

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY  
MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

## Market Procedure for: Settlement

**Commencement:** This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

**Market Procedures Published by the Minister**

I, FRANCIS LOGAN, Minister for Energy for the State of Western Australia, under regulation 9(2) of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* hereby approve the publication of the publication of the Settlement Procedure contained in this document.

This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

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Dated at Perth this ... .. day of ... .. 2006.

# 1. Settlement Procedure

The Settlement Procedure covers the processes to be used in relation to the financial settlement of trading through the Wholesale Electricity Market (WEM). The settlement process is described and includes the application of taxes and interest to WEM transactions.

This procedure is made in accordance with Market Rule 9.2.1.

## 1.1 Interpretation

In this procedure, unless the contrary intention is expressed:

- (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to the Electricity Industry (Wholesale Electricity Market) Regulations 2004);
- (b) to the extent that this procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;
- (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
- (d) words expressed in the singular include the plural or vice versa.

## 1.2 Purpose

The purpose of this procedure is:

- to describe the settlement process; and
- to outline the application of taxes and interest to settlement transactions.

## 1.3 Application

This procedure applies to:

- Market Participants;
- the IMO; and
- System Management.

## 1.4 Overview of the Settlements Process

Most communications between Rule Participants and the IMO relating to settlements will occur electronically through the Wholesale Electricity Market System (WEMS). For detailed information on navigating the WEMS Settlement function, refer to the following User Guides available on the IMO website:

- Settlement Vol. 1 – POMAX Settlement
- Settlement Vol. II – WebLink
- Settlement Vol. III – Dispute Resolution

Settlement involves three main processes:

- STEM transactions, settled on a weekly basis;
- Non-STEM transactions, settled on a monthly basis;
- adjustments to settlement, at least once every three months where disagreements have occurred.

STEM transactions will be settled weekly following the completion of a Trading Week. STEM transactions for the Trading Week will be summarised in a STEM Settlement Statement provided to a Rule Participant through the WEMS.

All Non-STEM transactions will be settled on a monthly basis, after meter data has been received. Non-STEM transactions will be included in Non-STEM Settlement Statements, issued following each Trading Month. A separate settlement statement will be developed for each segment of the Non-STEM settlement run.

The settlement Adjustment Process reviews both STEM and Non-STEM settlements in the preceding 12 months to facilitate corrections resulting from:

- Notices of Disagreement;
- resolution of any Disputes;
- revised Metering Data; and
- any other reason brought to the attention of the IMO.

This procedure covers only the settlement processes. Information on prudential requirements and meter data submissions, which interact with the settlement process, are outlined in separate procedures.

## 1.5 Settlement Timelines

### STEM

Market Rule 9.16.1 provides that the settlement cycle timeline for the STEM is as follows:

- **STEM Settlement Statements** (for each of the Trading Days in the Trading Week) **and Invoices for the STEM Settlement Statements** must be issued by the first Business Day commencing after the end of a Trading Week.
- **The STEM Settlement Date** (the date upon which transactions covered by a STEM Settlement Statement are settled) is the second Business Day following the date of the Invoice in relation to the STEM Settlement Statement is issued.
- **The STEM Settlement Disagreement Deadline** is 5.00pm on the twentieth Business Day following the date the Invoice in relation to the STEM Settlement Statement is issued. A Market Participant has until this time to lodge a Notice of Disagreement with the IMO pertaining to any amount included in the relevant STEM Settlement Statement.

### Non-STEM

Market Rule 9.16.2 (c) – (f) provides the timing for the following in each Non-STEM settlement cycle:

- **The Non-STEM Settlement Statement Date** (the Business Day by which Non-STEM Settlement Statements for a Trading Month must be issued) is not less than three Business Days and not more than five Business Days after meter data submissions are provided to the IMO. For the avoidance of doubt, the meter data submission date in clause 9.16.2(b)(v) of the Rules is the Interval Meter Deadline defined under clause 9.16.2(a).
- **The Invoicing Date** (the Business Day by which the IMO must issue Invoices for Non-STEM Settlement Statements for a Trading Month) is the sixth Business Day of the second month following the month in which the Trading Month being settled commenced.
- **The Non-STEM Settlement Date** (the Business Day on which the transactions covered by a Non-STEM Settlement Statement are settled) is the eighth Business Day of the second month following the month in which the Trading Month being settled commenced.

- **The Non-STEM Settlement Disagreement Deadline** is 5:00pm on the twentieth Business Day following the date on which a Non-STEM Settlement Statement was issued. A Market Participant has until this time to lodge a Notice of Disagreement with the IMO in relation to any amount included in the Non-STEM Settlement Statement.

### Capacity Credit Allocation

Market Rule 9.16.2 (b) provides the following timing rules for the Capacity Credit Allocation Submission timeline:

- **The Earliest Submission Date** (and time) at which Capacity Credit Allocation Submissions for a Trading Month can be made is a Business Day after the end of the Trading Month to which the Capacity Credit Allocation Submission relates but not less than 10 Business Days prior to the Non-STEM Settlement Statement Date.
- **The Latest Submission Date** (and time) at which Capacity Credit Allocation Submissions for a Trading Month can be made is not less than five Business Days prior to the Non-STEM Settlement Statement Date.
- **The date (and time) by which the IMO must contact a Market Participant with a request to nominate modifications** is not less than four Business Days prior to the Non-STEM Settlement Statement Date.
- **The date (and time) by which a Market Participant must respond to a request to nominate modifications** is not less than two Business Days prior to the Non-STEM Settlement Statement Date.
- **The Acceptance Notification Date** (and time) by which the IMO will notify Market Participants from which the IMO has accepted Capacity Credit Allocation Submissions - not less than two Business Days prior to the Non-STEM Settlement Statement, but later than the time specified for Market Participants to respond to a request to nominate modifications.

### Meter Data Submission Timeline

Market Rule 9.16.2(a) provides that the Interval Meter Deadline, by which meter data submission must be provided for a Trading Month, is the first Business Day of the second month following the month in which the Trading Month commenced.

For all financial years other than the first financial year of energy market operation, the IMO will publish on its website the settlement cycle timelines, at least one month prior to the

commencement of the financial year to which the timelines apply. For the first financial year of energy market operation, the IMO will publish the timelines one month prior to energy market commencement.

