

# Adjusting Non-STEM Settlement Statements using latest available data

MAC – 20 November 2018

# Context

- There are two main limitations in the Non-STEM Settlement Adjustment Process
- **Issue 1** – The WEM Rules limit the factors that AEMO can consider in the Adjustment Process. Specifically, AEMO cannot address incorrect input data except for metering data.
- **Issue 2** – The Notice of Disagreement process in the WEM Rules may be unnecessarily restrictive for Market Participants.
- These issues may:
  - Lead to incorrect settlement outcomes in the market; OR
  - Lead to AEMO knowingly breaching the rules to ensure correct settlement outcomes, leading to increased administrative overhead from a compliance perspective;
- This issue has arisen twice in the 2017-18 Audit Period. On both occasions, AEMO incurred a “consequential breach” by using updated data in the Adjustment Process.<sup>1</sup>
- AEMO has been asked by the Market Auditors to “consider a rule change proposal to extend the list of data changes that can trigger a settlement adjustment.”

# Issue 1 – Adjustment Requirements

## Problem:

Section 9.19 of the WEM Rules allows AEMO to undertake the Adjustment Process for Settlements, taking into account:

- Meter Data;
- Non-Balancing Dispatch Instruction Payments;
- Non-Compliance of Constrained Payments;
- Market Fee rates;
- GST;
- Latest version of the Settlement Calculation Software; and
- Actions arising from a Notice of Disagreement or Dispute

## Impact:

- The specified list does not include all input data used for Settlements.
- For example:
  - Market data such as administered parameters.
  - System Management data such as Outage information, Ancillary Services information.
- If the incorrect data is identified by AEMO (i.e. not subject to a Notice of Disagreement), AEMO may not be able to include this information in the Adjustment Process leading to incorrect settlement outcomes.

# Issue 1 – Adjustment Requirements

## Recommendation:

AEMO considers the Adjustment Process should recalculate Settlement Statements using the best data available to AEMO at the time of recalculation.

## Detail:

It is recommended that the Adjustment Process should not recalculate any value that has been published publicly or impacts multiple participants.

## Eg:

- Balancing Price
- Load Following Up/Down Price
- Reserve Capacity Price
- DSM Reserve Capacity Price
- Max/Min Theoretical Energy Schedules
- Capacity Credit Allocations
- Energy Bilateral Contracts

# Issue 2 – Notice of Disagreement Timeline

## Problem:

1. Rule/Market Participants may only issue a Notice of Disagreement in relation to an NSTEM Statement by the specified deadline:
  - MR 9.16.2(f): Within 20 Business Days of the issued NSTEM Statement
2. A Rule/Market Participant may only issue a Notice of Disagreement in respect of the most recently issued NSTEM Statement, where the information differs from the previously issued NSTEM Statement. (MR 9.19.6)

## Impact:

- The tight deadline is often too restrictive for participants to effectively validate all of the information within the Settlement Statement.
- Within a 20 day period a participant might receive 4 STEM and 4 NSTEM invoices. A considerable amount of data for even the most sophisticated of participants.
- If an issue is not identified prior to the issuance of the next Settlement Statement the rules preclude this issue from being resolved.

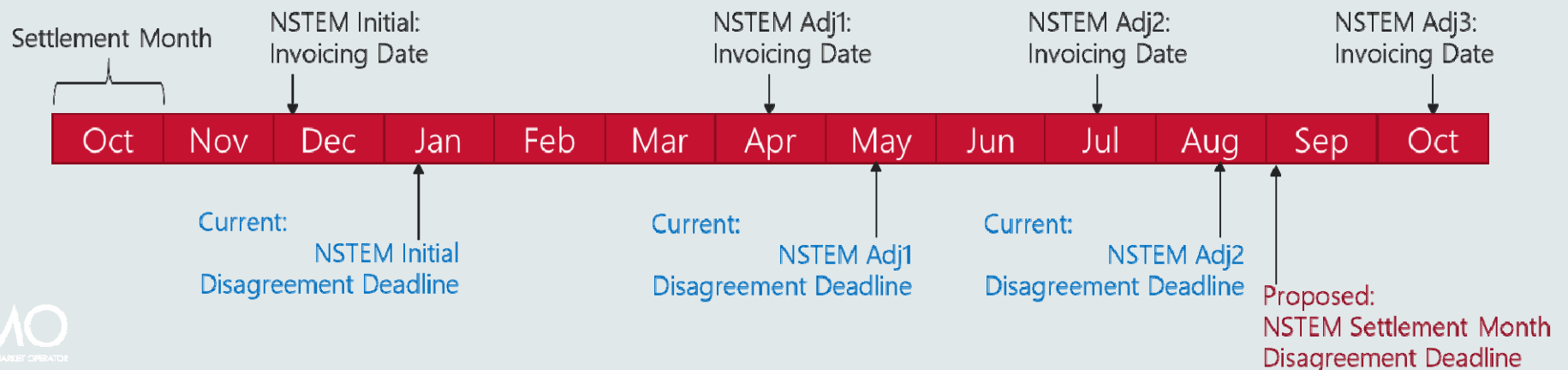
# Issue 2 – Notice of Disagreement Timeline

