

Rule Change Notice: Administrative Improvements to Settlement (RC_2019_04)

This notice is given under clause 2.5.7 of the Wholesale Electricity Market Rules (**Market Rules**).

Submitter: Martin Maticka – Australian Energy Market Operator (**AEMO**)

Date submitted: 18 November 2019

The Rule Change Proposal

AEMO has identified several issues with the non-STEM settlement adjustment process.

AEMO proposes changes to:

- allow AEMO to use updated input data for settlement, including data produced by AEMO and Maximum Theoretical Energy Schedule and Minimum Theoretical Energy Schedule (TES) values;
- provide more time for Rule Participants to lodge a Notice of Disagreement in relation to a Non-STEM Settlement Statement and subsequent adjusted Settlement Statements;
- include Ancillary Service Providers, who are not Market Participants, in the settlement process; and
- move some operational and procedural administration detail from the Market Rules to a Market Procedure.

The Rule Change Proposal, which is attached to this notice, gives complete information about:

- the proposed amendments to the Market Rules;
- the relevant references to the Market Rules and the proposed specific amendments to those clauses; and
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

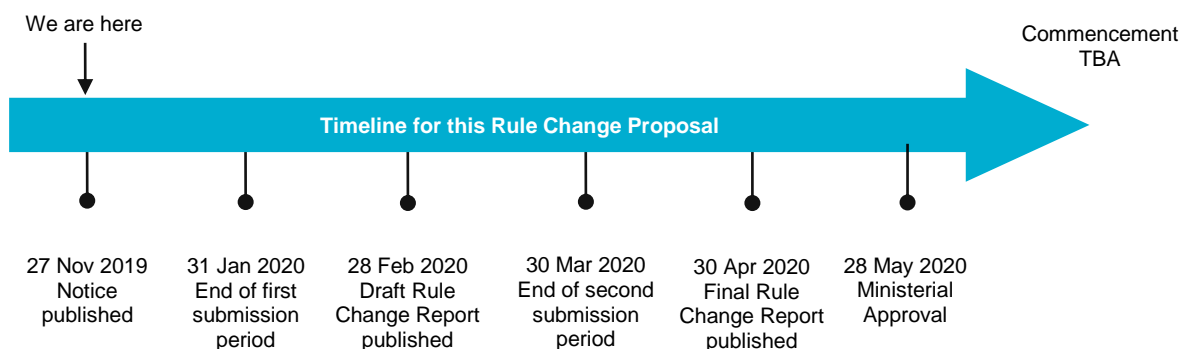
Decision to progress the Rule Change Proposal

The Rule Change Panel has decided to progress this Rule Change Proposal on the basis of its preliminary assessment that the proposal is consistent with the Wholesale Market Objectives.

Timeline

This Rule Change Proposal will be progressed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timeline for progressing this proposal is:



The Rule Change Panel has extended the first submission period beyond the usual 30 Business Days to account for the Christmas period.

Call for Submissions

The Rule Change Panel invites interested stakeholders to make submissions on this Rule Change Proposal. The submission period is 43 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the RCP Secretariat by **5:00 PM on Friday 31 January 2020**.

The Rule Change Panel prefers to receive submissions by email, using the submission form available at: <https://www.erawa.com.au/rule-change-panel/make-a-rule-change-submission> sent to support@rcpwa.com.au.

Submissions may also be sent to the Rule Change Panel by post, addressed to:

Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: RC_2019_04
Date received: [to be filled in by the RCP]

Change requested by:

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Organisation:	Australian Energy Market Operator (AEMO)
Address:	Level 45, 152 St Georges Terrace, Perth WA
Date submitted:	18 November 2019
Urgency:	High
Rule Change Proposal title:	Administrative Improvements to Settlement
Market Rule(s) affected:	Clauses 6.15.4, 8.4.3, 8.4.4, 8.4.5, 8.6.2, 9.2.1, 9.16.2, 9.16.3, 9.16.3A, 9.16.4, 9.18.1, 9.18.2, 9.18.3, 9.18.4, 9.19.1, 9.19.3, 9.19.5, 9.19.6, 9.19.7, 9.20.3, 9.20.4, 9.20.5, 9.20.7, 9.20.7A (new), 9.20.7B (new), 9.20.8, 9.21.1, 9.22.2, 9.22.4, 9.22.6, 9.22.8, 9.23.1, 9.23.4, 9.23.5, 9.23.6, 9.23.7, 9.24.1, 9.24.2, 9.24.4, 9.24.5, 9.24.6, 9.24.7, 9.24.8, 9.24.8A, 9.24.9 and 9.24.10

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: support@rcpwa.com.au

Post to: Rule Change Panel
 Attn: Executive Officer
 C/o Economic Regulation Authority
 PO Box 8469
 PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:

Overview of proposed amendments

This Rule Change Proposal addresses a number of administrative matters related to the settlement of the Wholesale Electricity Market (WEM). The amendments proposed by AEMO will result in more accurate market settlements, reducing the potential for unintended gains and losses. AEMO considers the proposed Amending Rules will therefore improve the efficiency and effectiveness of the market and therefore better meet Wholesale Market Objective (a).

AEMO proposes amendments to:

- clauses 6.15.4, 9.16.3, 9.16.3A and 9.19.1 of the WEM Rules to allow AEMO to use updated input data for settlement, including data produced by AEMO and Maximum Theoretical Energy Schedule and Minimum Theoretical Energy Schedule values (**TES**) values;
- clauses 9.16.2, 9.16.4, 9.19.6, 9.19.7, 9.20.7, 9.20.7A (new) and 9.20.7B (new) of the WEM Rules to provide more time for Rule Participants to lodge a Notice of Disagreement in relation to a Non-STEM Settlement Statement and subsequent adjusted Settlement Statements;
- clauses 9.16.2, 9.18.1, 9.18.2, 9.18.3, 9.18.4, 9.19.3, 9.20.7, 9.20.8, 9.21.1, 9.22.2, 9.23.1, 9.23.5, 9.23.6, 9.23.7, 9.24.1, 9.24.2, 9.24.4, 9.24.5, 9.24.6, 9.24.7, 9.24.8, 9.24.8A, 9.24.9 and 9.24.10 of the WEM Rules to correct an oversight, to include Ancillary Service Providers who are not Market Participants, in the settlement and default processes; and
- clauses 8.4.3, 8.4.4, 8.4.5, 8.6.2, 9.2.1, 9.19.5, 9.20.3, 9.20.4, 9.20.5, 9.22.4, 9.22.6,

9.22.8 and 9.23.4 of the WEM Rules to remove unnecessary operational and procedural administration detail from the WEM Rules.

AEMO has also taken the opportunity to propose a number of administrative changes to the clauses it proposes to amend to improve the integrity of the WEM Rules.

Each of these proposed changes are discussed in the following sections.

