

# MINUTES

MEETING: Settlement Managers Working Group  
 DATE: Thursday, 23 April 2020  
 TIME: 10am to 12pm AEST  
 LOCATION: Online WebEx

## ATTENDEES:

COMPANY	COMPANY
1st Energy Pty Ltd	Hanwha Energy Retail Australia Pty Ltd
AGL Sales Pty Limited	Hughenden Solar Pty Limited
Alcoa Portland Aluminium Pty Ltd	Hydro-Electric Corporation
Alinta Energy Retail Sales Pty Ltd	Lal Lal Wind Farms Nom Co Pty Ltd
Amalgamated Energy Services Pty Ltd	Lincoln Gap Wind Farm
Ararat Wind Farm Pty Ltd	Locality Planning Energy Pty Ltd
Aurora Energy Pty Ltd	Macquarie Bank Ltd
Balance Commodities And Energy Pty Ltd	MTA Energy Pty Ltd
Basslink Pty Ltd	New Gullen Range Wind Farm Pty Ltd
Brickworks Building Products Pty Ltd	Origin Energy Electricity Limited
Clean Energy Transfer Fund	Power Club Limited
Cleanco Queensland Pty Ltd	Progressive Green Pty Ltd t/a Flow Power
Click Energy Pty Ltd	ReAmped Energy Pty Ltd
CQ Energy	Snowy Hydro Limited
CS Energy Limited	Stanwell Corporation Limited
CSR Building Products Ltd	Sumo Power Pty Ltd
Delta Electricity	Telstra Energy (Generation) Pty Ltd
Discover Energy Pty Ltd	Tilt Renewables
Enova Energy Pty Ltd	Y.E.S. (Aust) Pty Ltd
Globird Energy Pty Ltd	

## 1. Previous Meeting Minutes and Actions

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

## 2. NEM – SA Separation Settlement Impact (Presenter: Christine Kang, AEMO)

A case study was presented by Christine Kang about the SA Separation from NEM and its settlement impact, which observed the highest NEM demand since 2015, being the third highest demand day on record.

### 2.1. Frequency Control Ancillary Services (FCAS)

- Local contingency FCAS is required in SA and affected billing week 5, 6, 7 and 8.

## 2.2. Directions

- Generators were directed in SA, NSW and VIC.
- Energy direction costs were recovered from affected region's market customers.
- FCAS direction costs were recovered from:
  - Contingency raise: market generation and SGA
  - Contingency lower: market customers

## 2.3. Reliability and Emergency Reserve Trader (RERT)

- RERT was dispatched in VIC and NSW.
- RERT was recovered by affected region's market customers.
- From March 2020, RERT recovery calculation has changed and participants were asked to check out the new methodology - <https://www.aemc.gov.au/rule-changes/enhancement-reliability-and-emergency-reserve-trader>.

**Question:** Can you shed some light on comparatively high Raise 60 costs in Week 6 and Week 7 in SA compared to Raise 6?

**Answer:** FCAS prices are set based on the demand and supply of each service. It is likely that the type of frequency events (particularly around the initial islanding) in Week 5 meant that there was a very high requirement for the Raise 6 Sec service, leading to a very high price for that in that week. Raise 60 costs in Week 6 and Week 7 then likely became more required, leading to higher prices for that service in those weeks.

**Question:** What is the basis for apportioning the gross FCAS cost to generators/SGA's? Is it the ratio of generation by the generator/SGA: total generation at the node?

**Answer:** A key factor in determining FCAS cost apportionment is the region/s in which the constraint was enabled, i.e. if the requirement is Local or Global. Recovery is then based on total participant generator energy by the relevant MG or MSGA in the relevant TI / Total generator energy by all MG and MSGA for the relevant TI, in Requirement regions. For more information please refer to Settlements Ancillary Services Guide:

[https://aemo.com.au/-/media/files/electricity/nem/data/ancillary\\_services/2020/settlements-guide-to-ancillary-services-payment-and-recovery.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/data/ancillary_services/2020/settlements-guide-to-ancillary-services-payment-and-recovery.pdf?la=en)

**Question:** Who determines the order in which the direction is provided to the Generators to provide the FCAS services?

