introduction section have been change-marked. Formatting and template style changes not marked.

1.1. Purpose and scope

The NEM Settlement Revisions Policy (Policy) is made under clause 3.15.19(e) of the National Electricity Rules (NER) for the purpose of issuing revised statements under clause 3.15.19 of the NER.

The Policy has effect only for the purposes set out in the NER. The National Electricity Law and the NER prevail over the Policy to the extent of any inconsistency.

1.2. Definitions and interpretation

1.2.1. Glossary

Terms defined in the National Electricity Law and the NER have the same meanings in the Policy unless otherwise specified in this clause.

Terms defined in the NER are intended to be identified in the Policy by italicising them, but failure to italicise a defined term does not affect its meaning.

The words, phrases and abbreviations in the table below have the meanings set out opposite them when used in the Policy.

Term	Definition
EMMS	Electricity Market Management System
MSATS	Market Settlement and Transfer Solution
Settlement Day	Calendar day from 12:00am to 11:59pm
UFE	Unaccounted for energy

1.2.2. Interpretation

This Policy is subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law. All references to time are to Australian Eastern Standard time.

2. NER REQUIREMENTS

- (a) Clause 3.15.19(e) of the NER requires AEMO to develop this Policy for *routine revised statements* and *special revised statements*, to include:
 - (i) a calendar setting out when *routine revised statements* will be issued by AEMO;
 - (ii) the process by which the calendar can be amended by AEMO and the process by which *Market Participants* are notified of any amendment; and
 - (iii) a transitional process by which AEMO will issue any outstanding *routine revised statement*.

- (b) *Routine revised statements* and *special revised statements* are to be issued in accordance with this Policy (NER 3.15.19(c)(2)).
- (c) Under NER 3.15.19(b), *routine revised statements* must be issued to each *Market Participant* approximately 20 weeks and approximately 30 weeks after each *billing period*. These statements must recalculate *settlement amounts* using:
 - (i) the latest available input data (including amended *metering data*, *trading amounts*, and *Participant fees*); and
 - (ii) the most recent version of AEMO's settlement calculation software applicable to the *billing period*.
- (d) Under NER 3.15.19(a)(3), AEMO must issue *special revised statements* to *Market Participants* for a *billing period* in respect of which a *settlement amount* is to be adjusted as a result of:
 - (i) changes in the applicable amount of GST under clause 3.15.10A; or
 - (ii) the outcome of a dispute about a *final statement*, where the adjusted *settlement amount* is less than 95% or more than 105% of the *settlement amount* in the relevant *final statement*.

Note: This Policy also allows for the issue of *special revised statements* where the adjustment amount exceeds the thresholds in sub-paragraph (ii) without a formal dispute, if AEMO and all affected *Market Participants* agree.

- (e) Disputes about a *final statement* or its supporting data must be raised within 6 months of the relevant billing period (NER 3.15.19(b)), or within 20 *business days* of the date of the *final statement* if the dispute relates to an adjustment amount and interest incorporated into that statement (NER 3.15.20(c)).

3. REVISED STATEMENT POLICY

3.1. Transitional arrangements

3.1.1. Five minute settlement transition

From 12:00am 1 July 2021 (the commencement date), the *trading interval* for settlement in the *NEM* will change from 30 minutes to 5 minutes¹. Therefore:

- (a) all settlement runs (preliminary, final and revised) for settlement days up to and including 30 June 2021 will calculate *trading amounts* using the *30-minute price* for each *30-minute period*;
- (b) all settlement runs for settlement days from and including the commencement date will calculate *trading amounts* using the *spot price* for each 5 minute *trading interval* in accordance with the NER as in force after the commencement date;
- (c) each *settlement statement* for the *billing period* which includes the commencement date will aggregate the settlement calculations for the settlement days up to and

¹ Link to the AEMC rule change information: <https://www.aemc.gov.au/rule-changes/five-minute-settlement>

including 30 June 2021 and the settlement days from and including the commencement date.

To avoid doubt, the change in the duration of *trading intervals* from 30 minutes to 5 minutes on the commencement date is not of itself a reason to adjust any *settlement amount*.

