



INDEPENDENT
MARKET
OPERATOR

Procedure Change Report

Amendments to Market Procedure for Settlement

PC_2013_07

Procedure Change Process

Date: 31 December 2013

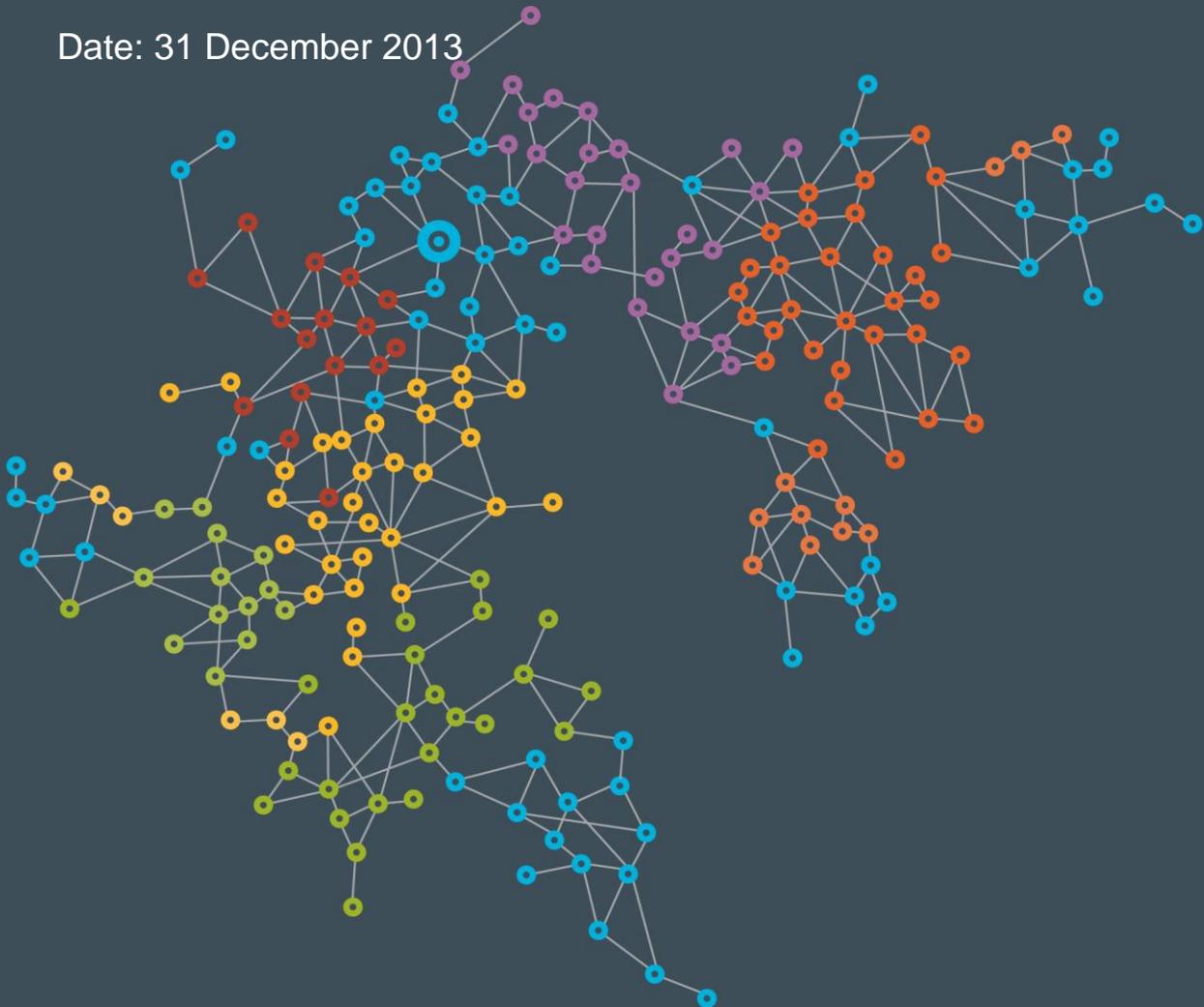


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Executive Summary

Proposed amendments

The proposed amended *Market Procedure: Amendments to Market Procedure for Settlement* (Market Procedure) has been developed to:

- (a) reflect the necessary changes arising from *RC_2013_08: Market Participant Fees – Clarification of GST Treatment*;
- (b) provide greater clarity to potential and existing Rule Participants on the settlement process by improving the information provided around the:
 - i. settlement processes and timelines;
 - ii. adjustment process and timelines;
 - iii. process for settlement of the market in the case of default situations;
 - iv. Invoices and the application of GST and interest to settlement transactions; and
 - v. disagreement and dispute processes and timelines;
- (c) improve the structure of the Procedure; and
- (d) reflect the IMO's new format.