## **Adjustment Process**

Market Rules 9.16.3 and 9.16.4 provide the following timing rules for the settlement Adjustment Process:

- **The Commencement Date** for the settlement Adjustment Process is at least once every three months;
- **The Adjusted STEM and Non-STEM Settlement Statement Dates** (the Business Day by which adjusted STEM and Non-STEM Settlement Statements will be released) is not less than 20 Business Days after the Adjustment Process Commencement date.
- **The Invoicing Date** (the Business Day by which the IMO must issue Invoices reflecting the adjusted STEM and Non-STEM Settlement Statements) is not less than two Business Days after the adjusted STEM or Non-STEM Settlement Statement Dates, as the case may be.
- **The Settlement Date** (the Business Day on which the relevant Invoices are settled) is not less than two Business Days after the Invoicing Date.
- **The Disagreement Deadline** is not more than 20 Business Days following the adjusted STEM or Non-STEM Settlement Statement Date, as the case may be. A Market Participant has until this time to lodge a Notice of Disagreement with the IMO in relation to any amount included in the adjusted STEM or Non-STEM Settlement Statement, as the case may be.

The IMO will publish on its website the dates for each Adjustment Process, at least one month prior to the commencement of the financial year in which the Adjustment Process dates fall. For the first financial year of energy market operation, the IMO will publish the timelines one month prior to energy market commencement.

## **1.6 Procedure steps to be followed by Market Participants**

- 1 Rule Participants can view and download Settlement Statements and Invoices, and download reports through the WebLink function on the WEMS. WebLink is accessed through the Market Participant Interface of the WEMS. For more information on accessing and navigating WebLink, refer to the User Guide entitled Settlement Vol.II – WebLink available on the IMO website ([www.imowa.com.au](http://www.imowa.com.au)).

## Settlement Statements

- 2 Settlement Statements will be viewed and approved through WebLink and made available on the relevant Settlement Statement Date outlined in the Settlement Cycle Timeline. Settlement Statements will only be generated with respect to periods, markets and segments in which a Rule Participant has activity. The Statement List Screen on WebLink allows Rule Participants to retrieve a list of statements, based on market and date related search criteria.
- 3 Through the Statements Screen of WebLink, Rule Participants are able to do the following:
  - expand line items.
  - dispute statement lines;
  - download and print statements;
- 4 In relation to **STEM Settlement Statements**:
  - STEM Settlement Statements will contain the information outlined in Market Rule 9.17.2.
  - A STEM Market Rule Participant may issue a Notice of Disagreement, in accordance with Market Rule 9.20 and Section 1.9 of this Market Procedure. The Notice of Disagreement must be by issue by the STEM Settlement Disagreement Date outlined in the Settlement Cycle Timeline. (Market Rule 9.17.3)
- 5 In relation to **Non-STEM Settlement Statements**:
  - Non-STEM Settlement Statements will be issued for each Non-STEM Settlement Segment and will contain the information outlined in Market Rule 9.18.3.
  - Non-STEM Settlement Statements will be issued to each Market Generator and Market Customer. (Market Rule 9.18.2)
  - A Non-STEM Market Rule Participant may issue a Notice of Disagreement, in accordance with Market Rule 9.20 and Section 1.9 of this Market Procedure. The Notice of Disagreement must be issued by the Non-STEM Settlement Disagreement Date outlined in the Settlement Cycle Timeline. (Market Rule 9.18.4)

## Participant Information Reports

- 6 Market Participants are provided with the following reports, which contain additional information in order to validate data:
  - Participant Summary Report – a summary of settlement information; and
  - Participant Information Report – more detailed information on the total market values and data for the Market Participant. The information will enable the Market Participant to validate the data used to calculate the value in the settlement statement transactions.
- 7 The Participant Information Report Screen on WebLink allows Rule Participants to retrieve a list of reports, based on date and report related search criteria.
- 8 Through the Participant Information Report Screen of WebLink, Rule Participants can download participant reports, but are not able to view them from the WEMS screen.
- 9 The IMO will publish on its website ([www.imowa.com.au](http://www.imowa.com.au)) a description of participant information report variables.

## Invoicing

- 10 Invoices will be viewed and printed through WebLink. On the relevant STEM and Non-STEM Invoicing Date, in accordance with the Settlement System Timelines, invoices will be available on the Invoices screen of WebLink.
- 11 The Invoices Screen on WebLink allows Rule Participants to retrieve a list of invoices, based on date related search criteria.
- 12 Through the Invoices Screen of WebLink, Rule Participants are able to do the following:
  - view invoices;
  - print invoices; and
  - download invoices in XML format.
- 13 The invoices will include the information outlined in Market Rule 9.22.2 and the following information:
  - Participant Name and details;
  - Participant and IMO ABNs (required for GST purposes);

- Invoice Number;
- Invoice Generation date;
- payment Due Date;
- term covered by Invoice;
- charge / Payment descriptions;
- quantity and amounts associated with charges / payments;
- tax description, rate and amount;
- interest description, rate and amount;
- Total invoice amount;
- where the invoice relates to supplies made by the IMO, the invoice will be clearly labelled "Tax Invoice"; and
- where the invoice relates to supplies made to the IMO, the invoice will be clearly labelled "Recipient Created Tax Invoice".

## **Payment**

- 14 Where the Market Participant owes an amount to the IMO under an invoice, the Market Participant must authorise payment in full through the IMO's nominated electronic funds transfer facility, Austraclear, unless alternate payment methods are authorised by the IMO. Payment in full must be made even if the Market Participant disputes the amount. (Market Rule 9.22.5)
- 15 The Market Participant must ensure that transactions are completed after authorisation by following through with the Market Participant's banking representatives.
- 16 The IMO must be in receipt of cleared funds by 10.00 am on the payment date indicated on the relevant Invoice, otherwise a default event will be triggered under Market Rule 9.23.1. (Market Rule 9.22.6)

## **1.7 Procedure steps to be followed by the IMO**

### **Settlement Data and Determinants**

- 1 The IMO will import the information to be used in performing its settlement obligations and calculate the determinants outlined out in Market Rule 9.3 through the WEMS settlement system. This includes determining:

- the Metered Schedule for each Facility and Non-Dispatchable Load for each Trading Interval (Market Rule 9.3.3);
- a Single Metered Schedule for a Trading Interval for certain Non-Dispatchable Loads (Notional Wholesale Meter) (Market Rule 9.3.4A); and
- the Consumption Share for each Market Participant in each Trading Month.