Allowing updated input data for settlement

AEMO proposes amendments to clauses 6.15.4, 9.16.3, 9.16.3A and 9.19.1 of the WEM Rules to allow it to adjust Settlement Statements to account for updated, more accurate input data where it becomes available.

The settlement process in the WEM includes the ability for AEMO to make adjustments to Settlement Statements to reflect updated, more accurate input data where it becomes available. Clause 9.16.3 of the WEM Rules states:

9.16.3. *AEMO must undertake a process for adjusting settlements (“**Adjustment Process**”) in accordance with clause 9.19. The purpose of the process is to review the Relevant Settlement Statements which were issued in the nine months prior to the commencement of the Adjustment Process (“**Relevant Settlement Statements**”) to facilitate corrections, as applicable, resulting from:*

- (a) *Notices of Disagreement;*
- (b) *the resolution of disputes;*
- (c) *revised metering data provided by Metering Data Agents;*
- (d) *any revised Market Fee rate, System Management Fee rate or Regulator Fee rate (as applicable);*
- (e) *any determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i); and*
- (f) *any adjustment required for GST purposes under clause 9.1.2.*

Adjustments may only be made to Relevant Settlement Statements. Adjustments may not be made to Settlement Statements outside of an Adjustment Process.

In the 2018/19 Financial Year AEMO transacted approximately \$4.7M in relation to settlement adjustments to ensure the correct market outcomes were achieved. The majority of these adjustments related to updated metering data.

Clause 9.19.1 of the WEM Rules specifies each type of information AEMO may take into account in the Adjustment Process:

9.19.1. *When undertaking an Adjustment Process AEMO must:*

- (a) *recalculate the amounts included in the Relevant Settlement Statements in accordance with this Chapter but taking into account any:*
 - i. *revised metering data which has been provided by Metering Data Agents;*
 - iA. *adjustment to Non-Balancing Dispatch Instruction Payments under clause 9.19.1A;*

- ii. *actions arising from a Notice of Disagreement;*
- iii. *the resolution of any Dispute;*
- iv. *determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i);*
- v. *revised Market Fee rate, System Management Fee rate or Regulator Fee rate; and*
- vi. *any adjustment required for GST purposes under clause 9.1.2;*

...

The list specified in clause 9.19.1 of the WEM Rules does not include a number of key data sources used in settlements which may, from time to time, be required to be updated or corrected to achieve accurate settlement and market outcomes. Specifically, it does not include data developed by AEMO.

AEMO considers that, when the WEM Rules were drafted, any error in settlements resulting from data developed by the then Independent Market Operator (now AEMO) would have been expected to be addressed as an action arising from a Notice of Disagreement or Notice of Dispute. However, this does not account for circumstances where AEMO may itself identify the need for updated input data it created.

AEMO routinely performs a thorough verification and validation process throughout the settlement process. This can result in AEMO identifying inaccurate, out-of-date or missing data which, if not updated, would result in incorrect settlement outcomes.

Over the past two years, there were seven instances where AEMO identified issues with data it developed that affected settlements and therefore market outcomes.

- For three of these instances, the affected party lodged a Notice of Disagreement under clause 9.20.1 of the WEM Rules. This allowed AEMO to reflect the updated data through the settlement Adjustment Process under clause 9.19.1(a)(ii) of the WEM Rules.
- In each of the other four instances AEMO proactively identified inaccurate, out-of-date or missing data and took into account revised information in the settlement process. This ensured accurate settlement and market outcomes. However, it resulted in non-compliances with clause 9.19.1 of the WEM Rules. These instances are discussed in AEMO's annual audit reports¹ and are as follows:
 - 18WEM1.19 in relation to incorrect Ancillary Service parameters
 - 18WEM1.19 in relation to missing Ancillary Service settlement amounts
 - 18WEM1.20 and 19WEM1.54 in relation to incorrect generation data and recalculation of TES values.

AEMO considers the settlement Adjustment Process should allow the recalculation of settlements using the best data available to it at the time, including any data developed by AEMO. AEMO therefore proposes amendments to clause 9.19.1(a) of the WEM Rules to expand the list of data for which AEMO may adjust settlements to include "any revised value

¹ Refer to the 2017/18 and 2018/19 market audit reports available at: <https://www.aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Compliance-and-audit>.

that AEMO considers to be in compliance with these Market Rules and accurate”².

In the 2017/18 market audit, the auditor supported the resolution of the issue, recommending AEMO progresses “a rule change proposal to extend the list of data changes that can trigger a settlement adjustment”³.

AEMO proposes two associated amendments:

1. **Removing the prohibition for AEMO to alter TES values in response to a Notice of Disagreement or Notice of Dispute** – Clause 6.15.4 of the WEM Rules currently prevents AEMO from correcting or replacing data used in the calculation of TES. AEMO considers the broader ability to recalculate TES to be beyond the scope of this Rule Change Proposal. However, in line with AEMO’s aim to improve the accuracy and efficiency of market outcomes through settlements, it considers it should use the most accurate and up-to-date data and therefore adjust TES (and settlements) where data is found to be missing or incorrect, for example due to erroneous or missing SCADA data. AEMO therefore proposes to delete clause 6.15.4 of the WEM Rules.
2. **Amending the definition of a Relevant Settlement Statement** – Clause 9.16.3A of the WEM Rules currently defines a Relevant Settlement Statement for Non-STEM Settlement Statements by referencing the receipt of revised metering data or out of merit generation quantities. To facilitate the proposed amendment to broaden the ability for AEMO to adjust settlements to reflect more accurate or up-to-date data, AEMO proposes to remove this detail and simply refer to “revised data”.

Change to the deadline for Notices of Disagreement relating to Non-STEM Settlement Statements

In line with AEMO’s aim to improve the accuracy of market outcomes through settlements, it has reviewed the timelines in relation to Notices of Disagreement.

Currently under clauses 9.16.2(f) and 9.16.4(e) of the WEM Rules, a Rule Participant may only lodge a Notice of Disagreement relating to a Non-STEM Settlement Statement within 20 Business Days of the statement being issued. Clause 9.19.7 specifies an additional deadline where a Notice of Disagreement with respect to an adjusted Settlement Statement may not be issued more than nine months after the issuance of the original Settlement Statement. These deadlines can conflict and create confusion.

Moreover, under clause 9.19.6 of the WEM Rules, a Rule Participant may only issue a Notice of Disagreement in relation to the most recently issued statement, where information included in that statement varies from the most recently issued version, and that information has not been changed in accordance with the resolution of a Notice of Disagreement or a Notice of Dispute.

The tight deadline can often be too restrictive for Rule Participants to effectively validate all of the information within the Settlement Statement. Moreover, AEMO highlights that, within a 20-day period a Rule Participant could receive up to eight Settlement Statements to review and validate. Should a Rule Participant not identify an issue prior to the issuance of the next version of the Settlement Statement, clause 9.16.2 of the WEM Rules may prevent the issue from being resolved and the correct market outcome may not be achieved.

