



National Electricity Amendment (Secondary Trading of Settlement Residue Distribution Units) Rule 2017 No. 13

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory)(National Uniform Legislation) Act 2015; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

National Electricity Amendment (Secondary Trading of Settlement Residue Distribution Units) Rule 2017 No. 13

1 Title of Rule

This Rule is the *National Electricity Amendment (Secondary Trading of Settlement Residue Distribution Units) Rule 2017 No.13*.

2 Commencement

This Rule commences operation on 20 October 2017.

3 Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.18.1 Settlements residue concepts

Omit clause 3.18.1(b) in its entirety and substitute:

- (b) A *settlements residue distribution agreement* or *SRD agreement* is an agreement between *AEMO* and an *eligible person* entered into following an *auction* under which:
 - (1) in all cases:
 - (i) *AEMO* agrees to issue a *SRD unit* to an *eligible person*;
 - (ii) the *eligible person* agrees to pay *AEMO* the *auction* clearing price for the *SRD unit*;
 - (2) where a secondary trading decision is made under clause 3.18.3A(a):
 - (i) the *eligible person* has a right to offer a *SRD unit* in future *auctions*;
 - (ii) if the *SRD unit* is cleared in a future *auction*, *AEMO* is required to cancel the *SRD unit*; and
 - (iii) the cancellation of a *SRD unit* by *AEMO* pursuant to subparagraph (ii) does not terminate the underlying *SRD agreement* between *AEMO* and the *eligible person* under which that *SRD unit* was issued, and, for the avoidance of doubt, does not affect the obligation of:
 - (A) the *eligible person* to pay *AEMO* for the *SRD unit* issued to it under the *SRD agreement*; or
 - (B) *AEMO* to pay the *eligible person* for cancellation of the *SRD unit* under the *SRD agreement*,

in accordance with this rule 3.18 and the *auction rules*.

[2] Clause 3.18.1 Settlements residue concepts

In clause 3.18.1(c)(2), omit the words “clause 3.18.1(c)” and substitute “paragraph”.

[3] Clause 3.18.1 Settlements residue concepts

Omit clause 3.18.1(d) and substitute:

- (d) Subject to clause 3.18.4, *AEMO* must use the portion of the *settlements residue* allocated to a *directional interconnector*

remaining after applying the relevant *jurisdictional derogations* under chapter 9 (as determined by applying the principles referred to in clause 3.6.5) to:

- (1) distribute *settlements residue* to relevant *eligible persons* holding *SRD units*; and
- (2) recover the *auction expense fees*.

[4] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(a) omit “enter into” and substitute “be issued with *SRD units* under”.

[5] Clause 3.18.2 Auctions and eligible persons

Omit clause 3.18.2(b) in its entirety and substitute:

- (b) *AEMO* may only enter into a *SRD agreement* with a person (called an *eligible person*) who satisfies the following criteria:
 - (1) the person is a *Market Customer*, a *Generator* or a *Trader*, or a person seeking to be eligible for registration as a *Trader* under rule 2.5A; and
 - (2) the person satisfies any criteria specified in the *auction rules*, which criteria must comply with paragraph(g).

[6] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(c), after the word “with” insert “this rule 3.18 and”.

[7] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(f), omit the words “clause 3.18.2” and substitute “paragraph”.

[8] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(g), after the words “*AEMO* may enter into *SRD agreements* must” insert “be consistent with paragraph (b),”.

[9] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(g)(4)(i), after the word “have” insert “previously”.

[10] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(g)(5), omit the words “clauses 3.18.2(g)(1)-(2)” and substitute “subparagraphs (1) or (2)”.

[11] Clause 3.18.2 Auctions and eligible persons

In clause 3.18.2(g)(5a), omit the words “clause 3.18.2(g)” and substitute “subparagraph”.

[12] Clause 3.18.3 Auction rules

In clause 3.18.3(a), insert “In all cases,” at the beginning of the clause.

[13] Clause 3.18.3 Auction rules

In clause 3.18.3(a)(6), omit the words “clause 3.18.3(a)(1)” and substitute “subparagraph (1)”.

[14] Clause 3.18.3 Auction rules

After clause 3.18.3(a), insert:

- (a1) Where a secondary trading decision is made under clause 3.18.3A(a), *AEMO* must amend the *auction rules* to set out:
 - (1) a right for an *eligible person* that holds a *SRD unit* to offer that *SRD unit* in another *auction* in accordance with the *auction rules*;
 - (2) if an *eligible person* offers a *SRD unit* in an *auction*, a right for *AEMO* to cancel that *SRD unit* in accordance with the *SRD agreement* and the *auction rules*;
 - (3) the requirements for cancellation of *SRD units* by *AEMO*; and
 - (4) mechanisms for calculating and distributing *auction amounts*;
 - (5) a mechanism for calculating and determining the margin referred to in clause 3.18.4A(b), which must take into account the relevant prices at which the *eligible person* offers *SRD units* in an *auction* as well as the *auction* clearing prices at which the *eligible person* received *SRD units* in previous *auctions*; and
 - (6) the procedures *AEMO* will follow to obtain and manage the margins referred to in clause 3.18.4A.