### **Settlement Calculations**

2 Unless otherwise provided in the Market Rules, the IMO will calculate the settlement amounts through the WEMS settlement system. Settlement amounts will be calculated in accordance with the Market Rules:

- STEM Settlement Amount for a Trading Week (Market Rule 9.6);
- Reserve Capacity Settlement Amount for a Trading Month (Market Rule 9.7);
- Balancing Settlement Amount for a Trading Day (Market Rule 9.8);
- Ancillary Service Settlement Amount for a Trading Month (Market Rule 9.9);
- Commitment and Outage Compensation Amount for a Trading Month (Market Rule 9.10);
- Non Compliance Charge for a Trading Month (Market Rule 9.10A);
- Reconciliation of Settlement Amount for a Trading Month (Market Rule 9.11);
- Network Control Service Settlement Amount for a Trading Month (Market Rule 9.12);
- Market Participant Fee Settlement Amount for a Trading Month (Market Rule 9.13);
- Net Non-STEM Settlement Amount for a Trading Month (Market Rule 9.14); and
- Service Fee Settlement Amount for a Trading Month (Market Rule 9.15).

The IMO will make available on its website ([www.imowa.com.au](http://www.imowa.com.au)) a spreadsheet of settlement calculations.

### **Settlement Statements**

3 The IMO will generate Settlement Statements, via the WEMS, by the deadlines set out in the relevant Settlement Cycle Timelines.

## **Settlement Reports**

- 4 The IMO will generate Participant Information Reports and Participant Summary Reports, via the WEMS.

The IMO will make available on its website ([www.imowa.com.au](http://www.imowa.com.au)) a description of Participant Information Report variables.

## **Invoices**

- 5 The IMO will generate Invoices, via the WEMS, by the deadlines set out in the relevant settlement cycle timelines.

## **Payment**

- 6 For the purpose of settling market transactions, the IMO is required to maintain an account with an institution that meets either of the Acceptable Credit Criteria requirements set out in Market Rule 2.38.6 (a).
- 7 Where the IMO owes an amount to a Market Participant, it will authorise payment through the IMO's nominated electronic funds transfer facility – Austraclear.
- 8 The IMO must pay the full amount owed, in cleared funds, by 2.00 pm on the payment date indicated on the relevant invoice, except as provided in clause 9.24 of the Market Rules (Settlement in Default Situations).

## **Allocation of Service Fee Settlement Amounts**

- 9 The IMO is required to establish, in its books, a separate fund for Service Fee Settlement Amounts. (Market Rule 9.22.9)
- 10 Service Fee Settlement Amounts are taken to be paid once credited to the separate account established under Step 9. (Market Rule 9.22.10)

## **1.8 Adjustment Process**

The Adjustment Process entails the following steps:

- 1 Commencement of the Adjustment Process in accordance with the dates for each Adjustment Process outlined in the Settlement Cycle Timelines.
- 2 Where differences have occurred, the IMO will recalculate the amounts included in the relevant Settlement Statements issued in the 12 months prior to the commencement of the Adjustment Process, taking into account:
  - Notices of Disagreement;

- resolution of any Disputes;
  - revised Metering Data; and
  - other issues brought to the attention of the IMO.
- 3 The IMO will provide adjusted STEM Settlement Statements and adjusted Non-STEM Settlement Statements to Rule Participants, through the WEMS, in accordance with the settlement timeline for the relevant Adjustment Process. (Market Rule 9.19.1)
  - 4 The adjusted Settlement Statement will be in the same form as the original Settlement Statement, except that:
    - (a) where data differs from the original Settlement Statement, the IMO will record both the original and the modified values, including and an explanation of the change (Market Rule 9.19.2); and
    - (b) the adjusted Settlement Statement will include details of the adjustment to be paid by or to the Market Participant, and interest, where payable. (Market Rule 9.19.3)
  - 5 When recalculating amounts as part of an Adjustment Process, the IMO may use the version of the settlement calculation software current at the time of the recalculation. (Market Rule 9.19.4)
  - 6 Notwithstanding the ability of the IMO to use a corrected version of software, including any variances and fixes, the effective dating of settlement configuration changes means that the version of the configuration that was valid at the time of the original statement will pertain.
  - 7 A Rule Participant may under Market Rule 9.20, issue a Notice of Disagreement in respect of an adjusted Settlement Statement by the deadline specified under Market Rule 9.16.4(e) with respect to the relevant Adjustment Process.
  - 8 A Rule Participant may issue a Notice of Disagreement, in accordance with Market Rule 9.20 and Section 1.9 of this Market Procedure, except that:
    - (a) a Rule Participant may only issue a Notice of Disagreement with respect to information in the relevant adjusted Settlement Statement that:
      - differs from the original Settlement Statement; and
      - has not been changed in accordance with the resolution of a Notice of Disagreement or a Dispute in which the Market Participant partook. (Market Rule 9.19.6); and

- (b) 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. (Market Rule 9.19.7)
- 9 A Notice of Disagreement must be by issued by the Disagreement Date outlined in the settlement timeline for the relevant Adjustment Process. (Market Rule 9.19.5)

## **1.9 Notices of Disagreement and Dispute**

### **Notice of Disagreement**

- 1 A disagreement created through WebLink, and in accordance with Steps 2 to 7 of this procedure, is a Notice of Disagreement for the purpose of the Market Rules.
- 2 Where a Market Participant does not agree with information provided in a Settlement Statement, the Market Participant may create a disagreement through WebLink. For more information on accessing and navigating the disagreements function of WebLink, refer to the User Guide entitled Settlement Vol. III – Dispute Resolution available on the IMO website ([www.imowa.com.au](http://www.imowa.com.au)).
- 3 A disagreement via Weblink can be created from:
  - the Settlement Statements Screen, as outlined in Section 1.6, Step 3 of this Market Procedure; or
  - directly from the Create Disagreement Screen (for general settlement issues, invoicing disputes, trading issues as does not allow statements or details to be attached).
- 4 Where a Rule Participant selects to create a disagreement from the Settlement Statement Screen on WebLink, in order to dispute a Settlement Statement or individual line items within a Settlement Statement, a Create Disagreement page will open with the selected statement or lines attached.
- 5 Where a Rule Participant selects to create a disagreement directly from the Create Disagreement Screen on WebLink, a Create Disagreement page will open but will not contain any attached statement information.
- 6 Rule Participants should ensure that all fields in the Create Disagreement Screen are completed, as Market Rule 9.20.4 requires the following information to be provided:
  - the Rule Participant's details;
  - details of the Settlement Statement and Trading Day to which the disagreement relates; and

- a list of information in the Settlement Statement with which the Market Participant disagrees, including:
  - the reason for the disagreement; and
  - what the corrected value is believed to be, where known.