² This drafting is consistent with clause 9.20.6 of the WEM Rules, under which settlements may be adjusted for updates to information developed by AEMO in response to a Notice of Disagreement.

³ Audit findings 18WEM1.19 and 18WEM1.20 of the WEM Audit Report refer, available at: <https://www.aemo.com.au/-/media/Files/Electricity/WEM/Compliance/RBP--AEMO--WEM-Audit-Report-v10--Public--2018-10-12.pdf>.

AEMO considers that, should a Rule Participant find an error in a Settlement Statement, it should be corrected at any point before AEMO makes the final adjustment to ensure accurate market outcomes. AEMO therefore proposes an extension of the timeframe for a Rule Participant to review, and where necessary, lodge a Notice of Disagreement (on any issued Settlement Statement for the Trading Month) until the first Business Day of the eleventh month following the Trading Month being settled.

AEMO proposes the following amendments to the WEM Rules:

- Amend the Non-STEM Settlement Disagreement Deadline in clauses 9.16.2(f) and 9.16.4(e), from 5:00 PM on the twentieth Business Day following the date on which a Non-STEM Settlement Statement was issued, to 5:00 PM on the first Business Day of the eleventh month following the Trading Month being settled.
- Remove clause 9.19.6, which only allows Rule Participants to issue a Notice of Disagreement in relation to information that has been amended since the previous version of the Settlement Statement.
- Remove clause 9.19.7, which currently places a final deadline of nine months on Notices of Disagreement relating to a Non-STEM Settlement Statement to allow the final/third settlement Adjustment Process to occur. This is now redundant as, under the proposed new process, there would only be one deadline rather than three.
- Amend clause 9.20.7 to reduce the period for AEMO to respond to Notices of Disagreement relating to a Non-STEM Settlement Statement from three months to 20 Business Days to facilitate the extended Non-STEM Settlement Disagreement Deadline.
- Introduce two new clauses (9.20.7A and 9.20.7B) to allow AEMO to extend the deadline to respond to Notices of Disagreement if required, but to no later than the ten months after the Non-STEM Settlement Statement Date for the initial settlement (specified in clause 9.16.2(c)). This will ensure a response is provided before the Non-STEM Settlement Statement Date for the final/third settlement Adjustment Process.

These proposed changes to the Notices of Disagreement timelines are summarised in Figure 1:

	Current Timeline	Proposed Timeline
Jun 2019	Trade Month	Trade Month
Jul 2019		
Aug 2019	Initial Statements and Invoicing - Thu, 8 Aug 2019 [9.16.2(c),(d)]	Initial Statements and Invoicing - Thu, 8 Aug 2019 [9.16.2(c),(d)]
Sep 2019	Disagreement Deadline - Thu, 5 Sep 2019 [9.16.2(f)]	Disagreement Deadline - Thu, 5 Sep 2019 [9.16.2(f)]
Oct 2019		
Nov 2019		
Dec 2019	1st Adjustment Statements - Mon, 16 Dec 2019 [9.16.4(b)]	1st Adjustment Statements - Mon, 16 Dec 2019 [9.16.4(b)]
Jan 2020	Disagreement Deadline - Thu, 16 Jan 2020 [9.16.2(f)]	Disagreement Deadline - Thu, 16 Jan 2020 [9.16.2(f)]
Feb 2020		
Mar 2020	2nd Adjustment Statements - Mon, 16 Mar 2020 [9.16.4(b)]	2nd Adjustment Statements - Mon, 16 Mar 2020 [9.16.4(b)]
Apr 2020		
May 2020	Disagreement Deadline - Fri, 8 May 2020 [9.19.7] 3rd Adjustment Commencement - Thu, 14 May 2020 [9.16.4(a)]	Disagreement Deadline - Fri, 8 May 2020 [9.19.7] Latest Disagreement Deadline - Fri, 1 May 2020 [9.16.4(e)] AEMO Latest Response - Fri, 29 May 2020 [9.20.7] 3rd Adjustment Commencement - Thu, 14 May 2020 [9.16.4(a)]
Jun 2020	3rd Adjustment Statements - Mon, 15 Jun 2020 [9.16.4(b)]	3rd Adjustment Latest Extension Allowed - Sat, 8 Jun 2020 [9.20.7B] Statements - Mon, 15 Jun 2020 [9.16.4(b)]

Figure 1 Summary of Proposed Notice of Disagreement Timelines

AEMO assessed the potential impact of removing the strong incentive for Rule Participants to review Settlement Statements earlier in the process. As settlement is a zero-sum game, there will always be at least one party negatively affected, and therefore they have a financial incentive to review and raise any issue with Settlement Statements as soon as practicable. On this basis, AEMO considers the proposed amendments should have little impact on the timing of settlement adjustments and therefore certainty of settlement outcomes for Rule Participants.

Use of the term Rule Participant to include Ancillary Service Providers in settlement and default processes

Ancillary Service Providers are Rule Participants, but are not Market Participants. Various settlement and default related clauses of the WEM Rules refer to Market Participants, thereby excluding these provisions from applying to some Ancillary Service Providers.

AEMO considers this to be an oversight and proposes to replace the term Market Participant with Rule Participant in clauses 9.16.2(f), 9.18.1, 9.18.3, 9.18.4, 9.19.3, 9.20.7, 9.21.1, 9.22.2, 9.23.1, 9.23.4, 9.23.6, 9.23.7, 9.24.1, 9.24.2, 9.24.4, 9.24.5, 9.24.6, 9.24.7, 9.24.8, 9.24.8A, 9.24.9 and 9.24.10 of the WEM Rules.

AEMO also proposes to amend clause 9.18.2 of the WEM Rules to include Ancillary Service Providers on the list of participant types to which AEMO must provide a Non-STEM Settlement Statement.

Remove unnecessary detail from the WEM Rules

The WEM Rules currently include the detail on the operational and procedural administration of settlement related matters. AEMO considers many of the obligations currently included in the WEM Rules are overly prescriptive and are often redundant, and therefore should be removed and if required included in the relevant Market Procedure.

