Settlement Residual Allocation Methodology

WEL Networks Allocation Methodology

Background

Pursuant to Clause 12A.3 of the Electricity Industry Participation Code 2010 (the Code), from 1 April 2023, distributors are required to allocate and pay all settlement residue received from Transpower to distribution customers, proportional to the transmission charges attributable to those customers.

Transpower breaks down WEL Network's (WEL) monthly settlement residue payments by:
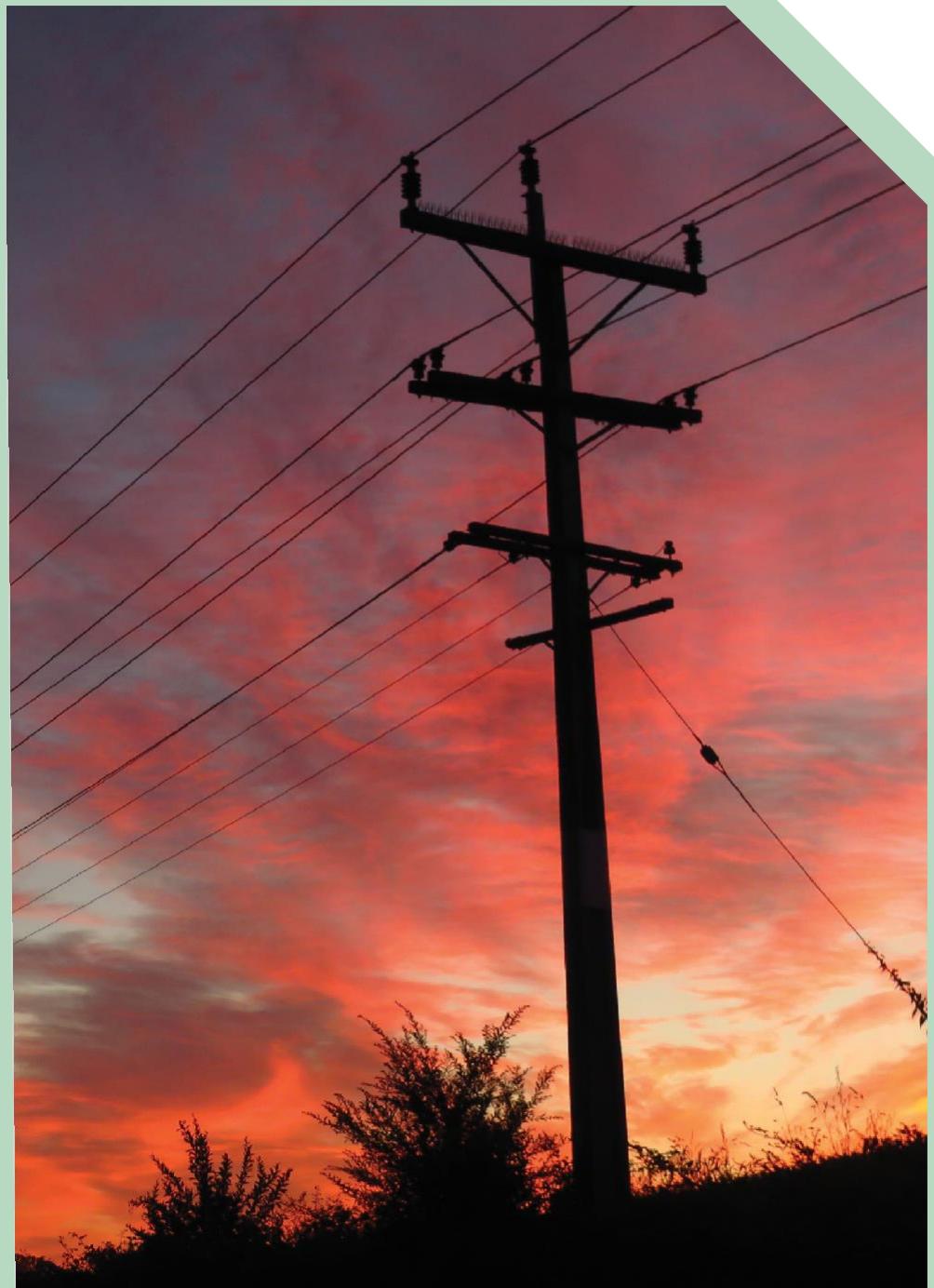- whether they relate to offtake or injection;
- connection location (i.e. by grid exit point); and
- the asset class they relate to (i.e. connection or interconnection).

