

Operational changes to scheme participant compliance processes

27 March 2024

This paper outlines proposed operational changes to scheme participant compliance processes for the 2023 Energy Savings Scheme (ESS) and 2023-24 Peak Demand Reduction Scheme (PDRS) compliance periods. It covers:

- AEMO market purchase data
- ESS and PDRS audit requirements
- key reporting dates

We have reviewed our compliance processes to improve efficiency and reduce regulatory burden. The proposed outcomes are informed by our learnings from the first ESS and PDRS combined compliance cycle and feedback provided by scheme participants and auditors at various points throughout the compliance process.

We welcome feedback from scheme participants and auditors on the approaches set out below.

1 AEMO market purchase data

Under the *Electricity Supply Act 1995* (NSW) (**ES Act**), scheme participants must report their liable acquisitions that are purchases of electricity from the market operator (AEMO). That is, the gross amount of electricity they purchase from the grid. To facilitate this reporting, IPART has historically provided scheme participants with market purchase data from AEMO. To date, the data provided has been net electricity purchase data which is a scheme participant's gross electricity purchase less the amount of electricity it has imported to the grid (e.g. from rooftop solar). This has meant that scheme participants have needed to supplement the AEMO net data by self-reporting their imports to the grid to determine their total electricity purchase from the market operator.

We propose to now provide scheme participants with gross electricity market purchase data, rather than net electricity purchase data. This will simplify liable acquisitions reporting, improve consistency and accuracy of scheme data and reduce regulatory burden.

1.1 Why are we making this change?

On 1 May 2022, AEMO changed its approach to settling the National Electricity Market (**NEM**) for retailers, moving from a settlement-by-difference framework to global settlements.^a Prior to global settlements, AEMO did not meter gross electricity purchase data for Tier 1 retailers. An outcome of the move to global settlements is that gross purchase data is now available for all scheme participants.

Providing gross purchase data to scheme participants to report their market purchases, rather than net data, removes the need for scheme participants to self-report their electricity imports to the grid. Self-reporting imports to the grid is an administratively burdensome process for many scheme participants. It has become increasingly onerous with the introduction of the PDRS which requires the data to be reported in six-hour intervals. Scheme participants identified the following challenges with self-reporting PDRS imports to the grid:

- There is not a commercial need to capture interval data at the granular level needed to report electricity imports to the grid under the PDRS and implementing systems to do this would incur an additional cost.
- The *PDRS Compliance Rule of 2022* provides methodologies for determining consumption where electricity is not measured by an interval meter however its application requires the separation of interval and non-interval data which scheme participants have indicated can be an extremely complex process and is not always achievable.

The use of gross data to report purchases from the market operator overcomes these challenges by removing the need for self-reporting of electricity imports to the grid.

1.2 What does it mean for scheme participants?

The use of gross purchase data for reporting purchases of electricity from the market operator means that scheme participants will no longer need to self-report electricity imports to the grid. This has a number of benefits for scheme participants including:

- **A simplified reporting process** – scheme participants no longer need to extract electricity import data from their billing systems or use the *PDRS Compliance Rule of 2022* to estimate consumption from non-interval meters.
- **Reduced audit requirements** – scheme participants will no longer be required to audit their electricity imports to the grid. For scheme participants with no other non-market acquisitions^b and no exempt electricity loads,^c an audit will no longer be required. For those scheme participants still requiring an audit, the audit scope will be reduced potentially resulting in reduced compliance costs.

^a The change was in response to the [AEMC's Global settlement and market reconciliation rule change](#) which was finalised on 6 December 2018.

^b That is, a purchase of electricity under clause 10(1) of Schedule 4A to the ES Act or a supply of electricity under clause 10(2)(a) of Schedule 4A to the ES Act where that electricity is supplied outside of the NEM.

^c An 'exempt electricity load' is an electricity load that the Minister for Energy has granted an exemption from the Energy Savings Scheme. A Scheme Participant that supplied electricity in connection with an exempt electricity load is entitled to deduct a portion of the electricity supplied from its liable acquisitions. Exempt electricity loads are set out in the *Energy Savings Scheme (Electricity Load Exemptions) Order* for the relevant compliance year.

- **Faster processing times** – the increased reliance on AEMO data, simplified reporting processes and reduced audit requirements will improve administration efficiency and reduce Scheme Regulator assessment timeframes.

Scheme participants will still need to self-report liable acquisitions where the electricity is supplied outside of the NEM (e.g. via a private network) for consumption by, or onsale to, end users in NSW, or for use in NSW. This includes purchases of electricity from a person other than the market operator and supplies of electricity generated by a retailer.

1.3 Will this impact a scheme participant's liability?

We expect the use of gross data to have a minimal impact (less than 0.5% increase on average) on overall liability. The increase results from the difference between the treatment of the imports to the grid netted off the market purchases and the imports to the grid that have historically been self-reported as follows:

- The imports to the grid netted off market purchases have been adjusted for distribution loss factors. Non-interval data has also had a Net System Load Profile (NSLP) applied to derive five-minute interval data.
- Self-reported imports to the grid have not been adjusted for distribution loss factors. Non-interval data has been reported using one of the methods in the *PDRS Compliance Rule of 2022*.^d

By using self-reported imports to the grid as a proxy for determining the electricity netted off gross purchases, market purchases have been slightly underreported. The use of gross data to report market purchases more accurately reflects a scheme participant's purchases from AEMO. Gross electricity market purchase data is now the best available data to use for this purpose.