AEMO therefore proposes the following changes to the WEM Rules:

- Clauses 8.4.4 and 8.4.5 of the WEM Rules currently require AEMO to confirm receipt of, and the relevant Metering Data Agent to contact AEMO if it has not confirmed receipt of a Meter Data Submission. Clause 8.4.3 requires Meter Data Submissions to be made using the Settlement Submission System. AEMO notes that the Market Procedure: Meter Data Submissions contains information about the interactions between it and Metering Data Agents. AEMO considers that a Market Procedure is the appropriate document to contain such operational detail. AEMO therefore proposes an amendment to clause 8.6.2 of the WEM Rules to require processes related to Meter Data Submissions to be documented in a Market Procedure, and the deletion of clauses 8.4.3, 8.4.4 and 8.4.5 of the WEM Rules.
- Clause 9.20.3 of the WEM Rules currently requires a Market Participant to notify AEMO if it does not receive a receipt for a Notice of Disagreement. AEMO considers this step to be redundant as the Market Participant has sufficient incentive to ensure the notice was received. AEMO therefore considers clause 9.20.3 of the WEM Rules should be deleted.
- Clause 9.20.4 of the WEM Rules specifies the information a Notice of Disagreement must include. AEMO highlights that the information required by a Notice of Disagreement may vary on a case-by-case basis and considers some level of discretion could be applied by AEMO. It therefore considers clause 9.20.4 of the WEM Rules should be amended to require AEMO to specify the form and content of a Notice of Disagreement in the relevant Market Procedure. AEMO also proposes to make the obligation to document these processes in a Market Procedure explicit by amending the head of power for the Market Procedure: Settlement in clause 9.2.1 of the WEM Rules.
- Clause 9.20.5 of the WEM Rules requires AEMO to notify the Metering Data Agent or Network Operator within 5 Business Days of the receipt of a Notice of Disagreement, specifying a date not later than 60 days after, if the Notice of Disagreement relates to data provided by their service. AEMO considers it should only be required to notify the Metering Data Agent or Network Operator of a Notice of Disagreement if the issue requires that party to assist in the resolution of the issue. Moreover, AEMO considers such administrative detail should be included in the relevant Market Procedure as required, rather than the WEM Rules. AEMO therefore considers clause 9.20.5 of the WEM Rules should be removed.
- Clauses 9.22.4, 9.22.6 and 9.22.8 of the WEM Rules require AEMO and Rule Participants to pay all amounts owed over one dollar. In its consultation on the pre Rule Change Proposal, stakeholders suggested and the Market Advisory Committee (**MAC**) agreed that the amount should be increased to ensure that a Rule Participant does not make a loss on a WEM transaction. AEMO uses AustraClear for most market transactions. At present, a Market Participant has advised the transaction fee is \$5.50 plus GST. Requiring payments to be made for amounts below the transaction fee will result in a loss. AEMO proposes to amend the WEM Rules to establish the principle of settlements applying to amounts above the cost of transaction, and move the detail to

the Market Procedure: Settlement.

Administrative changes

AEMO has also taken the opportunity to propose a number of administrative changes to the clauses it proposes be amended to improve the integrity of the WEM Rules. This includes clauses 9.16.2, 9.16.3, 9.16.3A, 9.16.4, 9.18.4, 9.19.1, 9.19.5, 9.20.7, 9.20.8, 9.22.4, 9.22.6, 9.22.8, 9.23.4 and 9.24.8 of the WEM Rules.

Consultation

In accordance with clause 2.5.1A of the WEM Rules, AEMO is required to consult with the MAC in relation to the matters to be addressed, the options available, and whether AEMO should progress a Rule Change Proposal. AEMO presented a paper at the November 2018 MAC meeting⁴ and received support from MAC members to progress a Rule Change Proposal to allow it to make settlement adjustments for all updated input data⁵.

At the MAC meeting, members asked whether AEMO could consider proposing amendments to allow TES quantities to be recalculated⁶. AEMO agreed to consider whether updates to TES should be included in this Rule Change Proposal. AEMO considers that such changes to the design of the market and associated systems are beyond the scope of the operational process related issues addressed in this Rule Change Proposal. AEMO has therefore not included a broad ability to recalculate TES quantities in this proposal. However, it has made changes to allow it to recalculate TES due to incorrect or missing input data (see page 5).

AEMO presented a pre Rule Change Proposal at the October 2019 MAC meeting. MAC members supported the progression of the Rule Change Proposal with High urgency. The following recommendations to address a number of additional but broadly related matters have been addressed in the sections above:

- correcting the use of the term Market Participants to Rule Participants to account for Ancillary Service Providers in the default process;
- removing the requirement for AEMO to acknowledge receipt of metering data, and a Metering Data Agent to subsequently notify AEMO when it has not acknowledged receipt within the required timeframe⁷, and moving this procedural detail to the associated Market Procedure; and
- removing the requirement to pay all settlement amounts over one dollar, instead establishing the principle that settlements are required for all amounts in excess of the cost of the transaction, and moving this procedural detail to the associated Market Procedure.

2. Explain the reason for the degree of urgency:

The proposed changes are critical to allow AEMO to accurately settle the WEM in compliance with the WEM Rules. In the past two years, there have been four such instances where AEMO

⁴ Papers are available at: [https://www.erawa.com.au/cproot/19905/2/MAC%202018_11_20%20--%20Agenda%20Item%208\(e\)%20--%20AEMO%20presentation.pdf](https://www.erawa.com.au/cproot/19905/2/MAC%202018_11_20%20--%20Agenda%20Item%208(e)%20--%20AEMO%20presentation.pdf).

⁵ See Agenda Item 8(e) of the MAC meeting minutes, available at: https://www.erawa.com.au/cproot/20085/2/MAC%202018_11_20%20--%20Minutes%20FINAL.PDF.

⁶ More information is included in the papers related to RC_2012_19: Constrained On/Off Compensation for Non-Scheduled Generators, including minutes of the 14 November 2012 MAC meeting.

⁷ Western Power raised this matter with the Rule Change Panel in a letter dated 21 October 2019.

has been non-compliant with the WEM Rules due to these issues.

AEMO considers the matters addressed in this Rule Change Proposal should be addressed as a priority to avoid any further non-compliances with the WEM Rules.

The proposed changes are operational and administrative in nature, and do not change fundamental principles of the current market design. Moreover, AEMO’s proposed amendments are not inconsistent with the policy direction of the State Government’s reform programme.

On this basis, AEMO considers this Rule Change Proposal should be progressed prior to the new market arrangements being implemented.

3. Provide any proposed specific changes to particular Market Rules: (for clarity, please use the current wording of the rules and place a ~~strikethrough~~ where words are deleted and underline words added)

AEMO proposes the following amendments to the WEM Rules:

~~6.15.4 The Maximum Theoretical Energy Schedules and Minimum Theoretical Energy Schedules calculated by AEMO in accordance with clause 6.15.3 cannot be altered by:~~

- ~~(a) disagreement under clause 9.20.6; or~~
- ~~(b) disputes under clause 9.21.1.~~

...

