

# Global Settlement (GS) Frequently Asked Questions (FAQ)

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## Global Settlement general

### 1. What are the key GS changes?

Global settlement (GS) will replace the 'settlement by difference' framework on 1 May 2022. Under a global settlement framework every retailer is billed for the loss-adjusted metered electricity that is consumed by their customers within the area. The unaccounted for energy (UFE) is then allocated to market customers (mainly retailers) in the local area, pro-rated based on their 'accounted-for' energy.

### 2. Why are these changes being introduced?

Since Full Retail Contestability (FRC) was introduced there have been significant changes in the market with advances in metering technology, along with new retailers entering the market and providing greater competition, which has led to more customers switching retailers. Yet despite these changes and advancements the settlement process has remained unchanged, with local retailers bearing the cost of all unaccounted for energy (UFE).

The introduction of Global Settlement will provide a fairer distribution of UFE across *all* retailers.

### 3. What was delivered as part of the GS soft-launch on 1 October 2021?

AEMO began reporting on unaccounted for energy (UFE) values as part of the Global Settlement soft-start via two new reports: RM43 (UFE Factor Values By Local Area) and RM46 (UFE Validation).

The GS soft-launch is intended to assist industry in preparing for the full GS changes on 1 May 2022.

### 4. What changes need to be made to support the new GS framework?

To calculate UFE, the following changes to standing data were required prior to the Global Settlement soft start date on 1 October 2021:

- Activate Tier 1 NMI datastreams and send meter reads.
- Register all Non-Contestable Unmetered Loads (NCONUML) and send meter reads.
- Update NMI Classification Codes to support new classifications (BULK, XBOUNDARY, NREG, DWHOLSAL).
- Register all cross-boundary metering and send meter reads.

Specific functional changes include:

- Introduction of new UFE reconciliation reports (RM43, RM46)

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- New NMI Classification Codes will require updates to CATS Change Requests to include and validate new codes. Changes to standing data will be displayed within the MSATS Browser and CATS report responses. Where NMIs are associated to cross-boundary supplies, a second TNI (TNI2) and/or second Network Service Provider (NSP2) may be included in the standing data. AEMO users are required to register these standing data values against the NMI.
- Additional RM reports will be available for Participants (RM43, RM46).

## UFE

### 5. How is UFE calculated?

$$\text{UFE} = \text{TME} - \text{DDME} - \text{ADME}$$

TME is the amount of energy flowing at each of the transmission network connection points in the local area

DDME is the amount of energy flowing at each of the distribution network connection points in the local area which are connected to an adjacent local area

ADME is the aggregate metered energy (ME) x DLF

### 6. What level is UFE allocated?

UFE is calculated and allocated at the local area (i.e. distribution network) level.

### 7. How is UFE allocated?

UFE will be allocated across all market customers (i.e. FRMPs) in each local area, pro-rated based on their accounted-for energy for each Trading Interval:

- Distribution Connection Points
- Embedded Network Parent connection points
- Embedded Network On-Market Child connection points

### 8. What is AEMO's obligations under the NER re UFE reporting?

At least once each year, AEMO must in accordance with the UFE reporting guidelines, prepare and publish on its website a report setting out:

- AEMO's summary and analysis of the total unaccounted for energy amounts in each local area over the reporting period
- AEMO's analysis of the unaccounted for energy amounts in each local area in the reporting period against benchmarks determined by AEMO acting reasonably
- AEMO's analysis of the sources of unaccounted for energy in each local area
- AEMO's recommendations to improve visibility of unaccounted for energy in each local area
- AEMO's recommended actions to reduce the amounts of unaccounted for energy in each local area, including without limitation any actions that AEMO recommends ought to be taken by Market Participants, Network Service Providers, the AER or AEMO.

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## RM Reports

### 9. Which reports relate to UFE?

- RM43 – UFE Factor Values by Local Area: List of UFEF values for each trading Interval for each local area (public).
- RM46 – UFE Validation: List of all components used to calculate the UFE and UFEF values for each trading Interval for each local area (public).