3.1.2. Global settlement transition

Under the 'global settlement' framework, all retailers will bear the cost of unaccounted for energy (UFE). From 12:00am 6 July 2022 (the commencement date), the *NEM* will move from 'settlements by difference' (where the *Local Retailer* is responsible for the settlement of the net energy flow at *transmission network connection points* for its *local area* after deducting the *energy metered* for all *market loads*) to 'global settlement' (where all loads are fully reconciled and settled, with UFE allocated among all *Market Customers*)². Therefore:

- (a) all settlement runs (preliminary, final and revised) for settlement days up to and including 5 July 2022 will calculate *trading amounts* using the 'settlements by difference' methodology;
- (b) all settlement runs for settlement days from and including the commencement date will calculate *trading amounts* using the 'global settlement' methodology;
- (c) each *settlement statement* for the *billing period* which includes the commencement date will aggregate the settlement calculations for the settlement days up to and including 5 July 2022 and the settlement days from and including the commencement date; and
- (d) any changes in the *metered energy* amounts for settlement days from 6 July 2022 will change the UFE allocations.

To avoid doubt, the change in the settlement methodology from 'settlements by difference' to 'global settlement' on the commencement date is not of itself a reason to adjust any settlement amount.

3.2. Need for revised statements

Preliminary statements are issued 5 *business days* after the end of each 7-day *billing period* or trading week. AEMO and *Market Participants* are able to check and reconcile the settlement results from the *preliminary statements*, which form the basis for the *final statements*, produced 18 *business days* after the end of the *billing period*. However, there are several situations where it may be found, after the issue of *final statements*, that the data in those *final statements* did not accurately reflect the value of trading activity conducted under the NER.

Examples of these situations are:

- Systematic errors in the determination of energy values being discovered after routine or special inspections of metering installations.

² Link to the AEMC rule change information: <https://www.aemc.gov.au/rule-changes/global-settlement-and-market-reconciliation>

- As some manually read meters are read on a 3-month cycle, metering data may be revised when data from metering installations without communications facilities becomes available.
- Systematic error in the configuration of *National Metering Identifiers* (NMI) in the Market Settlement and Transfer Solution (MSATS) being discovered after transfer or audit.
- Error in the standing data details in the settlements processing system and systematic errors in the processing software.

While *energy* adjustments may only affect a small group of *Market Participants*, there is a second-order effect on a wider group (if not all) from the flow-on effects of *ancillary services* recovery being largely determined pro-rata with respect to *Market Customer* and/or *Market Generator* energy of *Market Participants*. Adjustments to *ancillary service* payments have a direct effect on these recovery amounts.

When situations such as these come to light and alternative settlement results which are more consistent with the source data, *NER* and *ancillary service* contracts become apparent, there is a need to make appropriate adjustments to the relevant *settlement statements*.

3.3. Details of revision process

This section outlines the stages at which revisions to *settlement statements* can occur, and describes the statements AEMO can issue at each stage. Section 3.4 outlines how and when *Market Participants* can raise settlement issues with AEMO, linking to the revision process.

3.3.1. Revision of preliminary results

The fundamental purpose of *preliminary statements* is to provide a draft, which can be analysed and reconciled to identify anomalies and inconsistencies before the *final statement* is prepared. If these problems can be discovered with sufficient time to prepare the necessary changes to the input data or processing, then settlement results on the *final statements* will be satisfactory. This reduces the values of adjustments that would become necessary from later revisions, interest payments, GST adjustments and the time involved in reconciliation and audit of *revised statements*.

If the rectification leads to changes in the *final statements*, which AEMO considers to be significant, then a settlement communication will be issued to provide explanation of the variances. Similarly, a communication will be issued if one or more *Market Participants* inquire about such variances after final statement issue.

As with all AEMO communications, the confidentiality of *Market Participant* information will be a primary consideration. The extent of the detail released in a settlement communication will protect that confidentiality and will generally be limited to identification of the variances, as all the supporting data will be provided with the relevant *final statements*.

However, it may not be possible to confirm and make the necessary changes within the target time of 15 *business days*. The *preliminary statement* is posted 5 *business days* after the billing period and for any software anomalies the software change control procedure may take more than 10 *business days* to complete.