~~8.4.3. A Meter Data Submission must be made using the Settlement Submission System.~~

~~8.4.4. Upon receipt of a Meter Data Submission, AEMO must provide a Metering Data Agent with confirmation of receipt of a Meter Data Submission made in accordance with clause 8.4.1 within one hour.~~

~~8.4.5. If a Metering Data Agent fails to receive confirmation of receipt of a Meter Data Submission in accordance with clause 8.4.4, it must contact AEMO within one hour of failing to receive confirmation in accordance with clause 8.4.4 to appraise AEMO of the failure of AEMO to provide confirmation of receipt and, if necessary to make alternative arrangements for the submission of the information.~~

...

~~8.6.2. AEMO must document the format of Meter Data Submissions in a Market Procedure, and Metering Data Agents must comply with that documented Market Procedure when developing and submitting Meter Data Submissions. AEMO must document in a Market Procedure:~~

- ~~(a) the format in which Meter Data Submissions must be made by Metering Data Agents; and~~

(b) the processes that must be followed by Metering Data Agents when making, and AEMO when processing, Meter Data Submissions.

...

9.2.1. AEMO must document the settlement process, including the application of taxes and interest, and processes related to Notices of Disagreement and Notices of Dispute in a Market Procedure.

...

9.16.2. ~~For all Financial Years other than the first Financial Year of energy market operations, the~~ The settlement cycle timeline for settlement of other amounts payable under these Market Rules for all Trading Days within a Financial Year must be published by AEMO at least one calendar month prior to the commencement of that Financial Year. ~~For the first Financial Year of energy market operation, the settlement cycle timeline must be published one calendar month prior to Energy Market Commencement.~~ This settlement cycle timeline must include for each settlement cycle:

...

(f) The Non-STEM Settlement Disagreement Deadline, being 5:00 ~~PM~~^{pm} on the ~~twentieth~~ first Business Day of the eleventh month following the commencement of the Trading Month being settled, ~~date on which a Non-STEM Settlement Statement was issued.~~ A Market Rule Participant has until this time to lodge a Notice of Disagreement with AEMO in relation to any amount included in the Non-STEM Settlement Statement.

9.16.3. AEMO must undertake a process for adjusting settlements (“**Adjustment Process**”) in accordance with ~~clause section~~ section 9.19. The purpose of the process is to review the Relevant Settlement Statements which were issued in the nine months prior to the commencement of the Adjustment Process (“**Relevant Settlement Statements**”) to facilitate corrections, as applicable, resulting from:

- (a) Notices of Disagreement;
- (b) ~~the resolution of~~ Notices of dDisputes;
- (c) revised metering data provided by Metering Data Agents;
- (cA) any revised value that AEMO considers to be in compliance with these Market Rules and accurate;
- (d) any revised Market Fee rate, System Management Fee rate or Regulator Fee rate (as applicable);
- (e) any determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i); and
- (f) any adjustment required for GST purposes under clause 9.1.2.

Adjustments may only be made to Relevant Settlement Statements. –Adjustments may not be made to Settlement Statements outside of an Adjustment Process.

9.16.3A_ A Relevant Settlement Statement is:

- (a) any STEM Settlement Statement or Non-STEM Settlement Statement that requires correction as the result of the resolution of a dispute raised under section 2.19, where AEMO has indicated under clause 9.20.7 that it will revise information in response to a Notice of Disagreement, or where an adjustment is required in accordance with clause 9.1.2; and
- (b) any Non-STEM Settlement Statement for which the Invoicing Date occurred in the month that is three, six or nine months prior to the start of the Adjustment Process, and for which AEMO has ~~received~~ revised metering data that AEMO considers to be in compliance with these Market Rules and accurate from a Metering Data Agent or any determinations in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i).

9.16.4. The following dates for each Adjustment Process to be undertaken during a Financial Year must be published by AEMO at least one calendar month prior to the commencement of that Financial Year ~~or, only in the case of the first Financial Year of energy market operation, one calendar month prior to Energy Market Commencement:~~

- (a) the commencement date for the settlement ~~a~~ Adjustment process;
- (b) the date by which adjusted STEM Settlement Statements and Non-STEM Settlement Statements will be released, where this must be not less than 20 Business Days after the date set for the purposes of clause 9.16.4(a);
- (c) the date by which Invoices reflecting the adjusted STEM Settlement Statements and Non-STEM Settlement Statements will be released, where this must be not less than two Business Days after the date set for the purposes of clause 9.16.4(b);
- (d) the settlement date for the Invoices described in clause 9.16.4(c), where this must be not less than two Business Days after the date set for the purposes of clause 9.16.4(c); and
- (e) ~~subject to clause 9.19.7,~~ the deadline for Notices of Disagreement pertaining to an adjusted Settlement Statement, where this must be ~~not more than 20 Business Days after the adjusted Settlement Statement is released~~ the first Business Day of the eleventh month following the commencement of the Trading Month being settled.

...

9.18.1. AEMO must provide Non-STEM Settlement Statements to Market Rule Participants in accordance with the settlement cycle timeline published under clause 9.16.2.

- 9.18.2. AEMO must provide a Non-STEM Settlement Statement to each:
- (a) Market Generator; ~~and~~
 - (b) Market Customer; and
 - (c) Ancillary Service Provider.
- 9.18.3. A Non-STEM Settlement Statement must contain the following information:
- (a) details of the Trading Days covered by the Non-STEM Settlement Statement;
 - (b) the identity of the Market Rule Participant to which the Non-STEM Settlement Statement relates;
 - (c) for each Trading Interval of each Trading Day:
 - i. the Bilateral Contract quantities for that Market Participant;
 - ii. the Net Contract Position of the Market Participant;
 - iiA. the MWh quantity of energy scheduled from each of the Market Rule Participant's Facilities;
 - iii. [Blank]
 - iv. the Maximum Theoretical Energy Schedule and the Minimum Theoretical Energy Schedule data for each of the Market Participant's Registered Facilities;
 - v. the meter reading for each Registered Facility associated with the Market Rule Participant;
 - ...
 - ix. details of amounts calculated for the Market Rule Participant under sections 9.7 to 9.14 with respect to:
 - 1. Reserve Capacity settlement;
 - 2. Balancing Settlement;
 - 3. Ancillary Services settlement;
 - 4. Outage compensation settlement;
 - 5. Reconciliation settlement;
 - 6. [Blank]
 - 7. Fee settlement; and
 - 8. Net Monthly Non-STEM Settlement Amount;
 - (cA) details of any Capacity Credits allocated to the Market Participant from another Market Participant in accordance with sections 9.4 and 9.5;
 - (cB) details of any Capacity Credits allocated to another Market Participant from the Market Participant in accordance with sections 9.4 and 9.5;

- (cC) details of any reductions in payments in the preceding Trading Month under clause 9.24.3A as a result of a Market Rule Participant being in default;
- (cD) details of any payments to the Market Rule Participant as a result of AEMO recovering funds not paid to the Market Rule Participant in previous Trading Months under clause 9.24.3A as a result of a Market Rule Participant being in default;
- (cE) in regard to Default Levy re-allocations, as defined in accordance with clause 9.24.9:
 - i. the total amount of Default Levy paid by that Market Rule Participant during the Financial Year, with supporting calculations;
 - ii. the adjusted allocation of those Default Levies to be paid by that Market Rule Participant, with supporting calculations; and
 - iii. the net adjustment be made;
- ...
- (g) the net dollar amount owed by the Market Rule Participant to AEMO for the billing period (i.e. the Trading Days covered by the Non-STEM Settlement Statement) where this may be a positive or negative amount; and
- (h) all applicable taxes.