The fields to be completed in the Create Disagreement Screen on WebLink are outlined in the User Guide entitled Settlement Vol. III – Dispute Resolution available on the IMO website ([www.imowa.com.au](http://www.imowa.com.au)). The Create Disagreement page will automatically populate several fields with the relevant information.

- 7 Rule Participants may only dispute one statement, or set of statement lines within the same statement, per disagreement.
- 8 The Disagreements function on WebLink also allows for the following:
  - Disagreement View screen, which enables the loading and viewing of the list of disagreements currently registered in the system;
  - Disagreement Overview Report, which allows printing and downloading a CSV file with summary information and the status of disagreements
  - Disagreement Detail screen, which shows detail information on a disagreement selected from the Disagreement View list; and
  - Disagreement Detail Report, which allows downloading a CSV file with detail information on a selected disagreement.
- 9 The WEMS will automatically assign a reference number to a disagreement created on WebLink. On submitting a disagreement through WebLink, a Rule Participant will receive an automated confirmation through the WEMS system.
- 10 If a Rule Participant has not received the confirmation outlined in Step 9 within one Business Day, the Rule Participant must contact the IMO by the following Business Day, and may be required to make arrangements to resubmit the disagreement. (Market Rule 9.20.3)
- 11 Where a disagreement relates to information provided by a Metering Data Agent or System Management, the IMO must:
  - (a) notify System Management or the Metering Data Agent, as the case may be, of any item of information provided by them to which the disagreement relates;

- (b) require System Management or the Metering Data Agent to investigate the accuracy of the item and provide a response that:
    - reports the action taken to investigate the accuracy of the item in question;
    - includes a revised value for the item, if applicable, which may be a revised value that the Metering Data Agent considers to be in compliance with the Market Rules and accurate; and
  - (c) provide a time and date by which System Management or the Metering Data Agent, as the case may be, must provide its response to the IMO, where the date is not later than 60 days after the IMO confirmed receipt of the disagreement with the Rule Participant. (Market Rule 9.20.5)
- 12 The notification outlined in Step 11 must be made as soon as practicable but no later than five Business Days after the IMO confirms receipt of the disagreement with the Rule Participant.
- 13 Where a disagreement relates to an item of information developed by the IMO:
- (a) if the information relates to values that are inputs to the settlement process, the IMO must determine a value for the item, which may be revised value, that it considers to be in compliance with the Market Rules and accurate;
  - (b) if the information relates to values that are outputs to the settlement process, the IMO must review its settlement calculations and assess whether any errors were made. (Market Rule 9.20.6)
- 14 The IMO must, as soon as practical, but no later than three months after confirming receipt of a disagreement, provide a response to the Market Participant through the Disagreement Detail Screen on WebLink. The response must indicate the actions, if any, the IMO will take in response to the disagreement. The actions the IMO may, but is not required to take, include:
- (a) revising information provided to the IMO by Metering Data Agents and System Management, as the case may be, including reasons provided to the IMO for those revisions;
  - (b) revising information developed by the IMO and used as an input to the settlement process, including the reason for the revision; and
  - (c) whether the IMO considers an error was made in the settlement calculations that produced an incorrect Settlement Statement. (Market Rule 9.20.7)

## Notice of Dispute

- 15 Where a Market Participant is not satisfied with the IMO's response in Step 14 in relation to a disagreement, the Market Participant may issue a Notice of Dispute to the IMO. A Notice of Dispute may only be issued in relation to a Settlement Statement after:
  - (a) a Notice of Disagreement was raised in relation to the Settlement Statement; and
  - (b) the IMO provided a response in accordance with Step 14 with which the Market Participant is not satisfied.
- 16 A Notice of Dispute must be raised within 12 months of the Settlement Statement giving rise to the dispute. (Market Rule 2.19.1)
- 17 In accordance with Market Rule 2.19.3, a Notice of Dispute must be in writing and contain the following:
  - (a) the date which the Notice of Dispute was issued;
  - (b) the Market Participant's details, including contact person;
  - (c) the identities of any other Rule Participants that may be party to the dispute; and
  - (d) the details of the dispute, including a description of the disputed actions, and the time and date when the disputed actions occurred.
- 18 The IMO is required to confirm receipt of a Notice of Dispute within two Business Days of receipt of the Notice.
- 19 Where the IMO considers that a Rule Participant, not named in a Notice of Dispute, may be affected by it, the IMO may join that Rule Participant in the dispute. This must be done within 10 Business Days of receiving the Notice of Dispute by notifying the Rule Participant and providing a copy of the Notice of Dispute. (Market Rule 2.19.5)
- 20 The Market Rules require reasonable endeavours to be made to meet on one or more occasions and to attempt in good faith to resolve the dispute. (Market Rule 2.19.6)
- 21 The dispute will be progressed to the second stage dispute resolution process if not resolved:
  - (a) by the time period agreed by the Dispute Participants; or
  - (b) where no time period is agreed, within 60 days of the date the Notice of Dispute was issued. (Market Rule 2.19.7)
- 22 The second stage dispute resolution process involves:
  - consideration of alternative dispute resolution processes through an independent body agreed by the Dispute Participants;

- commencement of court proceedings. (Market Rule 2.20)

## 1.10 Default

Failure to provide payment in cleared funds by the Payment Due Date gives rise to a suspension event for the Rule Participant, in accordance with the default provisions in clause 9.23 of the Market Rules.