3.3.2. Revision of final statement results for payment

The notice period to *Market Participants* for the payment amount to be transacted each week is set at two *business days* to maximise the time available for checking preliminary results. If an inconsistency is discovered in a *final statement* before payment day, no action can be taken to revise the *settlement amounts* payable under NER clause 3.15.16. The reason is that all AEMO settlement transactions essentially balance to zero, and any change to the results of one *Market Participant* will necessarily affect at least one other *Market Participant* and will generally affect many. At two days out from payment, the need for certainty in the amount is paramount. Any discrepancies in the *final statements* will be adjusted in subsequent *routine revised statements*.

3.3.3. Routine revised statements

Routine revised statements are issued approximately 20 weeks and 30 weeks after each billing period. Adjustments arising from these revised statements are generally relatively small. They arise typically from minor revisions of metering data and *ancillary service* payments, and consequent revisions to other market transactions such as recoveries and GST.

Routine revised statements will always be generated from the central settlement software, accompanied by full supporting data published through the Electricity Market Management System (EMMS).

If there is a change required which AEMO considers to be above the background 'noise' of the minor revisions, then AEMO will provide reasons by way of a settlement communication e-mail to the *Market Participant* settlement contacts. A settlement communication e-mail will also be issued where two or more *Market Participant* inquiries, relating to the same changes in a routine revised statement, are received.

3.3.4. Special revised statements

Under NER clause 3.15.19, AEMO must issue a *special revised statement* where an adjustment is required:

- following resolution of a formal dispute, either after the issue of the 30-week *routine revised statement* for a relevant *billing week*, or where the adjustment amount exceeds 5% of the value of the *settlement amount* of any affected *Market Participant*; or
- in respect of GST under NER clause 3.15.10A.

AEMO may also issue a *special revised statement* for an adjustment to reflect an issue identified and resolved outside of a formal dispute process, if:

- the adjustment amount exceeds 5% of the value of the *settlement amount* of any affected *Market Participant*; and
- except in the case of an interim *special revised statement* (described below), all affected *Market Participants* have agreed to AEMO issuing the statement.

There are three options for the issue of *special revised statements*:

- (a) System special revised statement

The settlement software may be used to generate a *revised statement*, which is issued through the EMMS. Revised supporting data would be available through the EMMS. A

settlement communication e-mail would be issued to notify settlement contacts of the *special revised statement* and set out the reasons for its issue and details of the adjustment.

(b) Manual special revised statement

A 'manual' statement calculated on spreadsheets and showing the adjustment amount only, may be issued to each of the affected *Market Participants*. The reasons for the *revised statement* would be attached to the statement. Supporting data for the calculation of the adjustment would be available on spreadsheet extract, but not be provided unless requested by the *Market Participant*. This minimises the risk of manual handling leading to inadvertent disclosure of *Market Participant* confidential data. A manual *special revised statement* may cover multiple *billing periods*, and will generally be issue-based rather than *billing period* based.

(c) Interim special revised statement

In cases where the last *routine revised statement* for the *billing period* concerned is yet to be issued, an interim *special revised statement* may be issued manually to a restricted set of the affected *Market Participants* with approximate adjustment amounts. The manual statement layout and supporting data would be as for option (b) above.

This option is especially suited to the situation where a significant energy adjustment is needed between two *Market Participants*. It would allow the settlement position of those two to be approximately corrected as soon as practicable, without burdening any other affected *Market Participants* with a special statement for a relatively trivial amount. When the *routine revised statement* came up for preparation, all *Market Participants* would be adjusted accurately with respect to other transactions such as recoveries, fees etc. The value of the manual statement would be reversed out by a manual entry in the *routine revised statements* for the primary *Market Participants*.

Like the manual *special revised statement*, an interim *special revised statement* may cover multiple *billing periods*, and will generally be issue-based rather than *billing period* based. If multiple *billing periods* are involved, then the reversal would be inserted at approximately the middle *billing period* of the sequence, rather than splitting it pro-rata over each of those weeks.