9.18.4. A Market Rule Participant may under ~~clause section~~ 9.20 issue a Notice of Disagreement in respect of a Non-STEM Settlement Statement by the Non-STEM Settlement Disagreement Deadline.

...

9.19.1. When undertaking an Adjustment Process AEMO must:

- (a) recalculate the amounts included in the Relevant Settlement Statements in accordance with this Chapter but taking into account any:
 - i. revised metering data which has been provided by Metering Data Agents;
 - iA. adjustment to Non-Balancing Dispatch Instruction Payments under clause 9.19.1A;
 - ii. actions arising from a Notice of Disagreement;
 - iii. the resolution of any Notice of Dispute;
 - iv. determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i);
 - v. revised Market Fee rate, System Management Fee rate or Regulator Fee rate; ~~and~~
 - vi. any adjustment required for GST purposes under clause 9.1.2; and
 - vii. any revised value that AEMO considers to be in compliance with these Market Rules and accurate; and

- (b) provide adjusted STEM Settlement Statements and adjusted Non-STEM Settlement Statements to Rule Participants in accordance with the timeline specified under clause 9.16.4 in respect of the relevant Adjustment Process.

...

9.19.3. An adjusted Settlement Statement must include details of the adjustment to be paid by or to the Market Rule Participant, being:

- (a) the adjustment which will need to be paid by or to the Market Rule Participant to put the Market Rule Participant in the position it would have been in at the time payment was made in respect of the original Settlement Statement if the adjusted Settlement Statement had been issued as the original Settlement Statement (but taking into account any adjustments previously made under this section 9.19); plus
- (b) interest on the amount referred to in clause 9.19.3(a) calculated in accordance with clause 9.1.3.

...

9.19.5. A Rule Participant may under section clause 9.20 issue a Notice of Disagreement in respect of an adjusted Settlement Statement by the deadline specified under clause 9.16.4(e) in respect of the relevant Adjustment Process.

~~9.19.6. Subject to clause 9.19.7, a Rule Participant may only issue a Notice of Disagreement for an adjusted Settlement Statement with respect to information in the adjusted Settlement Statement which differs from information in the previously released version of that Settlement Statement and which has not been changed in accordance with the resolution of a Notice of Disagreement issued by the relevant Market Participant or a Dispute in relation to which the relevant Market Participant was a Dispute Participant.~~

~~9.19.7. A Notice of Disagreement with respect to an adjusted Settlement Statement may not be issued more than nine months after the issuance of the original Settlement Statement.~~

...

~~9.20.3. If a Rule Participant fails to receive a confirmation in accordance with clause 9.20.2, then it must contact AEMO within one Business Day of the deadline for receipt of the confirmation described in clause 9.20.2 to appraise AEMO of the failure of AEMO to confirm receipt and, if necessary, to make alternative arrangements for the submission of the Notice of Disagreement. [Blank]~~

9.20.4. A Notice of Disagreement must contain the information set out, and be in the format prescribed by AEMO in the Market Procedure specified in clause 9.2.1.include:

- ~~(a) details of the Settlement Statement and Trading Day to which the Notice of Disagreement relates;~~
- ~~(b) details of the Rule Participant to which the Notice of Disagreement relates; and~~
- ~~(c) a list of information in the Settlement Statement with which the Market Participant disagrees, including:

 - ~~i. the reason for the disagreement; and~~
 - ~~ii. what the Rule Participant believes the correct value should be, if this is known.~~~~

9.20.5. ~~[Blank]If a Notice of Disagreement relates to information provided to AEMO by a Metering Data Agent or SCADA data provided by a Network Operator then as soon as practicable, but not later than five Business Days after AEMO confirms receipt of the Notice of Disagreement, AEMO must;~~

- ~~(a) notify the Metering Data Agent or Network Operator (as applicable) of any item of information provided by them to which the Notice of Disagreement relates;~~
- ~~(b) notify the Metering Data Agent or Network Operator (as applicable) of the time and date by which AEMO requires a response, where the date is to be no later than 60 days after the date on which AEMO confirmed receipt of the Notice of Disagreement; and~~
- ~~(c) require the Metering Data Agent or Network Operator (as applicable) to investigate the accuracy of the item and to provide a response by the time specified under clause 9.20.5(b):

 - ~~i. reporting on the actions taken to investigate the accuracy of the item; and~~
 - ~~ii. if applicable, a revised value for the item that the Metering Data Agent or Network Operator (as applicable) considers to be in compliance with these Market Rules and accurate.~~~~

...

9.20.7. AEMO must, as soon as practicable, but within ~~three months of confirming~~ 20 Business Days of the receipt of a Notice of Disagreement respond to a Market Rule Participant who issued a Notice of Disagreement indicating the actions (if any) AEMO will take in response to the Notice of Disagreement, where such actions may include:

- (a) revising information provided to AEMO by Metering Data Agents and Network Operators (as applicable), and the reasons provided to AEMO for those revisions, ~~in accordance with clause 9.20.5;~~
- (b) revising information developed by AEMO and used as an input to the settlement process, and the reason for the revision, as determined in accordance with clause 9.20.6; and

- (c) whether AEMO considers an error was made in the settlement calculations that has produced an incorrect Settlement Statement.

9.20.7A. AEMO may extend the deadline to respond to the Notice of Disagreement in clause 9.20.7 where it determines additional time is required to respond, including where it requires additional time to assess the relevant information or determine the actions it will take. Where AEMO decides to extend the deadline to respond to a Notice of Disagreement, it must notify the Rule Participant:

- (a) that it has decided to extend the deadline in clause 9.20.7;
- (b) the reasons for its decision to extend the deadline in clause 9.20.7; and
- (c) the time by which AEMO will respond to the Notice of Disagreement.

9.20.7B. AEMO must not extend the deadline to respond to a Notice of Disagreement under clause 9.20.7A to a date later than ten months after the Non-STEM Settlement Statement Date specified in clause 9.16.2(c) for the relevant Trading Month.

9.20.8. If a Market Rule Participant is not satisfied with AEMO's response to a Notice of Disagreement ~~given by the Market Participant~~, it may issue a Notice of Dispute to AEMO in accordance with ~~clause section~~ 9.21.

...