The following steps apply in instances of default:

1. The IMO, as soon as practicable, is required to issue a Cure Notice requiring rectification within 24 hours of the Cure Notice being issued. In addition, the IMO will draw on a Market Participant's Credit Support, if it has not already done so already. (Market Rule 9.23.4)
2. The IMO may extend a Market Participant's deadline for rectification, but this is restricted to a maximum of five Business Days from the date on which payment was due. To provide an extension, the IMO must consider that:
  - (a) the Market Participant is able to fully remedy the default before the end of the extended deadline; and
  - (b) the Market Participant was not capable of remedying the default within the 24 hour timeframe following the issuance of the Cure Notice.
3. In the event that a Market Participant fails to comply with a Cure Notice, whether within the original or extended deadline, the IMO has the power to issue a Suspension Notice and clause 2.32 of the Market Rules, in relation to Suspension and Deregistration, begins to apply. (Market Rule 9.23.7)
4. Market Rule 2.32 provides that:
  - The IMO will provide copies of any Suspension Notices to all Rule Participants;
  - The Suspension Notice may contain directions to be complied with by the Market Participant to give effect to the Suspension Notice;
  - The Market Participant is required to comply with the Suspension Notice, including
    - only trading to the extent specified in the Suspension Notice, including ceasing trade if so provided; and
    - continue meeting any existing Reserve Capacity Obligations specified in the Suspension Notice.

- The IMO has the power to do any, or all, of the following:
  - cancel or reject any Submissions from, or on behalf of, the Market Participant;
  - withhold payments owed to the Market Participant.
- 5. In addition, the IMO is able to require a Network Operator to disconnect one or more Facilities to give effect to the Suspension Notice. (Market Rule 2.32.9)
- 6. The IMO must withdraw a Suspension Notice, if the Market Participant remedies its breach, and inform all Rule Participants of the withdrawal. (Market Rule 2.32.5)
- 7. Where a Market Participant has been suspended for 90 days, the IMO may apply to the Energy Review Board for de-registration. (Market Rule 2.32.6)

## **1.11 Settlement During Default**

In the event that total amounts received, in cleared funds, from Rule Participants are not sufficient to make payments that the IMO is required to make under the Market Rules, the IMO's liability is restricted to the amounts received in cleared funds from Rule Participants, in accordance with Market Rule 9.24.3.

The following will apply in instances of settlement during default:

1. The IMO will apply the amounts received in accordance with clause 9.24.3 of the Market Rules.
2. If the IMO recovers the additional amounts owed within five Business Days of the Payment Default, it will pay the additional amounts on a pro-rata basis to those Market Participants who suffered a reduction in payment.
3. If the IMO has not recovered the additional amounts owed within 5 Business Days of Payment Default, it must raise a Default Levy from all Market Participants (except the Market Participant in Payment Default) in accordance with the parameters outlined in Market Rule 9.24.5.
4. The IMO will notify each Market Participant of the amount payable with respect to the Default Levy within six Business Days of the original Payment Default. (Market Rule 9.24.6)
5. Market Participants are required to pay the amount notified with respect to the Default Levy within eight Business Days of the original Payment Default. This is despite any

dispute a Market Participant may raise in respect to the amount notified. (Market Rule 9.24.7)

6. The IMO will allocate the Default Levy amounts by 2.00 pm on the eighth Business Day following the original Payment Default, in accordance with Market Rule 9.24.8.
7. At the end of the Financial Year, following the completion of the final Trading Month, the IMO must reallocate any Default Levies in accordance with Market Rule 9.24.9.
8. Where the IMO recovers part or all of a shortfall amount after raising a Default Levy, it is required to use the recovered funds to refund all or part of the Default Levy amounts, as the case may be, in accordance with Market Rule 9.24.10. The refund must be made as soon as practical but no later than the end of the calendar month following that in which payment of the shortfall amount was made.

## **1.12 Taxes and Interest**

Taxes and interest are to apply as follows:

### **Taxes**

- 1 The treatment of GST must include the conventions outlined in Market Rule 9.1.2.
- 2 As part of the Registration Procedure, Market Participants are requested to execute an Agreement for the IMO to Issue Recipient Created Tax Invoices. For information on registration, see the separate Rule Participant Registration Procedure.
- 3 Attached at Appendix A to this procedure are details of the application of GST to the various settlement components of the WEM. It should be noted that the information provided in Appendix A is in anticipation of the outcome of Private Taxation Ruling applications and taxation advice on the IMO's management of GST in its invoicing process.

### **Interest**

- 4 Late payments by Market Participants accrue interest. (Market Rule 9.22.7)
- 5 Interest accrues daily at the Bank Bill Rate in accordance with Market Rule 9.1.3:
  - from and including the payment due date, up to but not including, the date payment was actually made; or
  - in the case of an Adjusted Settlement Statement, from and including the payment due date of the invoice from the original settlement statement, up to but not

including, the date payment for the Invoice issued under the Adjusted Settlement Statement.

**Appendix A – Application of GST - WEMS**

## APPLICATION OF GST - WEMS

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### INTRODUCTION

This document investigates the application of GST to the various settlement components of the WEM.

The application of GST in this document has been arranged to be consistent with the following principles:

- If a transaction constitutes a purely financial transaction (such as derivative markets) then GST does not apply. However, if a transaction constitutes a physical transaction GST must apply.
- Negative and positive transactions resulting from negative and positive prices are to be netted off from each other within the one payment class and billing period. (A private tax ruling is underway with the ATO in this area.)
- Interest payments are input taxed.
- Security deposits are tax free (a private tax ruling is underway with the ATO in this area).

### STEM SETTLEMENTS

STEM Settlements in the WEM are defined in the Market Rules (cl 9.6.1) for a particular participant and trading week as:

$$\text{STEMSA} = \text{Sum}_{\text{over all intervals}}(\text{STEM Price} \times \text{STEM Quantity} \times \text{STEM Suspension Flag})$$

Where energy is supplied to the IMO under a cleared STEM trade, the STEM Quantity will be a positive value. Where energy is supplied by the IMO under a cleared STEM trade, the STEM Quantity will be a negative value. Within a billing period (week) a participant can have both cleared supply and demand amounts in the STEM (both positive and negative quantities). These must not be netted off with each other and must be accounted for separately as supplies to and from the IMO.

However, the STEM Price can also be positive or negative (as a result of the STEM clearing process) and under principle 2 above, the resulting settlement amounts can be netted off within the confines of the individual product (supply to or from the IMO).

