

# MINUTES

MEETING: Settlement Managers Working Group  
 DATE: Tuesday, 14 December 2021  
 TIME: 1:30pm to 3:30pm  
 LOCATION: TEAMS

## ATTENDEES:

COMPANY	COMPANY
1st Energy Pty Ltd	Esso Australia Pty Ltd
Alinta Energy	Globird Energy Pty Ltd
APA Group	Hydro Tasmania
Arcadia Energy Trading Pty Ltd	Infigen Energy Markets Pty Limited
Arrow Energy Trading Pty Ltd	Innogy Energy Marketing Australia Pty Ltd
Balance Commodities And Energy Pty Ltd	InterGen (Australia) Pty Ltd
Basslink	Lal Lal Wind Farms Nom Co Pty Ltd
Blue NRG	Lincoln Gap Wind Farm
Clean Peak Energy	Macquarie Bank Ltd
Click Energy Pty Ltd	Meridian Energy Australia
CQ Energy	MTA Energy Pty Ltd
Crookwell Development Pty Ltd	Origin Energy Electricity Limited
CS Energy Ltd	Pacific Hydro
CSR Limited	Power Club Limited
Delta Electricity	Progressive Green Pty Ltd t/a Flow Power
Diamond Energy Pty Ltd	ReAmped Energy Pty Ltd
Discover Energy	Res-group
Elliott Green Power	Shell Energy Australia Pty Ltd
Elysian Energy Pty Ltd	Snowy Hydro Limited
Energy Locals	Sumo Power Pty Ltd
Energy Services Management	Wemen Asset Co Pty Ltd
EnergyAustralia	Weston Energy Pty Ltd
Engie	

## 1. Project Updates (Presenter: Stephen Harrison and Arlyne Yuliana)

Stephen Harrison provided updates on the web portal refresh, New Fee Structure Commencement, Zero Demand, 5-Minute Settlements, Market Customer Flooring and Wholesale Global Settlement, while Arlyne Yuliana provided updates on the Declared Wholesale Gas Market (DWGM) Enhancement Rule Changes.

### **1.1. New Fee Structure Commencement in NEM Markets**

- Impacting generation fees primarily
- Introduction of new categories that will be accessing those fees
- Up and running since 1 July 2021

### **1.2. Zero Demand and Market Flooring**

- Zero Demand an example here is given lower levels of system demand AEMO found that some calculations were being compromised when approximating zero, requiring system configuration, in this case for FCAS.
- Market Customer Flooring – This is an example of changing circumstances in the market forcing AEMO to review calculations and structures. Due to FCAS services being levied on a consumption basis and with the rise of better generation behind the meter, some participants ended up being paid despite contributing to FCAS costs.

### **1.3. 5 Minute (5MS)**

- Went live October 1, 2021
- Further detail below

### **1.4. Wholesale Demand Response (WDR)**

- Went live October 10, 2021
- Further detail below

### **1.5. Global Settlement**

- Settling 1 May 2022
- Further detail below

### **1.6. Declared Wholesale Gas Market (DWGM) Enhancements Rule Changes**

- Regulatory and Procedural work finalised. Procedures on the AEMO website
- Go live 1 January 2023
- ASX Wallumbilla future changes expected to be delivered in 2022 (no exact date available as yet)
- Market review in terms of hydrogen blends and renewable gas procedures – Procedural review task given by the AEMC

## **2. 5MS Post implementation (Presenter: Stephen Harrison)**

Stephen Harrison presented overview and discussion around 5MS Post Implementation. He discussed the Meter Data quality being challenging and how AEMO is working with MDPs to resolve data issues. Meter Data Profiling seeing significant swings across 5-minute periods when coupled with high/variable prices that load weighted outcome can produce unintended outcomes. AEMO has a solution and is in waiting for endorsement from the AER with the solution to be implemented in the new year.

During the Interconnector transition AEMO has observed challenges around the consistency of the data in the prelim statements. AEMO has managed to fix the issues before final statements are issued.

**Question:** What is causing meter data issues?

**Answer:** Single MDP with issues transitioning to a 5-minute scenario. AEMO is in regular contact with the MDP with the focus on triaging those omissions or errors that have the largest impact on participants and the exceptions are slowly diminishing.

**Question:** ETA on the meter data quality issues being resolved?

**Answer:** AEMO expects to be on top of the issues early next year

**Question:** How do we determine Settlement amounts are correct or not? Will there be ad-hoc adjustment on the regular settlement periods?