9.21.1. A ~~Market Rule~~ Participant may only issue a Notice of Dispute in regard to a Settlement Statement after:

- (a) having raised a Notice of Disagreement with respect to a Settlement Statement; and
- (b) AEMO having given a response under clause 9.20.7 in respect of the Notice of Disagreement with which the Market Rule Participant is not satisfied.

...

9.22.2. An Invoice must include:

- (a) all Settlement Statements (including adjusted Settlement Statements) to which the Invoice relates;
- (b) the net amount to be paid to or by AEMO (including applicable taxes). A positive amount is to be paid by the Market Rule Participant to AEMO and a negative amount is to be paid by AEMO to the ~~Market Rule~~ Participant;
- (c) the payment date and time; and
- (d) any amounts outstanding from overdue payments in relation to previous Settlement Statements.

...

9.22.4. AEMO must document in a Market Procedure:

- (a) ~~nominate that an~~ the electronic funds transfer (“EFT”) facility ~~is to that must~~ be used by all ~~Market Participants and Rule Participants and AEMO~~ for the purpose of some or all settlements under these Market Rules; and
- (b) the minimum amount payable for the purpose of settlements, which is the amount over which Rule Participants and AEMO must pay the full Invoice amount.

...

- 9.22.6. If an Invoice indicates that a Rule Participant owes an amount payable greater than one dollar to AEMO, then the Rule Participant must pay the full amount to AEMO (in cleared funds) by 10:00 AM on the date specified in the Invoice in accordance with clause 9.16.1(b), 9.16.2(e) and 9.16.4(d) (as applicable), whether or not it disputes the amount indicated to be payable.

...

- 9.22.8. If an Invoice indicates that AEMO owes an amount payable greater than one dollar to a Rule Participant, then AEMO must make available the full amount to the Rule Participant (in cleared funds) by 2:00 PM on the date specified in the Invoice in accordance with clauses 9.16.1(b), 9.16.2(e) and 9.16.4(d) (as applicable), except as provided for in ~~clause~~ section 9.24.

...

- 9.23.1. For the purposes of these Market Rules, a “**Suspension Event**” occurs in relation to a ~~Market Rule~~ Participant if:
- (a) the ~~Market Rule~~ Participant fails to make a payment under these Market Rules before the time it is due;
 - (b) the Market Participant is in breach of a Prudential Obligation;
 - (c) AEMO has drawn on a Credit Support in relation to the Market Participant and payment under the Credit Support is not received by AEMO within 90 minutes of being requested;
 - (d) it is unlawful for the ~~Market Rule~~ Participant to comply with any of its obligations under the Market Rules or any other obligation owed to the Economic Regulation Authority or the ~~Market Rule~~ Participant claims that it is unlawful for it to do so;
 - (e) it is unlawful for a provider of Credit Support in relation to the Market Participant to comply with any of its obligations under the Credit Support or any other obligation owed to AEMO or the provider claims that it is unlawful for it to do so;
 - (f) an authorisation from a government body necessary to enable the ~~Market Rule~~ Participant to carry on a business or activity related to its participation in the Wholesale Electricity Market ceases to be in full force and effect;

- (g) an authorisation from a government body necessary for the provider of Credit Support in relation to the Market Participant to carry on the business of providing credit support ceases to be in full force and effect;
- (h) the Market Rule Participant ceases or threatens to cease to carry on its business or a substantial part of its business related to its participation in the Wholesale Electricity Market;
- (i) the provider of Credit Support in relation to the Market Participant ceases or threatens to cease to carry on its business of providing Credit Support;
- (j) the Market Rule Participant is insolvent within the meaning of clause 9.23.2;
- (k) a provider of Credit Support in relation to the Market Participant is insolvent within the meaning of clause 9.23.2;
- (l) a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Market Rule Participant or a provider of Credit Support in relation to that Market Participant; or
- (m) the Market Rule Participant or a provider of Credit Support in relation to the Market Participant is dissolved.

...

9.23.4. If AEMO becomes aware that a Suspension Event has occurred in relation to a Rule Participant and the Suspension Event has not been remedied, then AEMO must as soon as practicable:

- (a) subject to clause 9.23.5, issue a notice (“**Cure Notice**”), requiring that the Suspension Event be remedied within 24 hours from the time the Cure Notice is issued; and
- (b) if it has not already done so, Draw Upon Credit Support held in relation to that Market Participant for the amount which AEMO determines is actually or contingently owing by the Market Participant to AEMO under these Market Rules.

9.23.5. Where AEMO has given a Cure Notice to a Market Rule Participant in respect of a Suspension Event described in clause 9.23.1(a) or 9.23.1(b), AEMO may extend the deadline for remedying the Suspension Event by up to five Business Days from the date on which the Suspension Event occurred if AEMO considers that:

- (a) the Market Rule Participant can pay all outstanding amounts, and comply in full with the Prudential Obligations, before the end of the extended deadline; and
- (b) the Market Rule Participant is not capable of doing so within the 24 hours following the issuance of the Cure Notice.

9.23.6. Where AEMO has given a Cure Notice to a Market Rule Participant in respect of a Suspension Event described in any of clauses 9.23.1(c) to 9.23.1(m), AEMO may

extend the deadline for remedying the Suspension Event for such period as AEMO considers appropriate if AEMO considers that:

- (a) the Market Rule Participant will be able to remedy the Suspension Event before the end of the extended deadline; and
- (b) the Market Rule Participant is not capable of doing so within the 24 hours following the issuance of the Cure Notice.

9.23.7. If a Market Rule Participant does not remedy a Suspension Event before the deadline specified in clause 9.23.4(a) (as extended, if applicable, under clause 9.23.5 or 9.23.6), then AEMO may issue a Suspension Notice to the relevant Market Rule Participant in which case ~~clause section~~ 2.32 applies.

9.24.1. If a Market Rule Participant fails to make a payment under these Market Rules to AEMO before it is due, then AEMO may Draw Upon any Credit Support in relation to that Market Participant to meet the payment.

9.24.2. If, under Part 5.7B of the Corporations Act or another law relating to insolvency or the protection of creditors or similar matters, AEMO is required to disgorge or repay an amount, or pay an amount equivalent to an amount, paid by a Market Rule Participant under the Market Rules:

- (a) AEMO may Draw Upon any Credit Support held by AEMO in relation to the Market Participant for the amount disgorged, repaid or paid ("**Repaid Amount**"); and
- (b) if AEMO is not able to recover all or part of the Repaid Amount by drawing upon Credit Support held by AEMO in relation to the Market Participant, then AEMO must take the Repaid Amount into account the next time it calculates the Reconciliation Settlement amount under clause 9.11.1 as if it was a positive Balancing Settlement amount for a Market Rule Participant for a Trading Day during the relevant Trading Month.

...

