

APPLICATION OF THE BANK BILL RATE TO SETTLEMENT DISPUTE ADJUSTMENTS

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1. Purpose of the document

The purpose of this paper is to outline the manner in which AEMO will apply the following clauses of the National Electricity Rules ("Rules"):

- 3.15.19 - Settlement dispute adjustments; and
- 3.15.20 - Payment of adjustments.

Italicised terms used in this document have the meanings given in the Rules

2. Introduction

When revised statements are posted, typically because there has been a correction to metering data for the billing period after settlement has been completed, the amounts payable by/to Participants require adjustment. These adjustments can only be accomplished in arrears, and the value of adjustment amounts to the Participants at the time of settling those adjustments is affected by:

- the length of time between the time of the adjustments being settled and the time when they should have been settled ie the original settlement date; and
- movements in interest rates over this time.

Disputes covered by clause 3.15.19(a) of the Rules will result in the issue of a revised statement to each Market Participant, affected by the resolution of the dispute, incorporating the correction for the prior billing period. Following from this, clause 3.15.19(d)(2) of the Rules requires AEMO to compute an interest component on the net adjustment arising from the revised statement.

Net adjustments will be included on a final statement, consistent with clause 3.15.19(d) of the Rules.

3. Definition of the Bank Bill Rate

Bank bill rate is defined in Chapter 10 of the Rules as follows:

On any day, the rate determined by *AEMO* (having regard to such market indicators as *AEMO* in its discretion selects) to be the market rate as at 10.00am on that *day* (or if not a *business day*, on the previous *business day*) for Australian dollar denominated bank accepted bills of exchange having a tenor of 30 *days*.

For the purposes of applying Chapter 10 of the *Rules*, the *bank bill rate* used by *AEMO* will be the daily 10am, 30 Day Bank Bill Swap Reference Mid Rate, recorded to four decimal places, as sourced from Reuters.

For an ordinary week with no public holidays, the previous Friday *bank bill rate* will be applied to Saturday and Sunday, while the relevant *bank bill rates* will be applied to the weekdays. Where public holidays occur on weekdays, the *bank bill rate* for the previous *business day* will be used for the public holiday.

AEMO will treat calendar days between *final statement date* and *final statement payment date* as non-*business days*. This assumption is required because the interest rate for these days will not yet be determined at the time of calculating the results.

4. Application of the Bank Bill Rate

The relevant clause of the *Rules* is 3.15.19(d), which states:

(d) If *AEMO* has issued a *routine revised statement* or *special revised statement* (the “revised statement”) to a *Market Participant* in respect of a *billing period* (the “original *billing period*”), *AEMO* must include in the next *final statement* to the *Market Participant* issued not less than 8 *business days* after the *revised statement* (the “next statement”):

- (1) the amount necessary to put the *Market Participant* in the position it would have been in at the time payment was made under clause 3.15.16 or 3.15.17 (as applicable) in respect of the *final statement* for the original *billing period*, if the original *revised statement* had been given as the *final statement* for the *billing period*, but taking into account any adjustments previously made under this clause 3.15.19 as a result of any other *routine revised statement* or *special revised statement* in relation to the original *billing period*; and
- (2) interest on the amount referred to in clause 3.15.19(d)(1) computed at the average *bank bill rate* for the period from the date on which payment was required to be made under clauses 3.15.16 and 3.15.17 in respect of the *final statement* for the original *billing period* to the date on which payment is required to be made under those clauses in respect of the next statement.

For the purposes of applying clause 3.15.19(d) of the *Rules* *AEMO* will include the *bank bill rate* for the calendar days between:

- *payment date* of the *final statement* to which the agreed adjustment relates; and
- *payment date* of the adjustment arising from the *revised statement*.

5. The Methodology

The calculations required for each *Market Participant* are:

Adjustment amount AA = LRS - PRS

LRS = the statement amount for the prior period latest revised statement

PRS = the statement amount for the prior period previous revised statement

Note: if there has been only one revised statement issued, PRS is the amount shown on the final statement. If the LRS was on the second revised statement, PRS would be the amount on the first revised statement.

Interest Amount IA = AA * IRN

$$IRN = \frac{\sum 30DBBSW}{365}$$

30DBBSW = bank bill rate, commencing and including the payment date of the statement to which the agreed adjustment relates, to the latest calendar day prior to the payment date of the final statement.

Note that IRN is the percentage rate applicable for the relevant time period, and is not an annual rate.

6. Relevant Infoserver database tables

The following fields can be found in the table titled BILLINGPRIORADJUSTMENTS in the MMS Data Model:

CONTRACTYEAR	Contract Year
WEEKNO	Week Number
BILLRUNNO	Billing Run Number
PARTICIPANTID	Participant adjustment applies to
PREVAMOUNT	The previous bill payment figure
ADJAMOUNT	The new bill payment figure
IRN	Interest rate applying to new amount
INTERESTAMOUNT	Interest payable on adjustment

7. Settlement Reports

The Market Participant settlement report will show:-

- a reference to each billing period for which an adjustment is to be settled;
- previous statement amount(s);
- interest rate(s); and
- net adjustment(s).

The net result of these adjustments with interest is included in the settlement amount payable following the issue of the final statement.