**Answer:** AEMO has methods for looking for anomalies in data, and whilst AEMO can track the larger variations the smaller variations are more difficult for us to track early on. AEMO endeavours to resolve the more consequential data errors prior to the Final Statement. Resolution of lesser impacts/ smaller issues expected to be resolved in R1. Any questions around validity of data in settlement statements feel free to follow up with MDP or AEMO directly

**Question:** What is the impacted period relating to meter data quality?

**Answer:** From 2021 Week 38 – 39 to recent weeks.

**Question:** Seeing large revisions for the period July -August. Is this related to meter data problem?

**Answer:** Not related to meter data quality issues. Best tackled directly between yourself and AEMO.

### **3. Global Settlements (Presenter: Darren Gatty)**

Darren Gatty presented an update on Global Settlements and how it changes how unaccounted energy is allocated. When it goes live on the 1<sup>st</sup> of May the allocation of the residual energy moves from the Local Retailer being billed for it all, under the current settlement by difference method, to the residual energy being allocated across all market customers.

**Question:** What is the reason for Global Settlement and how different is it from our current mode of settlement?

**Answer:** Under the current Settlement by Difference method, we have what is called a 'The local Retailer' or 'Tier one retailer' in each local area (i.e., distribution network) and originally that retailer was responsible for all customers. But as competition came in, some local areas now have a lot of customers who are no longer with the 'local retailer', and under the current settlement by difference method all the metered energy of the contestable customers that

have moved away from the 'tier one/local retailer' gets billed to those retailers and just the residual energy gets billed to the 'tier one/local retailer'

With Global Settlement, all market customers pay for the residual energy.

Further information can be found on the AEMC website.

#### **4. Credit Limit Procedures – Annual Review (Presenter: Cheryl Huang, Katalin Foran)**

Cheryl Huang presented on the key takeaways from the Credit Limit Procedures (CLP) annual review. The 2021 CLP review (not yet published) found that QLD and SA met the 2% prudential standard, NSW and VIC exceeded the 2% (came fairly close to the 2%), and TAS also exceeded the 2% due to the smaller dataset (only joining the NEM in 2006).

In 2020 – 2021 there has been no shortfall in the NEM market demonstrating that the collateral AEMO holds is sufficient to cover market exposures.

Cheryl discussed the impacts of the possible long-term trend of low demand and negative prices, particularly the on-flow effect of lower MCL levels for market participants. Lower MCL levels coupled with a high price event would result in Participants needing to provide a larger cash amount. Participants may in turn face challenges to cashflow and the risk of shortfall increases.

AEMO will review its prudentials processes to identify any additional risks due to this trend.

#### **5. Wholesale Demand Response (Presenter: Callum Carpenter)**

Callum Carpenter presented the Wholesale Demand Response (WDR) that went live on 24<sup>th</sup> of October. A demand response service provider (DRSP) is a new type of market participant who offers and provides load as a wholesale demand response. Since going live AEMO have seen some demand response events and expect more in the future if high prices eventuate.

**Question:** If retailer and DRSP are the same participant will AEMO be breaking out the cash flows on the AEMO statements?

**Answer:** It will net out as zero. On the SR you will see between the FRMP and DRSP.

#### **6. Prudential estimation (Presenter: Pedro Riveros)**

Pedro Riveros presented the Metering Estimation process (formally known as Settlement Estimation). This process is how AEMO calculates prudentials before we have a Preliminary Statement. The data for Interim runs are currently not being published. Participants are asked to provide feedback on the usefulness of this data if it was made available, there needs to be sufficient industry interest for this project to proceed.

Please see the estimation guide published on the AEMO website.

#### **7. Christmas Contacts (Presenter: Suchita Balasubramanian)**

Suchita Balasubramanian reminded Participants to send out Christmas contacts. Early payments are strongly recommended during this time.

## 8. Q and A

**Question:** The possibility of having reallocations on the basis of load following.

**Answer:** Not currently available.

In order to execute it effectively it would require AEMO to house information around customer level data or NMI's that relate to specific hedge contracts or those that were nominated by counterparties. At this stage evolving AEMO's system to take on that complexity is not a path AEMO will take at this time.

**Question:** Anything in the road map to introduce gas reallocations

**Answer:** It is on the list but not on the horizon.

AEMO must prioritise projects and ensure resources are mobilised for projects that provided the greatest impact for participants in both gas and electricity markets. Whilst gas reallocations are on the list it can't currently be prioritised.

**Question:** Market alerts for impending prudential issues on non-workdays and not just workdays

**Answer:** Participants are invited to create their own alerts using data available via Data Interchange or selected APIs.

Currently AEMO alerts are set up to align with both the National Electricity Rules (NER) and the AEMO procedures. The alerts look at the rules and what constitutes a workday. AEMO is not looking to add non-workday alerts in the near future.

**Question:** Reallocation ex ante due date in data extraction

**Answer:** The prudentials team has a list of improvements and enhancements that we keep, and when the opportunity arises, we will submit for inclusion. Depending on the program of work next year, we will endeavour to include in one of the smaller upcoming projects.

**Question:** Regarding DRSP - which amount will be allocated to the retailer in the NSW Peak Demand Reduction Scheme, i.e., will the reduction here reduce the retailer's liability?

**Answer:** I would advise that you seek more clarity from the NSW Energy Department. Unfortunately, AEMO is not in the position to interpret the NSW Legislation and provide advice on the back of that.