3.3.5. Adjustments

An adjustment arising from a *revised statement* is entered in the first *final statement* that is posted at least 8 *business days* after the date of issue of that *revised statement*. Interest is calculated from the rates set for each day between the original payment date for the *billing period* and the date of payment of the adjustment. Any differences in GST amounts are also brought to account, and a GST adjustment note created on the EMMS Participant files server.

Since the adjustments arising from revised statements appear as line items in *final statements*, those adjustments cannot be changed prior to transacting the *final statement* payment amount. There is only one payment amount, which includes any adjustments from *revised statements*, to be transacted each week for each *Market Participant*.

3.4. Notification and resolution of issues and disputes

3.4.1. Six-month window

AEMO can only revise settlements after the 30-week *routine revised statement* for a *billing period* if a formal dispute was initiated:

- within 6 calendar months of the last day of the *billing period* (NER clause 3.15.18(b)); or
- if the dispute relates only to the calculation of an adjustment amount or interest shown on a *revised statement*, within 20 *business days* of the *final statement* that incorporates that amount (NER clause 3.15.20(c)).

Market Participants should be aware of these time limits, which cannot be extended. They apply even if an issue has been previously raised with AEMO but not resolved by the 30-week statement.

3.4.2. Raising an issue

Subject to these NER requirements and limits, any *Market Participant* who believes there is an error in a settlement statement can notify AEMO's settlements team of the issue informally at an earlier stage (preferably by e-mail).

3.4.3. Agreement with participants

If one or more *Market Participants* (referred to in this document as the 'primary Participants') notify a matter to AEMO, either informally or under stage 1 of the NEM dispute resolution process, AEMO will investigate the issue and seek to resolve it with the primary Participants.

As any necessary adjustment will be applied generally to the Market, it may impact settlement results for all or a wider group of *Market Participants* (referred to as 'secondary Participants'). AEMO may discuss the issue with secondary Participants to ensure any proposed resolution covers all circumstances that may be relevant to affected Participants.

3.4.4. Effecting an agreed outcome

Settlement adjustments resulting from the resolution of an issue raised by a primary Participant will be reflected in the next *routine revised statement*, unless AEMO is required or permitted to include the adjustment in a *special revised statement* (see section 3.3.4).

3.5. Settlement calendars

Typically, there are four *settlement statements* issued each week:

- a preliminary, usually on Friday;
- a final, usually on Wednesday;
- a 20-week revised, usually on Tuesday; and
- a 30-week revised, usually on Thursday.

NEM public holidays will change the above timing, and may lead to two statements occasionally being issued on the same day. It is important that all *Market Participants* are aware of the statement and payment dates.

AEMO has published on its website settlement calendars which set out the dates of issue of *preliminary, final and revised statements* as well as the dates for payment transactions. For the purposes of NER 3.15.19(e)(1), the published settlement calendars are incorporated into this Policy.

AEMO may also elect to publish other calendar formats that may assist *Market Participants* in conducting their settlement processes. For the avoidance of doubt, AEMO publishes 'NEM Calendars' in order to fulfil its obligation under the NER clause 3.15.19(e)(1). Where a discrepancy exists between the 'NEM Calendar' and another calendar, the 'NEM Calendar' is to prevail.

The settlement calendars are published approximately a year in advance, based upon the public holiday information available. Proclamation of public holidays is the responsibility of the individual State Governments, and the notice provided in advance of the actual holidays can vary significantly. In particular, there is often uncertainty as to whether a day in lieu will be proclaimed when the public holiday naturally falls on a Saturday. Late proclamations lead to late amendment of the calendars.

3.6. Process for calendar amendment

The settlement calendars are amended by uploading new versions of each document on the AEMO website at the following location:

<http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Settlement-Calendars>

An AEMO communication is also issued to Market Participants when the calendar has been amended, together with the reason for the amendment.

The settlement calendar covers the three years, centred on the current year. Towards the end of each calendar year, a major update is prepared whereby the previous calendar year is deleted and the year after the subsequent year is added. Amendments are uploaded to the AEMO website and advised to Participants as soon as any change, which affects the calendar dates, is confirmed.