Given the substantive restructuring and rewrite of this Market Procedure the IMO has re-written the Procedure in full rather than providing a marked-up version.

Consultation

The IMO presented the proposed amended Market Procedure to the IMO Procedure Change and Development Working Group (IMOPWG) on 20 September 2013. The IMOPWG endorsed the Market Procedure to progress to formal submission with minor amendments.

The IMO formally submitted the Procedure Change Proposal (PC_2013_07) and issued a notice calling for submissions on 21 November 2013. The submission period closed on 19 December 2013 with a submission received from Community Electricity. Community Electricity supported the amendments to the Market Procedure but requested a review of the mandatory use of Austraclear noting that it is expensive for smaller Market Participants.

The IMO noted that settlement through Austraclear facilitates meeting the requirements of timeliness of payments under clause 9.22 of the Market Rules such that payments can be made and received on the same day. Additionally, it obviates the need for onerous manual processes which may be required to match transactions in real-time. The IMO has assessed that these facilities may not be readily available when settling through alternative mechanisms such as banks. Therefore, the IMO considered that Austraclear should remain the mandatory mode of payment because it offered security and reliability with minimum administrative costs to the overall market. However, the IMO is currently assessing alternatives for timely and reliable settlement in the market.

The IMO's assessment

The IMO considers that the amendments to the Market Procedure support the Amending Rules in RC_2013_08, which better achieve Wholesale Market Objectives (a) and (d) The IMO also considers that the amended Market Procedure is consistent with the remaining Wholesale Market Objectives.

The IMO's decision

The IMO's decision is to accept the amended Market Procedure.

Next steps

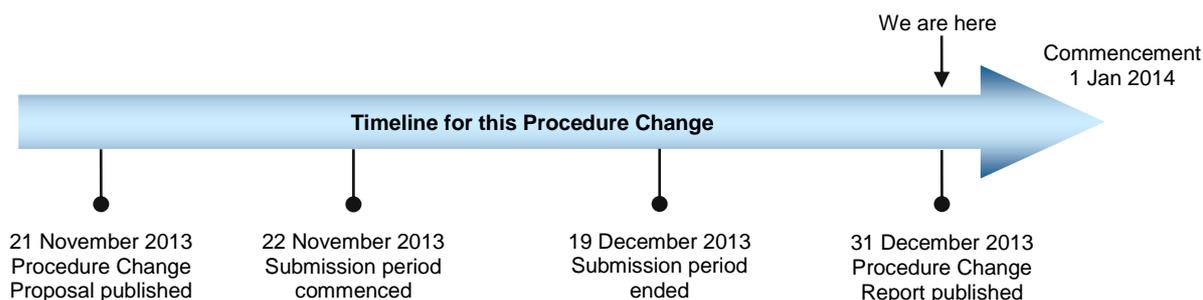
The amended Market Procedure for Settlement will commence at **8:00 AM** on **1 January 2014**.

1. Procedure Change Process and Timetable

On 21 November 2013, the Independent Market Operator (IMO) submitted a Procedure Change Proposal (PC_2013_07) regarding amendments to the Market Procedure for Settlement (Market Procedure).

This proposal is being progressed using the Procedure Change Process, described under clause 2.10 of the Market Rules.

The key dates in progressing this Procedure Change Proposal are:



2. Proposed Amended Market Procedure

2.1. The Procedure Change Proposal

Clause 9.2.1 of the Market Rules requires the IMO to document the settlement process including the application of taxes and interest, in a Market Procedure. The Procedure Change Proposal regarding this Market Procedure proposed to clarify the relevant settlement obligations on the IMO and Rule Participants to ensure they are clear and unambiguous.

The IMO proposed amendments to the Market Procedure to:

- (a) reflect the necessary changes arising from *RC_2013_08: Market Participant Fees - Clarification of GST Treatment*;
- (b) provide greater clarity to potential and existing Rule Participants on the settlement process by improving the information provided around the:
 - i. settlement processes and timelines;
 - ii. adjustment process and timelines;
 - iii. process for settlement of the market in the case of default situations;
 - iv. Invoices and the application of GST and interest to settlement transactions; and
 - v. disagreement and dispute processes and timelines;
- (c) improve the structure of the Procedure; and

(d) reflect the IMO's new format.