### RESERVE CAPACITY SETTLEMENTS

Reserve capacity settlement calculations in the WEM are define in the Market Rules (clause 9.7.1) for a Participant and month as:

$$\text{RCSA}(p,m) = \text{Monthly Reserve Capacity Price}_m$$

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$$\begin{aligned} & \times (CC\_NSPA_{p,m} - CC\_ANSPA_{p,m}) \\ & + \text{Sum}(\text{Monthly Special Price}_{p,m} \times (CC\_SPA_{p,m} - CC\_ASPA_{p,m})) \\ & - \text{Capacity Cost Refund}_{p,m} \\ & - \text{Intermittent Load Refund}_{p,m} \\ & + \text{Supplementary Capacity Payment}_{p,m} \\ & - \text{Targeted Reserve Capacity Cost}_m \times \text{Shortfall Share}_{p,m} \\ & - \text{Shared Reserve Capacity Cost}_m \times \text{Capacity Share}_{p,m} \\ & + \text{Capacity\_LF}_m \times \text{Capacity Share}_{p,m} \end{aligned}$$

Where:

CC\_NSPA = Capacity Credits not covered by Special Price Arrangements (SPA);

CC\_ANSPA = Total Capacity Credits not covered by SPA allocated to other Participants;

CC\_SPA = Capacity Credits covered by Special Price Arrangements;

CC\_ASPA = Total Capacity Credits covered by SPA allocated to other Participants;

Shortfall Share = 0 if there is no shortfall in the market

Else Shortfall Share =  $\text{IRCR}_{p,m} - \text{Total of all (CC\_ANSPA and CC\_ASPA)} /$

$\text{Sum}_{\text{over all participants}}(\text{IRCR}_{p,m} - \text{Total of all (CC\_ANSPA and CC\_ASPA)})$

IRCR = Individual Reserve Capacity Req. for the Participant (applies customers only)

In the case of reserve capacity settlements, reserve capacity itself is the supplied quantity for GST purposes. Therefore, supplies of reserve capacity to the IMO and from the IMO must be accounted for separately.

The following considers each of the components of the above calculation separately.

Monthly Reserve Capacity Price  $\times (CC\_NSPA - CC\_ANSPA)$  ... (1)

As capacity credits allocated to other participants cannot exceed the capacity credits allocated to the participant in question, the term in brackets cannot be negative. Therefore, term (1) constitutes supply of reserve capacity to the IMO.

$\text{Sum}(\text{Monthly Special Price} \times (CC\_SPA - CC\_ASPA))$  ... (2)

In a similar manner as (1) above, the item in term (2) constitutes supply of reserve capacity to the IMO.

- Capacity Cost Refund ... (3)

For all intents and purposes, this is not a penalty for non-provision of capacity. As such, this must be treated like other capacity settlement components and must have GST applied.

- Intermittent Load Refund ... (4)

The intermittent load refund applies in cases where the generator feeding the intermittent load has failed. As above, this is not a penalty as it directly applies to a supply and GST must apply to this refund.

+ Supplementary Capacity Payment ... (5)

Like parts (1) and (2), capacity is supplied under the supplementary capacity contracts and, as such, term (5) constitutes a supply of capacity to the IMO.

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- Targeted Reserve Capacity Cost x Shortfall Share ... (6)
- Shared Reserve Capacity Cost x Capacity Share ... (7)

These terms cover the cost of supply of capacity from the IMO to Market Customers and, as such, need to have GST applied and need to be accounted for separate from payments arising through (1), (2) and (5). In addition, these payments by customers to the IMO can be reduced through the application of forfeited security deposits as well as capacity cost refunds and intermittent load refunds. These refunds and forfeited deposits will be entered into settlements as manual line items and must be allocated amongst customers. The Reserve Capacity Costs (under (6) and (7)) will need to be accounted for separately from the security deposit based reductions.

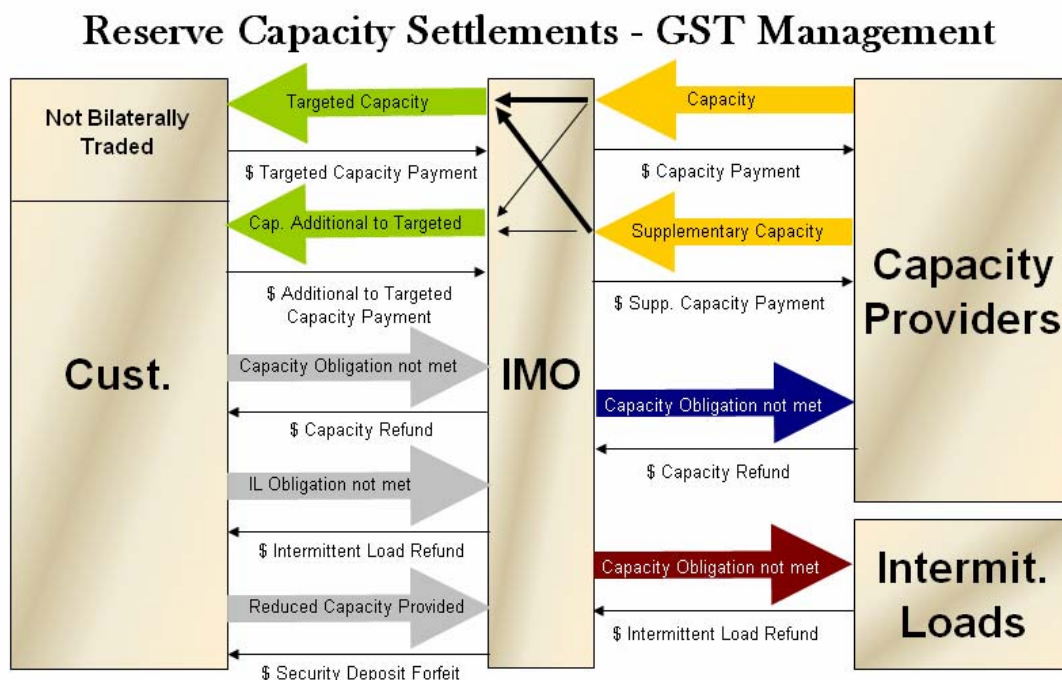
+ Capacity\_LF x Capacity Share ... (8)

This is effectively a rebate to market customers for capacity that they have already paid for in the ancillary service settlements area. As the original payment has GST applied, this GST should also be rebated in this section. Therefore, this component should be netted with (6) and (7) before GST is applied.