## Recommendation:

Any Rule Participant should be permitted to submit a Notice of Disagreement in relation to a Settlement Period. This used in conjunction with the recommendation from Issue 1 would allow AEMO to resolve any Settlement Disagreement in any subsequent Adjustment (i.e. allowing time to assess and correct the issue).

## Detail:

1. NSTEM: The Notice of Disagreement deadline should be specified as 5pm on the first business day 10 months after the Settlement Month.
2. STEM: The Notice of Disagreement deadline should remain as current; 5pm on the 20<sup>th</sup> Business Day following the date of invoice.



# Supporting Changes

As part of the proposed Rule Change AEMO recommends the following changes be included to support the Notice of Disagreement process:

Clause	Current Circumstance	Proposed Circumstance	Reason
9.20.1	A Notice of Disagreement must be submitted to AEMO in writing and may be mailed, sent by facsimile, e-mailed or submitted electronically to AEMO.	Changing the submission requirements of a Notice of Disagreement to be in the manner prescribed by AEMO in a Market Procedure.	Multiple methods of submitting a Notice of Disagreement places administration overhead on the collection and management process.
9.20.3	If AEMO does not confirm receipt a Rule Participant must follow up.	Streamlining the notification and confirmation process to require only AEMO to confirm receipt.	Requiring the Rule Participant to follow up on their own submission seems redundant in the current world of automated systems.
9.20.4	A Notice of Disagreement must include specific information and reasons when submitted by the Rule Participant.	The form and format of a Notice of Disagreement should be prescribed by AEMO in a Market Procedure.	Participants do not adhere to this guideline anyway. Allowing AEMO to prescribe the format in a Market Procedure will reduce the administrative overhead.
9.20.5	AEMO is required to notify the Metering Data Agent or Network Operator within 5 Business Days, specifying a date not later than 60 days after, if the Notice of Disagreement relates to data provided by their service.	Remove the requirement on AEMO to notify a third party in relation to a Notice of Disagreement.	This requirement is an unnecessary compliance obligation on AEMO. AEMO will manage the process as required to meet its obligation to respond within the overall deadline.
9.20.7	AEMO must respond to the Rule Participant within 3 months indicating any corrective actions taken.	<ol style="list-style-type: none"> <li>1. Reduce the timeline for AEMO to respond with corrective actions to within 20 Business Days.</li> <li>2. Provide a method for AEMO to extend the response deadline providing reasoning for the extension and new proposed deadline.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce the timeline to ensure AEMO can successfully action all Notice of Disagreements before issuance of Adjustment 3 invoice.</li> <li>2. Allowance for AEMO to extend the timeline if the revision to the settlement system is required.</li> </ol>

# Impact on AEMO

- The proposed changes will have minimal impact on AEMO in terms of effort and cost.
- It is expected that AEMO can accommodate the required changes within its current operational budget.

	Effort
System	None
Public Documents	XS
Internal Processes	S

- Changes would be expected to the following published documents:
  - Market Procedure: Settlements
  - Notice of Disagreement Form
  - Settlement Cycle Timeline
- Changes would be required to AEMOs internal processes:
  - Settlement Adjustments
  - Settlement Disagreements
  - Settlement Administration



# Questions and Next Steps

In line with WEM Rule 2.5.1A., AEMO is seeking the MAC's views on whether and when AEMO should develop a Rule Change Proposal to remedy this matter.

If MAC believes this matter should be addressed by a Rule Change:

- AEMO would welcome views on the relevant urgency/priority; and
- AEMO will develop a Pre Rule Change Proposal for review at MAC in February 2019.