For full details of the Procedure Change Proposal please refer to the Market Web Site: http://imowa.com.au/pc_2013_07

3. Consultation

3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated to the IMO Procedure Change and Development Working Group (IMOPWG) (in accordance with clause 2.3.17(a)) to consider IMO Procedure Change Proposals and accordingly the MAC did not review the Procedure Change Proposal. In accordance with clauses 2.10.8 and 2.10.9, the IMO notified the MAC once the Procedure Change Proposal was published and noted that it would convene a meeting of the MAC should two or more members request it. No MAC members contacted the IMO in this regard.

The IMO presented the Market Procedure to the IMOPWG at its meeting on 20 September 2013. The IMOPWG endorsed the Market Procedure to progress to a formal consultation period with minor amendments to the formatting of the Market Procedure and the formulas contained in it.

3.2. Public Workshop

No public workshops were held in relation to this Procedure Change Proposal.

3.3. Submissions received during consultation period

The public consultation period for Amendments to Market Procedure for Settlement (PC_2013_07) was held between 22 November and 19 December 2013.

A submission was received from Community Electricity in support of the Procedure Change Proposal on the grounds that the enhanced clarity of processes improved the overall integrity of the market. Community Electricity also stated that the revised Market Procedure was consistent with the Wholesale Market Objectives.

Community Electricity requested a review of the Procedure steps in relation to mandating the use of Austraclear for settling transactions noting that it is relatively expensive and administratively burdensome for smaller Market Participants. Community Electricity suggested an alternative drafting of the relevant step to allow for the IMO and the relevant Rule Participant to agree on an alternative mode of payment.

The IMO notes this concern but considers Austraclear to be the most reliable and secure mode of settling transactions in the market. Additionally, using Austraclear allows the IMO to minimise the associated administrative costs which could be an unnecessary impost on the overall market. This is because settlement through Austraclear facilitates meeting the requirements of timeliness of payments under clause 9.22 of the Market Rules such that payments can be made and received on the same day. It also obviates the need for onerous manual processes which may be required to match transactions in real-time. The IMO has assessed that these facilities may not be readily available when settling through alternative mechanisms such as banks. However, the IMO is currently assessing alternatives for timely and reliable settlement in the market.

A copy of the submission received during the submission period is available on the Market Web

4. The IMO's assessment

In determining whether to accept the Procedure Change Proposal, the IMO has undertaken an assessment in light of clause 2.9.3(a) of the Market Rules. Market Procedures must be:

- developed, amended or replaced in accordance with the process in the Market Rules;
- consistent with the Wholesale Market Objectives; and
- consistent with the Market Rules, the Electricity Industry Act and the Electricity Industry (Wholesale Electricity Market) Regulations (Regulations).

4.1. Further changes to the Market Procedure

After the consultation period, the IMO made amendments to the Market Procedure published with the Procedure Change Proposal on 21 November 2013. These amendments were minor or aesthetic in nature and were designed to improve the clarity of the Market Procedure.

No substantive or operational amendments were made.

4.2. Wholesale Market Objectives

The IMO considers that the proposed amended Market Procedure has been drafted to reflect the current obligations under the Market Rules and the evolution of the current settlement process and systems.

Additionally, the proposed changes to the Market Procedure support the Amending Rules in RC_2013_08, which better achieve Wholesale Market Objectives (a) and (d) through providing greater clarity on settlement and adjustment processes and application of GST and interest to settlement transactions.

For these reasons the IMO considers that the amended Market Procedure is consistent with the Wholesale Market Objectives.

4.3. Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended Market Procedure is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations.

The IMO also considers that the Market Procedure is consistent with all other Market Procedures.

4.4. Implementation of the Market Procedure

The Market Procedure will not require the Rule Participants to implement any procedural or system amendments before it can commence. The system changes needed in relation to this Market Procedure have been completed by the IMO. Consequently, the IMO considers that the commencement at **8:00 AM on 1 January 2014** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Procedure. The commencement of the Market Procedure on 1 January 2014 is also aligned with the commencement date of *RC_2013_08: Market Participant Fees - Clarification of GST*

Treatment.

5. The IMO's decision

The IMO's decision is to approve the amended Market Procedure for Settlement with minor amendments following the publication of the Procedure Change Proposal.

The IMO has made its decision on the following basis. The amended Market Procedure for Settlement:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations; and
- has the general support of the IMOPWG and the submission received during the consultation period.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Procedure Change Report.

6. The Amended Market Procedure

6.1. Commencement

The amended Market Procedure for Settlement will commence at **8.00 AM** on **1 January 2014**.

6.2. The Amended Market Procedure

The amended Market Procedure for Settlement is attached to this report and is also available on the Market Web Site: http://imowa.com.au/pc_2013_07