Therefore, in summary, GST should be applied and separately accounted for as follows:

- Supplies to IMO ... (1), (2) and (5);
- Supplies by IMO ... (3), (4), (6), (7) and (8);

The following diagram illustrates the supplies and payments required for GST purposes (with separate colour codes identifying payment streams that must be separately accounted for).



## BALANCING MARKET SETTLEMENTS

Clearly the balancing market constitutes a physical transaction in the form of generation and consumption of electricity around the Net Contract Position (adjusted by any Balancing Support Contracts) (NCP = Bilateral Position + STEM Position).

- A generator that increases its output in relation to its NCP is generating electricity;
- A generator that decreases its output in relation to its NCP is consuming electricity;
- A customer that increases its demand in relation to its NCP is consuming electricity;
- A customer that decreases its demand in relation to its NCP is generating electricity.

In the identical manner to all other taxable supplies, supplies to the IMO (generation) and supplies from the IMO (consumption) must be accounted for and invoiced separately.

The rules based balancing settlement calculation for each trading interval and participant is as follows:

$$BSA = MCAP \times ADQ + UDAP \times UUDQ + DDAP \times (DUDQ + RPDQ) + DIP$$

Where:

- BSA: Balancing Settlement Amount
- MCAP: Marginal Cost Administered Price
- ADQ: Authorised Deviation Quantity
- UDAP: Upward Deviation Administered Price
- UUDQ: Upward Unauthorised Deviation Quantity
- DDAP: Downward Deviation Administered Price
- DUDQ: Downward Unauthorised Deviation Quantity
- RPDQ: Resource Plan Deviation Quantity
- DIP: Dispatch Instruction Payment

Given that generation and consumption of electricity must be separately accounted for, the first step must clarify the quantity (MWh) terms above into generation or consumption terms.

Firstly ADQ is defined as follows:

$$\Sigma(\text{Facility Dispatch Schedules}) - \text{Net Contract Position} - \text{Balancing Support Contract Energy}$$

Given that dispatch schedules and contract positions for generators are represented as positive numbers, and those for customers are represented as negative numbers, the following holds true (assuming Balancing Support Contract Energy of zero):

- If a generator outputs less than their NCP, ADQ is -ive;
  - If a generator outputs more than their NCP, ADQ is +ive;
  - If a customer consumes less than their NCP, ADQ is +ive;
  - If a customer consumes more than their NCP, ADQ is -ive
-

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Therefore, classifying and accumulating payments on the basis of the sign of ADQ will observe GST compliance.

UUDQ will always be +ive for generators and customers (indicating generation relative to NCP). Therefore, classifying and accumulating payments on the basis of the sign of UUDQ will observe GST compliance.

DUDQ will always be -ive for generators and customers (indicating consumption relative to NCP). Therefore, classifying and accumulating payments on the basis of the sign of DUDQ will observe GST compliance.

RPDQ will always be -ive for generators (indicating consumption relative to NCP) and is undefined for customers. Therefore, classifying and accumulating payments on the basis of the sign of RPDQ will observe GST compliance.

DIP is defined as follows:

$$\text{DIP} = \text{Quantity} \times \text{Pay as Bid Price}$$

Where:

If (Pay as Bid Price)  $\geq$  MCAP,

Quantity = Minimum (Metered Schedule, Dispatch Schedule) – Resource Plan

Else

Quantity = Maximum (Metered Schedule, Dispatch Schedule) – Resource Plan

If the Quantity defined above is positive (generator dispatched up or customer dispatched down), then this represents generation relative to the NCP. If the Quantity is negative (generator dispatched down or customer dispatched up), then this represents consumption relative to the NCP.

The following table summarises this information and indicates the items that must be separately accounted for in order to maintain GST compliance.

<b>Term</b>	<b>Sign</b>	<b>Generation</b>	<b>Consumption</b>
ADQ	+ive	✓	
	-ive		✓
UUDQ	+ive	✓	
DUDQ	-ive		✓
RPDQ	-ive		✓
DIP	+ive	✓	
	-ive		✓

In order to maintain GST compliance the settlements system must have the ability to separately account for positive and negative quantities as detailed above.

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However, also note that the various prices used in the balancing equation can also be positive or negative. Under the private tax ruling application, it should be possible to net out any affects from prices changing signs.

## ANCILLARY SERVICE SETTLEMENTS

The Ancillary Service Settlement Amount for Trading Month m and Participant p =

$$\begin{aligned} \text{ASSA}_{m,p} &= \text{If}(\text{participant} = \text{Electricity Generation Corporation, EGC AS Payment, 0}) \\ &+ \text{ASP\_Payment}_{\text{participant other than EGC}} \\ &- \text{Load\_Following\_Share} \times (\text{Capacity\_LF} + \text{Availability\_Cost\_LF}) \\ &- \text{Reserve\_Cost\_Share} \\ &- \text{Consumption\_Share} \times \text{Cost\_LRD} \end{aligned}$$

It is simplest to look at the ancillary service payments one term at a time:

$$\text{EGC AS Payment} = \text{Availability\_Cost\_R} + \text{Availability\_Cost\_LF} + \text{Cost\_LRD} - \text{Sum}(\text{ASP\_Payment})$$

$$\text{Availability\_Cost\_R} = \text{Sum}_{\text{all participants}}(\text{Reserve\_Cost\_Share})$$

Reserve\_Cost\_Share =

$$\begin{aligned} &0.5 \times (\text{Margin\_Peak} \times \text{Sum}_{\text{peak trading intervals}} (\text{MCAP} \times \text{Reserve\_Share} \times (\text{Capacity\_R\_Peak} - \text{Sum}_{\text{all non EGC AS}} \\ &\text{providers and trading intervals}(\text{ASP\_SRQ}) - 0.5 \times \text{LFR}))) + 0.5 \times \text{Margin\_Off\_Peak} \times \text{Sum}_{\text{off-peak trading intervals}} (\text{MCAP} \times \\ &\text{Reserve\_Share} \times (\text{Capacity\_R\_Off-Peak} - \text{Sum}_{\text{all ancillary service providers and trading intervals}}(\text{ASP\_SRQ}) - 0.5 \times \\ &\text{LFR}))) + \text{Sum}_{\text{all trading intervals}} (\text{Reserve\_Share} \times \text{Sum}_{\text{all non-EGC AS providers}} (\text{ASP\_SRPayment/TITM})) \end{aligned}$$

