

Annex A – WESM Rules

Proposed Amendments to the WESM Rules for the Implementation of ERC Resolution No. 07 Series of 2019 entitled “A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)”

WESM Rules (Current Design)						
Title	Clause	Provision	Proposed Amendment	Rationale	Stakeholders Comments	Stakeholders Rationale
Treatment of Remaining Settlement Surplus	3.13.16.1	If the transactions required by clauses 3.13.14.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> .	If the transactions required by clauses 3.13.14.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> <u>or net settlement deficit</u> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019		
Treatment of Remaining Surplus	3.13.16.2	The net settlement surplus: (a) May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.14, or may be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> and the <i>System operator</i> .	The <i>net settlement surplus</i> or <u>net settlement deficit</u> . (a) May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.14, or may be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> and the <i>System operator</i> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019 Provisions for the retention of NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC Resolution No. 1 Series of 2018).		

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WESM Rules (Current Design)						
Title	Clause	Provision	Proposed Amendment	Rationale	Stakeholders Comments	Stakeholders Rationale
Treatment of Remaining Settlement Surplus		(new)	<u>3.13.16.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its Rules for the Distribution of Net Settlement Surplus.</u>	<ul style="list-style-type: none"> Reflect the ERC's authority to approve the rules for calculation and flow back mechanism of NSS/NSD. 		
Treatment of Remaining Settlement Surplus		(new)	<u>3.13.16.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause 3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.</u>	<ul style="list-style-type: none"> Reflect the ERC's authority to amend, motu proprio. Ensure that the amended NSS Rules are reflected in the NSS Manual. 		
Definition of NSS	Glossary	Net Settlement Surplus. The settlement surplus remaining after all market transactions have been accounted for, including the assignment of transmission line rentals to Network Service Providers. This remainder is assumed to be attributable to economic rentals arising from other binding constraints, and accounted for in accordance with clause 3.13.16.	Net Settlement Surplus <u>or Net Settlement Deficit</u> . The settlement surplus <u>or settlement deficit</u> remaining after all market transactions have been accounted for, including the assignment of transmission line rentals to Network Service Providers. This remainder is assumed to be attributable to economic rentals arising from other binding constraints, and accounted for in accordance with clause 3.13.16.	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019		

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WESM Rules (Enhanced Design)						
Title	Clause	Provision	Proposed Amendment	Rationale	Stakeholders Comments	Stakeholders Rationale
Treatment of Remaining Settlement Surplus	3.13.12.1	If the transactions required by Clauses 3.13.12.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> .	If the transactions required by Clauses 3.13.12.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus or net settlement deficit</i> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019		
Treatment of Remaining Surplus	3.13.12.2	The <i>net settlement surplus</i> : (a) May be retained by the <i>Market Operator</i> , to fund deficit as a result of transactions required in Clauses 3.13.11, or may be flowed back to the <i>WESM Participants</i> in accordance with the procedures to be developed under 3.13.12.3, or may be used by the <i>Market Operator</i> to establish and support the market for financial <i>transmission rights</i> subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> .	The <i>net settlement surplus</i> or <u>net settlement deficit</u> : (a) May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.11, or may be May be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.12.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019 Provisions for the retention of NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC Resolution No. 1 Series of 2018).		
Treatment of Remaining Settlement Surplus		(new)	<u>3.13.12.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its Rules for the Distribution of Net Settlement Surplus.</u>	<ul style="list-style-type: none"> Reflect the ERC's authority to approve the rules for calculation and flow back mechanism of NSS/NSD. 		

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WESM Rules (Enhanced Design)						
Title	Clause	Provision	Proposed Amendment	Rationale	Stakeholders Comments	Stakeholders Rationale
Treatment of Remaining Settlement Surplus		(new)	<u>3.13.12.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause 3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.</u>	<ul style="list-style-type: none"> • Reflect the ERC's authority to amend, motu proprio. • Ensure that the amended NSS Rules are reflected in the NSS Manual. 		