9.24.4. If AEMO has reduced any payment under clause 9.24.3A as a result of a Payment Default and, within five Business Days of the Payment Default, it has received full or partial payment of the overdue amount, then AEMO must within one Business Day apply the amount received (including any interest paid under clause 9.22.7 in respect of the Payment Default) as follows.

...

- (b) Second, AEMO must apply the remainder on a pro-rata basis to all Market Rule Participants who suffered a reduction under clause 9.24.3A(b). The amount to be paid to each Market Rule Participant is determined by applying the formula in clause 9.24.3A(b), but as if:

AAP referred to the amount to be paid to each Market Rule Participant;

MAA referred to the remainder of the full or partial payment after the application of clause 9.24.4(a); and

NAP and TNAP have the same values as when the reduction was calculated.

- 9.24.5. If, five Business Days after a Payment Default, AEMO is yet to recover in full the overdue amount, then it must raise a Default Levy from all Market Rule Participants (other than Market Rule Participants with unrecovered Payment Defaults) to cover the remaining shortfall (including interest calculated in accordance with clause 9.22.7). AEMO will determine the amount to be paid by each Market Rule Participant, having regard to the absolute value of the MWh of generation or consumption, determined in accordance with the Metered Schedules, for each Market Rule Participant for Trading Intervals during the most recent Trading Month for which Non-STEM Settlement Statements have been issued, as a proportion of the total of those values for all Market Rule Participants (other than Market Rule Participants with unrecovered Payment Defaults).
- 9.24.6. AEMO must notify each Market Rule Participant of the amount it must pay in respect of the Default Levy as determined in accordance with clause 9.24.5 within six Business Days of the Payment Default occurring.
- 9.24.7. A Market Rule Participant must pay the full amount notified by AEMO under clause 9.24.6 to AEMO (in cleared funds) by 10:00 AM of the 8th Business Day following the date of the Payment Default, whether or not it disputes the amount notified.
- 9.24.8. By 2:00 PM on the 8th Business Day following the date of a Payment Default, AEMO is to allocate the total of the -Default Levy amounts received under clause 9.24.7 as follows.
- ...
- (b) Second, AEMO must apply the remainder on a pro-rata basis to all Market Rule Participants who suffered a reduction under clause 9.24.3A(b). The amount to be paid to each Market Rule Participant is determined by applying the formula in clause 9.24.3A(b), but as if:
- AAP referred to the amount to be paid to each Market Rule Participant;
- MAA referred to the remainder of the total of the Default Levy amounts received under clause 9.24.7 after the application of clause 9.24.8(a); and
- NAP and TNAP have the same values as when the reduction was calculated.
- 9.24.8A If a Market Rule Participant pays part or all of a Default Levy after the date and time prescribed in clause 9.24.7 but within five Business Days of that date, then AEMO must within one Business Day apply the amount received in accordance with clause 9.24.8 as if it was an amount received under clause 9.24.7.

9.24.9. By the end of the second month following the end of a Financial Year, AEMO must re-allocate any Default Levies raised during that Financial Year as follows:

...

- (b) AEMO will determine the aggregate Default Levy amount which should have been paid by each Market Rule Participant, having regard to the absolute value of the MWh of generation or consumption, as determined in accordance with the Metered Schedules for each Market Rule Participant (excluding Market Rule Participants with unrecovered Payment Defaults) for Trading Intervals during the Financial Year as a proportion of the total of those values for all these Market Rule Participants;
- (c) AEMO must compare the amount determined for the Market Rule Participant under clause 9.24.9(b) with the total of the amounts which the Market Rule Participant actually paid under clause 9.24.7;
- (d) AEMO must determine an appropriate adjustment to put each Market Rule Participant in the position it would have been in had it paid the amount determined under clause 9.24.9(b) instead of the amounts actually paid under clause 9.24.7; and
- (e) AEMO must include that adjustment in the Non-STEM Settlement Statement for the most recently completed Trading Month.

9.24.10. If, after raising a Default Levy in respect of a Payment Default in accordance with clause 9.24.5, AEMO recovers all or part of the relevant shortfall from the defaulting Market Rule Participant, then it must use the amount recovered to refund Default Levy amounts paid under clause 9.24.7 in respect of the Payment Default as soon as practicable but not later than the end of the calendar month following the month in which the amount is recovered. AEMO will determine the amount to be refunded to each Market Rule Participant which paid a Default Levy amount under clause 9.24.7 in respect of the Payment Default (as adjusted, if applicable, under clause 9.24.9). In determining the amount to be refunded to a Market Rule Participant, AEMO must have regard to:

- (a) the amount recovered; and
- (b) the Default Levy amount paid by the Market Rule Participant under clause 9.24.7 (as adjusted, if applicable, under clause 9.24.9) as a proportion of the total of those amounts paid by all Market Rule Participants.

...

4. Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:

This Rule Change Proposal addresses a number of matters related to the settlement of the WEM. The changes proposed by AEMO will:

- allow AEMO to use updated input data for settlement, including data produced by itself

and TES;

- provide more time for Rule Participants to lodge a Notice of Disagreement in relation to a Non-STEM Settlement Statement and subsequent versions of Settlement Statements issued through the settlement Adjustment Process;
- correct an oversight to include Ancillary Service Providers, who may not otherwise be Market Participants, in the settlement process; and
- remove unnecessary procedural detail from the WEM Rules.

AEMO considers each of these changes will result in more accurate settlements and efficient market outcomes, and therefore better meet Wholesale Market Objective (a).

AEMO has also taken the opportunity to propose a number of administrative changes to the clauses it proposes to amend to improve the integrity of the WEM Rules.

5. Provide any identifiable costs and benefits of the change:

AEMO has considered the high level impact of this Rule Change Proposal and the subsequent Procedure Change Proposal on the market systems and processes.

AEMO notes the proposed changes do not require AEMO to make amendments to market systems. AEMO does not anticipate that Rule Participants would be required to make any changes to their systems as a result of these changes.

The Market Procedure: Settlement and Market Procedure: Meter Data Submissions will require consequential amendments. AEMO will progress a Procedure Change Proposal in parallel to the consultation on this Rule Change Proposal. This is particularly important as AEMO proposes to move some operational and administrative procedural detail from the WEM Rules to the Market Procedure. AEMO will work with Western Power to document the current operational processes that must be followed by Metering Data Agents and AEMO in relation to making Meter Data Submissions

AEMO will make the associated changes to the Settlement Cycle Timeline in parallel to the consultation on the Procedure Change Proposal.

As the proposed changes are primarily related to AEMO's administrative processes, it does not anticipate any issues with the timing of the implementation of the proposed amendments in this Rule Change Proposal.

Clauses 9.16.3 and 9.16.4 of the WEM Rules are Protected Provisions under clause 2.8.13. Clause 9.24.7 of the WEM Rules is a Category C civil penalty provision under schedule 1 of the WEM Regulations. There are no reviewable decisions affected.