Scheme participants can determine their gross electricity market purchases for the 2022 ESS and 2022-23 PDRS compliance periods using the TA and IGENERGY data in the AEMO data provided last year.^e This value can also be derived from the INENERGY, IGENERGY and XNENERGY fields.^f

1.4 Will the IESS Rule Change impact the data provided?

AEMO provides IPART with electricity purchase data from its Electricity Market Management System (MMS) Data Model. On 2 June 2024 AEMO will implement significant changes to this data model in response to the AEMC's [Rule Change: Integrating Energy Storage Systems \(IESS\) into the NEM](#). This will impact the AEMO data used to report gross electricity market purchases as follows:

- From 1 January 2023 to 1 June 2024 gross electricity market purchase data will be reported as gross export energy (XGENERGY) plus UFEA^g from AEMO's SETCPDATA table

^d For the 2022 ESS and 2022-23 PDRS compliance periods some scheme participants relied on AEMO's IGENERGY field to report their electricity imports to the grid. As IGENERGY has been adjusted for distribution loss factor and has a NSLP applied to non-interval data there should be no difference between the gross electricity market purchase data and the self-reported market purchase data.

^e Total gross electricity market purchases = -TA + IGENERGY

^f Total gross electricity market purchases = XNENERGY - INENERGY + IGENERGY

^g A scheme participant's market purchases include an unaccounted for energy allocation (UFEA). UFEA is equivalent to XNENERGY - INENERGY + IGENERGY - XGENERGY

- From 2 June 2024 gross electricity market purchase data will be reported as Adjusted Consumed Energy (ACE) from AEMO's SET_ENERGY_TRANSACTIONS table.^h



Does the move to providing gross electricity market purchase data present any issues or challenges for your business?

2 Audit requirements

For the 2023 ESS and 2023-24 PDRS reporting periods we propose to revise scheme participant audit requirements as follows:

A scheme participant is required to have its Declaration of Liable Acquisitions (DLA) audited under the ESS and PDRS if it relies on an exempt electricity load or its DLA includes non-market acquisitions and it does not meet the following exemption criteria:

- *the total non-market acquisitions included in its DLA is less than:*
 - 10,000 MWh for the ESS compliance period
 - 45 MWh for the PDRS compliance period, and
- *it can provide satisfactory evidence of all non-market acquisitions to the Scheme Regulator for internal assessment.*

This reduces the requirements relating to audits of non-market acquisitions by increasing the ESS non-market acquisitions audit threshold and removing the requirement to conduct an audit when a scheme participant has not previously had its DLA audited. It also introduces new PDRS specific audit requirements.

We are not proposing any changes be made to the requirement to conduct an audit if your DLA includes an exempt electricity load or to be able to provide evidence of non-market acquisitions to IPART if required.

2.1 Why are we making these changes?

Scheme participant audits are used to provide reasonable assurance over the data that cannot be verified against AEMO data – that is, exempt electricity loads and non-market acquisitions. We are proposing revised audit requirements to:

- ensure that we do not place unreasonably high regulatory burden and cost on scheme participants
- respond to the impact of the move to the use of gross electricity purchase data to report liable acquisitions

^h ACE is inclusive of UFEA

- introduce new PDRS audit requirements to align with ESS audit requirements.



Do the revised audit requirements present any issues or challenges for your business?

3 Compliance timeline

Key reporting dates for the 2023 ESS and 2023-24 PDRS compliance period are shown in Figure 1. While it is open to the Scheme Regulator to adjust key reporting dates, we have retained the same compliance timeline used for the previous reporting period to minimise change and provide certainty for scheme participants.

As the first combined ESS and PDRS reporting period is now ending, we are seeking feedback on the combined reporting and auditing process. We will use this feedback to make improvements for future reporting periods as needed.



Would you like to see changes or improvements to the compliance timeline? Do you support the combined ESS and PDRS compliance cycle? Does the existing compliance timeline present any issues or challenges for your business?

4 We want your feedback

We're seeking your feedback on any issues or challenges these operational changes raise for your business. Please send your submissions to essregulator@ipart.nsw.gov.au by **19 April 2024** and provide a detailed response including your reasons and examples where possible.

Your privacy is important to us. Please include a completed [ESS submission cover sheet](#) with your submission to confirm you have read and accept IPART's [Submission Policy](#). We will publish your submission on our website unless you ask us to keep it confidential. We will also publish your name unless you ask us to keep it confidential.

5 Next steps

We will consider all feedback before finalising our compliance processes and publishing updated guidance. We will release a package of guidance documents in May 2024.

Figure 1 2023 ESS and 2023-24 PDRS compliance timeline