Where:

- Margin\_Peak = Reserve availability payment margin for peak periods
- Margin\_Off-Peak = Reserve availability payment margin for off-peak periods
- Reserve\_Share = Share of reserve costs allocated to the market participant
- Capacity\_R\_Peak = Capacity required to cover peak period spinning reserve
- Capacity\_R\_Off-Peak = Capacity required to cover off-peak period spinning reserve
- ASP\_SRQ = Quantity of spinning reserve supplied by a participant in a trading interval
- LFR = Capacity required to cover the Load Following Requirement
- ASP\_SRPayment = sum of all ancillary service contract payments for spinning reserve
- TITM = Number trading intervals in a month

The reserve cost share term sums up the spinning reserve payments to be made by each participant for all spinning reserve requirement other than that met by contracted IPPs. The participant's share of cost of providing spinning reserve under contracts with IPPs is then added to this amount.

The availability cost then sums these reserve cost shares over all participants (effectively determining the total cost of provision of spinning reserve over both Electricity Generation Corporation and non-EGC facilities). However, note that the total payments to other IPPs is subtracted off once again as the last term of the EGC AS Payment equation.

$$\text{Availability\_Cost\_LF} = \text{Availability\_Cost} - \text{Availability\_Cost\_R}$$

Availability\_Cost =

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$$0.5 \times (\text{Margin\_Peak} \times \text{Sum}_{\text{peak trading intervals}} (\text{MCAP} \times (\text{Capacity\_R\_Peak} - \text{Sum}_{\text{all non-EGC AS providers and trading intervals}} (\text{ASP\_SRQ})))) + 0.5 \times (\text{Margin\_Off\_Peak} \times \text{Sum}_{\text{off-peak trading intervals}} (\text{MCAP} \times (\text{Capacity\_R\_Off-Peak} - \text{Sum}_{\text{all non-EGC AS providers and trading intervals}} (\text{ASP\_SRQ})))) + \text{Sum}_{\text{all non-EGC AS providers}} (\text{ASP\_SRPayment}) + \text{Sum}_{\text{all non-EGC AS providers}} (\text{ASP\_LFPayment})$$

ASP\_LFPayment = sum of all ancillary service contract payments for Load Following

The Availability\_Cost\_LF is determined as the total availability cost (total costs for spinning reserve and load following services) less the total cost for spinning reserve services. Note once again that the IPP payments for load following services are subtracted away as part of the last term of the EGC AS Payment equation.

Cost\_LRD = Total cost of Load Rejection Reserve, System Restart and Dispatch Support Services for the Month.

This first term (EGC AS Payment) can only apply to Electricity Generation Corporation generation, and must be positive (signifying payment to the Electricity Generation Corporation for the supply of ancillary services). As each of the individual terms of the equation must be greater than or equal to zero, there will be no netting. Therefore, for GST purposes, EGC AS Payment can be considered a single transaction for services supplied to the IMO.

The second term in the original equation:

ASP\_Payment = Sum of all ancillary service contract payments (non-EGC participants)

This term sums all ancillary service payments (for all services) provided to non Electricity Generation Corporation participants. This, once again, represents payments for services provided to the IMO, and can be accounted for in the identical manner as the previous item.

The remaining three terms in the original equation:

- Load\_Following\_Share x (Capacity\_LF + Availability\_Cost\_LF)
- Reserve\_Cost\_Share
- Consumption\_Share x Cost\_LRD

These are the ancillary service cost recovery terms that customers will be subject to, and represent charges for supplies of ancillary services from the IMO to participants. As such, these three terms can be considered together, but will need to be separately accounted from the first two terms in the equation.

## COMMITMENT AND OUTAGE COMPENSATION SETTLEMENTS

The Commitment and Outage Compensation Settlement Amount for Trading Month  $m$  and Participant  $p$  is defined as

$$\text{COCSA} = \text{Com\_Compensation} + \text{Out\_Compensation} - \text{Consumption\_Share} \times \text{Sum}(\text{Com\_Compensation} + \text{Out\_Compensation})$$

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Clearly the first two terms of this equation (Com\_Compensation + Out\_Compensation) apply to the supply of outage and commitment services to the IMO and should be accounted for distinctly from the last term (- Consumption\_Share x Sum(Com\_Compensation + Out\_Compensation)) which relates to the supply of outage and commitment services by the IMO to market participants.

## RECONCILIATION SETTLEMENTS

Reconciliation settlements are used to ensure that balancing market settlements for a particular billing period balance out and are defined as follows:

$$RSA = (-1) \times \text{Consumption\_Share} \times \text{Sum}_{\text{over market participants}}(\text{Balancing Settlement Amounts})$$

This is a unique settlement item in that the balancing settlement amounts can apply to supplies to and from the IMO, and that there is no way of relating the reconciliation to supplies in either direction. However, advice from the tax office has indicated that GST should apply in exactly the same manner as for balancing payments.

Therefore, where a payment is made under reconciliation, it must be assumed that the payment relates to a corresponding single supply in the opposite direction. (For example, if reconciliation for a particular month resulted in payments of \$X/MW to all market customers, then it must be assumed that this payment resulted from balancing market supplies to the IMO by all of these participants.)

As such, reconciliation settlements can be aggregated over time, but negative and positive payment amounts must be separately aggregated and accounted for.

## NETWORK CONTROL SERVICE SETTLEMENTS

The application of GST to network control service settlements is very straight-forward as:

- Payments can only apply to participants that provide the services; and
- Recovery can only apply to networks that require the services.

Therefore, supplies to and from the IMO are naturally segregated. However, if the condition were to arise in which one party could be subject to both payment and recovery, these items would need to be separately accounted for.

## MARKET PARTICIPANT FEE SETTLEMENTS

As market participant fees all apply to services supplied from the IMO, the application of GST to these is straight-forward and all amounts can be aggregated. The service fee settlement amount (fee pass through to System Management and ERA) will apply for services supplied from these parties to the IMO only and, as such, the application of GST is simple.

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