**Answer:** If it's FCAS, it is determined by NEMDE (NEM Dispatch Engine) based on cheapest offers. If it's regarding Energy/FCAS directions, it's done by the AEMO control room in accordance with operating procedures that are routinely audited.

**Question:** Do all generators, SGA and retailers pass on FCAS raise charges to customers?

**Answer:** How participants choose to pass on costs is not a matter AEMO are aware of.

## 3. Project Updates (Presenter: Stephen Harrison, AEMO)

Stephen Harrison provided updates on the Five Minute Settlement and Global Settlement, Wholesale Demand Response, Retailer Reliability Obligation and Procurer of Last Resort.

### 3.1. Five Minute Settlement (5MS) and Global Settlement (GS)

- AEMO submitted rule change on 9 April 2020 requesting 5MS and GS delay by 12 months.
- Reallocation (catering 5 and 30 minute intervals) was deployed on 1 April 2020.

### 3.2. Wholesale Demand Response (WDR)

- On 12 March 2020, AEMC published the 2<sup>nd</sup> Draft Determination on the WDR mechanism that would allow consumers to sell demand response in the wholesale market through specialist aggregators.
- AEMO will review participants' feedback and engage participants in pre-consultation on baseline methodology. Guidelines as per draft determination will be developed.

### 3.3. Retailer Reliability Obligation (RRO) and Procurer of Last Resort (PoLR)

- The RRO implemented under the National Electricity Amendment (Retailer Reliability Obligation) Rule 2019, supports a reliable energy system by requiring energy retailers and some large energy users to hold contracts or invest directly in generation or demand response to support reliability in the NEM.
- The PoLR recovery mechanism seeks to allocate the costs of the RERT scheme on the basis of causer pays.
- AEMO is working on guidelines that detail the information flow, timing and calculations.

## 4. MCL Review – Removal of Shoulder 1 (Presenter: Cheryl Huang, AEMO)

Cheryl Huang highlighted that 2020 is the first year without Shoulder 1 season in the MCL review, and requested feedback following the implementation.

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:** Why SH1 Removal?

**Answer:** A consultation with participants and analysis were conducted last year and found that generally the participants' outstanding level in April (Shoulder 1) is similar with the Winter season (May to August). Therefore, AEMO decided to remove the Shoulder 1 season, eliminating the risks in relation to credit support arrangement for only a month.

## 5. Five Minute Settlement – Reallocation (Presenter: Pedro Riveros, AEMO)

Pedro Riveros introduced the new reallocation alerts and requested feedback on the new reallocation web page.

**Feedback:** Thought it went well and my team has provided positive feedback in regard to using it, greatly approved!

## 6. Prudential Performance and Risk (Presenter: Katalin Foran, AEMO)

Katalin Foran discussed the comparison between the forecast and actual MCL variables.

### 6.1. Prices - Forecast vs Actual

- Large divergence between forecasts and actuals over the past few years.
- Forecast prices slowly increasing (feature of the model).
- Now getting back to being in line with actual/futures prices.

### 6.2. Load - Forecast vs Actual

- Pretty accurate for most seasons and all states.

### 6.3. Load x Volatility - Forecast vs Actual

- There is a divergence between forecast and actuals.
- Higher volatility was compensating for the lower prices to give MCL that was closer to where it was meant to be.
- The way the model works with forecast prices more closer to actuals we would expect to see volatilities to fall.

**Question:** In this COVID environment why can't AEMO accept cash to meet an increase in MCL if that occurs, what is the difference between cash and a bank guarantee?

**Answer:** Cash is not accepted to meet the MCL requirement as there is the risk of clawback.

## 7. DWGM – Special Revision (Presenter: Nipun Saxena, AEMO)

Nipun Saxena presented on the Special Revisions in DWGM which are conducted (within 18 months of a revised statement issuance) to correct any errors that materially affect the participants.

- 8 special revisions were published for Sep 2017 – Sep 2018, with net market impact of \$977,000.
- 7 special revisions were published for Feb 2018 – Feb 2019, with net market impact of \$2,973,000.

**Question:** I find it hard to automate processing of textual statements from AEMO, because they're only semi structured. Is there any plan to publish XML/JSON/YAML copies?

**Answer:** Currently there are no plans for AEMO to publish statements in other formats but we're happy to talk further regarding your issue and resolve it. Please feel free to email us and we'll be happy to look into additional options.