[15] Clause 3.18.3 Auction rules

Omit clause 3.18.3(b)(3) and substitute:

- (3) the price for each *SRD unit* to be paid by *eligible persons* will be the same for all *SRD units* cleared in the same *auction* and will be equal to the *auction* clearing price in respect of the *directional interconnector* for the *auction*; and

[16] Clause 3.18.3 Auction rules

Omit clause 3.18.3(d) and substitute:

- (d) *AEMO* may amend the *auction rules*:
 - (1) at any time, with the approval of the *settlement residue committee* and in accordance with the *Rules consultation procedures*; or
 - (2) if *AEMO* has consulted to the extent practicable in the circumstances in relation to the proposed amendment, the amendment has the support of at least three quarters of the members of the *settlement residue committee*, and *AEMO* considers the amendment is urgent.

[17] Clause 3.18.3 Auction rules

Omit clause 3.18.3(e) and clause 3.18.3(f).

[18] New Clause 3.18.3A Secondary trading of SRD units

After clause 3.18.3, insert:

3.18.3A Secondary trading of SRD units

- (a) *AEMO* may, with the approval of the *settlement residue committee*, decide to implement secondary trading of *SRD units* by *eligible persons* in accordance with this rule 3.18 and the *auction rules* at a specified date (**secondary trading decision**).
- (b) Before the date specified under paragraph (a), *AEMO* must amend the *auction rules* in accordance with clause 3.18.3(d)(1) to include the requirements specified in clause 3.18.3(a1).

[19] Clause 3.18.4 Proceeds and fees

Omit clause 3.18.4(a) in its entirety and substitute:

- (a) *AEMO* must distribute to the relevant *Network Service Provider*:
 - (1) subject to clauses 3.6.5(a)(4) and 3.6.5(a)(4A) and paragraph (a1), the *auction* clearing price for each *SRD unit* received by an *eligible person* in an *auction* in accordance with the *auction rules*; and
 - (2) subject to paragraphs (b) and (c), any portion of the *settlements residue* allocated to the *directional interconnector* in respect of which a *SRD unit* has not been issued under a *SRD agreement*,

in accordance with the principles in clause 3.6.5 in relation to the allocation and distribution of *settlements residue* attributable to *regulated interconnectors*.

- (a1) Where a secondary trading decision is made under clause 3.18.3A(a), *AEMO* must pay an *eligible person* the *auction* clearing price for each *SRD unit* that is offered by that *eligible person* and subsequently cancelled by *AEMO* pursuant to clause 3.18.1(b)(2)(ii) and in accordance with the relevant *SRD agreement* and the *auction rules*.

[20] Clause 3.18.4 Proceeds and fees

In clause 3.18.4(e) after the words “to *AEMO* under *SRD agreements*” insert “and any amounts payable by *AEMO* to *eligible persons* under *SRD agreements*”.

[21] New Clause 3.18.4A Secondary trading proceeds and margin

After clause 3.18.4, insert a new clause:

3.18.4A Secondary trading proceeds and margin

- (a) This clause 3.18.4A applies where a secondary trading decision is made under clause 3.18.3A(a).
- (b) When an *eligible person* offers a *SRD unit* in an *auction*, the *eligible person* must provide a margin to *AEMO* at the same time as it offers the *SRD unit*, in accordance with the requirements of the *auction rules* and the *SRD agreement*.

Note

Clause 3.18.3(a1)(5) requires the *auction rules* to set out a mechanism for calculating and determining the margin.

- (c) If an *eligible person* provides a margin under paragraph (b) and subsequently that *eligible person's SRD agreement* or *auction participation agreement* is terminated by *AEMO*, then *AEMO* must apply the margin provided by that *eligible person* to:
- (1) any outstanding amounts owing to *AEMO* by that *eligible person*; or
 - (2) any amounts that would have been owing to *AEMO* by that *eligible person* under *SRD agreements* had the *SRD agreements* or *auction participation agreement* not been terminated,

in accordance with this rule 3.18 and the *auction rules*.

- (d) If the full amount payable by *AEMO* to *eligible persons* for cancellation of *SRD units* pursuant to clause 3.18.4(a1) is less than the amount available to *AEMO* from *auction* proceeds provided to *AEMO* by *eligible persons* (**shortfall**) then *AEMO* must recover that shortfall:
- (1) first, from the *auction* proceeds payable to the relevant *Network Service Provider* under clause 3.18.4(a)(1); and
 - (2) if the amount under paragraph (d)(1) is insufficient, then *AEMO* must recover the remaining amount that could not be recovered in accordance with clause 3.6.5, as if references to *negative settlements residue* amounts were references to the shortfall.
- (e) If an *eligible person's SRD agreement* or *auction participation agreement* is terminated by *AEMO*, then any *SRD units* which that person held immediately prior to the relevant agreement being terminated may be made available by *AEMO* in another *auction*.

Schedule 2 Amendment to the National Electricity Rules

(Clause 4)

[1] Chapter 10 New Definitions

In Chapter 10, insert the following new definition in alphabetical order:

SRD unit

A unit that represents a right for an *eligible person* to receive a portion of the net *settlements residue* under clause 3.6.5 allocated to a *directional interconnector* for the period specified in a *SRD agreement* entered into between that *eligible person* and *AEMO* in respect of that right.

[2] Chapter 10 Substituted Definitions

In Chapter 10, substitute the following definition:

auction amounts

All amounts:

- (a) payable by *AEMO* to *eligible persons* under *SRD agreements*; or
- (b) distributed to *Network Service Providers* under clause 3.18.4; or
- (c) recovered by *AEMO* under clause 3.18.4, clause 3.18.4A or the *auction rules*, including *auction expense fees*; or
- (d) payable by *eligible persons* to *AEMO* under *SRD agreements* including any margin referred to in clause 3.18.4A(b).

[END OF RULE AS MADE]