WEL is only required to pass-through settlement residues to distribution customers that pay lines charges directly to WEL.

Embedded Networks
WEL owns and operates a number of small embedded networks within the geographic network areas of other electricity distribution companies.

WEL passes through all settlement residues received in relation to its embedded networks, to its distribution customers. The same methodology used to pass through Transpower settlement residues, is used to allocate and pay embedded network settlement residues to WEL's embedded network distribution customers.

Methodology - Allocation

Pursuant to Clause 12A.3 of the Electricity Industry Participation Code 2010 (the Code), from 1 April 2023, WEL Networks (WEL) is required to allocate and pay any settlement residue received from Transpower to its distribution customers, proportional to the transmission charges attributable to those customers.

Transpower breaks down monthly settlement residue payments by: whether they relate to offtake or injection, by connection location (i.e. by grid exit point - GXP), and by the asset class they relate to (i.e. connection or interconnection assets).

Offtake Allocation

WEL calculates each distribution customers' share of offtake allocation at each connection location (GXP) on a monthly basis, based on data provided by each customer (or their agent) in EIEP1 and EIEP3 submission files.

On a monthly basis, WEL calculates each distribution customers' share of offtake allocation based on their submitted energy offtake at each GXP as a proportion of the total energy offtake of all distribution customers at each GXP for that month.

These allocations will be further denoted by whether they relate to connection or interconnection settlement residues.

Injection Allocation

WEL calculates each distribution customers' share of injection allocation at each connection location (GXP) on a monthly basis, based on data provided by each customer (or their agent) in EIEP3 submission files.

On a monthly basis, WEL calculates each distribution customers' share of injection allocation based on their submitted energy injection at each GXP as a proportion of the total energy injection of all distribution customers at each GXP for that month.

These allocations will be further denoted by whether they relate to connection or interconnection settlement residues.

Settlement residues relating to injection will only be allocated to distribution customers which cause injection residues to be generated.

Adjustments and Washups

WEL may adjust any payment of settlement residuals to correct for a previous overpayment or underpayment of settlement residuals, including to facilitate washups relating to Transpower or embedded network charges.

Methodology - Payment

The settlement residue payment each distribution customer is entitled to (or liable for) is calculated based on the information supplied in the initial billing file (month 0) submitted by each distribution customer (or their agent).

Settlement residue payments are calculated based on each distribution customers' proportional contribution towards offtake and injection residues at each connection location (GXP).

WEL receives settlement residue payment information from Transpower a month in arrears (i.e. at the end of the month following the month in which the residue relates to).

WEL uses the settlement residue information to calculate the appropriate settlement residue for each distribution customer and issues a credit note (or invoice as rarely may be the case) on business day 20 following receipt of the settlement residue payment information from Transpower.

Below is an example which indicates how settlement residuals are treated:

Month 0 - month settlement residue is generated
Early Month 1 - distribution customers (or their agents) submit Month 0 billing files
Month 1, BD10 - WEL issues customers Month 0 billing invoices
Month 1, BD20 - customer Month 0 billing invoices due for payment
End of Month 1 - Transpower issues settlement residue information for Month 0
Mid-month 2 - WEL calculates Month 0 settlement residue payments to customers
Month 2, BD20 - WEL issues Month 0 settlement residue payments to customers