

EARLY SETTLEMENT PAYMENT PROCEDURE

PREPARED BY: Electricity Metering & Settlements

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DRAFT

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1. Introduction

The National Electricity Rules (NER) requires all Market Participants to pay AEMO in cleared funds on the 20th business day after the end of a billing period (referred to as the settlement payment date). AEMO has established a Spot Market Operations Timetable which specifies that funds must be received by 10:30am Sydney Time on the settlement payment date.

The procedure enables Market Participants to optionally provide payment on the 19th business day (i.e. the business day prior to settlement payment date, referred to as the early payment date). This has been established to provide greater flexibility in making settlement payments, and to reduce the risk of payment delays. A Market Participant may also make an early payment in response to a prudential issue.

For more information on the settlement process, refer to the NEM Settlement Process at the following location:

http://www.aemo.com.au/electricityops/sett_prud_intro.html#process

2. Background

2.1 Rules Reference

NER clause 3.15.16 states:

On the 20th business day after the end of a billing period, or 2 business days after receiving a statement under clause 3.15.15, whichever is the later, and in accordance with the timetable each Market Participant must pay to AEMO in cleared funds the net amount stated to be payable by that Market Participant in that statement whether or not the Market Participant continues to dispute the net amount payable.

2.2 Spot Market Operations Timetable

AEMO has established a Spot Market Operations Timetable as required under NER clause 3.4.3, which details the time by which Market Participants must pay in accordance with NER clause 3.15.16.

Market Participants are currently required to pay in cleared funds by 10:30am Sydney Time on the 20th business day after the end of the billing period.

The timetable is available at the following location:

<http://www.aemo.com.au/electricityops/108-0029.html>

3. Procedure

The following procedure has been adopted to enable Market Participants to make a payment earlier than the settlement payment date (ie. an early payment).

3.1 Request

Prior to nominating for early payments, the Market Participant is requested to notify AEMO in writing of their intention to use this facility, and the start date from which the facility is requested.

Upon receipt of a request, AEMO will enable the Market Participant to select the early payment option when they perform a payment nomination.

A suggested request letter is provided in Appendix B

3.2 Nomination

To enable AEMO to receive a payment on the correct date, the Market Participant must nominate in advance whether they intend to pay early. Unless another nomination has been provided, all Market Participants are setup with a nomination to pay on settlement payment date (referred to as a normal payment). Once a request for early payment has been received, Market Participants are able to nominate to pay on the early payment date.

The Payment Nomination screen in the MMS Web Browser allows Market Participants to manage their own payment nomination. An authorised user can view the current nomination for the Market Participant, and change the nomination and the billing week this will take effect. Market Participants are able to change between normal and early payment at their discretion.

Note that nominations for a particular billing week can only be made up until 2 business days before the issuing of statements.

3.3 Final Statement

On the 18th business day after the end of the billing period, AEMO issues a Final Statement. This states the amount which is to be paid on settlement payment date. The Due Date in the Final Statement will always be settlement payment date (i.e. the date that payment is required under the NER)

A Payment Information section is provided to identify whether an early payment date has been nominated. This is based on the active nomination for the billing week when the Final Statement was produced.

An example of a Final Statement is provided in Appendix C.

3.4 Payment

For payments being received using Austraclear, AEMO creates a Reported Trade transaction based on the settlement amount, and the nominated payment date. If a Market Participant has nominated to pay early, the transaction in Austraclear will have a Settlement Date equal to the early payment date. The Market Participant should match this transaction the same as for a normal payment.

3.4.1 Successful Early Payment

Where the early payment is completed (i.e. cleared funds are available to AEMO) on the early payment date, no further action is required by the Market Participant.

AEMO will automatically use the funds during the settlement on the settlement payment date.

To ensure an early payment is successful, the Market Participant should arrange with their bank to have the settlement completed. There is no time deadline (e.g. 10:30am) for early payments, however the payment must complete before Austraclear closes.

3.4.2 Missed Early Payment

Failure to make an early payment in cleared funds on the early payment date is not a default event under the NER, and no action is taken by AEMO.

Where the early payment is not made, the Market Participant must pay using Austraclear on the settlement payment date. To facilitate this, AEMO will create a Reported Trade transaction in Austraclear for the stated settlement amount, with a Settlement Date equal to the settlement payment date. The Market Participant must make payment by 10:30am Sydney Time in accordance with the Spot Market Operations Timetable.

3.4.3 Short Notice Early Payment

Where a Market Participant has not nominated to make an early payment, AEMO may still permit the payment to be made early. An example would be where a Market Participant wishes to use the early payment to manage prudentials.

A short notice early payment will require manual intervention to change the Austraclear Reported Trade Transaction.

The Market Participant should notify AEMO Settlement on or prior to the early payment date to make arrangements.

3.5 Prudentials

If an early payment is made prior to 10:30am Sydney Time on the early payment date, the Market Participant may use the paid amount as an offset against their outstandings. This

enables the Market Participant to reduce their outstandings as a response to a prudential issue.

The Market Participant should notify AEMO Settlement where they intend to use an early payment to manage their prudentials.

3.6 Interest Refund

Where a Market Participant has made an early payment in cleared funds to AEMO, any interest earned by AEMO on the payment amount is returned to the participant as part of the next settlement. Details of the interest refund are provided in the Final Statement and Settlement Report.

An example of an interest transaction in the Final statement and Settlement Report is provided in Appendix C.

Appendix A: Glossary

TERM	MEANING
early payment	A payment made on the early payment date
early payment date	The 19th business day after the end of the billing period
NER	National Electricity Rules
normal payment	A payment made on the settlement payment date
settlement payment date	The 20th business day after the end of the billing period

Appendix B: Suggested Request Letter

COMPANY LETTERHEAD

Date: DD Month YYYY

Senior Manager Electricity Metering and Settlements
Australian Energy Market Operator
PO Box 7326,
Baulkham Hills BC NSW 2153

Dear Sir/Madam

Early Settlement Payment Request

<Name of Company> <ABN of Company> is a Market Participant in the National Electricity Market, and is required to settle with AEMO according to Rules clause 3.15.16 and 3.15.17. <Name of Company> requests AEMO to allow for payments to be made early, in accordance with the Early Settlement Payment Procedure.

This is requested to take effect from <Date after which early payment nominations can be made>.

<Name of Company> acknowledges that nominations will be made using the MMS Web Browser by authorised representatives of the company.

Yours sincerely

Name
Position title

Appendix C: Early Payment Statement Samples

The following samples provide the format of early payment information and transactions.

PDF Statements (Payment Information)

Statement Date 8 Oct 2008
Due Date 10 Oct 2008
Payment Information: Nominated Payment Date: 9 Oct 2008 Nominated Payment Method: Austraclear
Market payments must be made using the Austraclear system. AEMO's Austraclear code is NEMM30. When the total above is a negative amount, the amount must be confirmed as a cleared payment to AEMO prior to 10:30am, Sydney Time, on the Due Date shown. When the total above is a positive amount, the amount will be available for receipting between 2pm and 4pm, Sydney Time, on the Due Date, subject to National Electricity Rules Clause 3.15.22.

PDF Statements (Early Payment Interest)

<u>Description</u>	<u>\$</u>
Early Payment Interest	1,000.00

SR Text Report (Early Payment Interest)

REPORT FOR Sample Energy
Final Settlements ref 2008/038/002/SAMPLE

Early Payment Interest Transactions

Contract	Year	Week No.	Date Paid.	Amount Paid (\$)	Interest Earned
-					
2008		37	9-Oct-2008	-\$10,000,000.00	\$1,000.00
-					
Total					\$1,000.00
