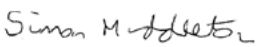
NTESMO

Attachment 7.2

Settlements System Compliance Summary

Endorsement

Name	Job Title/Role	Signature	Date
Simon Middleton (Endorsement)	Senior Manager- Electricity and Market Reform (Core Operations)		18/12/24
Michael Besselink (Approver)	Executive General Manager (Core Operations)		20/12/24

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1 Executive Summary

In 2020 Power and Water commenced developing the Settlements System Project (the project). The objective of the project was to develop a new system to fulfil the Market Operator settlement functions under the Interim Northern Territory Electricity Market (I-NTEM) operating in the Darwin-Katherine Power System (DKPS). In August 2022, the business case for a new settlements system investment was approved. The implementation of the new settlements system was completed in September 2023 at a total net cost of $2.501 million (after accounting for the $0.12 million funding from alternative sources shown in Table 4).

This document presents the drivers for the project, the rationale and justification for seeking recovery of unfunded costs for the project incurred during the 2019-24 period.

The project complied with Power and Water's Project Investment Delivery Governance Framework (PIDF) in place at the time the project was commenced.[1] The project was assessed and classified as a Category B project and met all requisite project investment gateway milestones as prescribed by the PIDF.

This attachment has been revised to address the Commission's requirements identified in its decision paper with Attachment 7.2 – Settlements System compliance summary (compliance summary) which supported NTEMSO's initial regulatory proposal.[2]

1.1 Business need

Power and Water holds a license to undertake system controller functions across the NT Power system in accordance with section 38 of the Electricity Reform Act 2000 and the System Control Technical Code. In May 2015 the I-NTEM commenced in the DKPS. To support the commencement of the I-NTEM, amendments were also made to the Electricity Reform (Administration) Regulations 2000 which imposed market operator functions described under the SCTC on the System Controller, primarily around participant registration and the facilitation of virtual settlement.

The I-NTEM was intended to be the first step towards the development of a full electricity market and was designed and implemented using a minimalist approach to developing systems and regulatory arrangements.[3] To facilitate the commencement of the I-NTEM, a bespoke settlements system was developed in 2015 to support the Market Operator's settlement function (the bespoke system). The bespoke settlements system was based on Microsoft Excel, and initially designed to operate settlements for up to 1,500 interval meters. At the time, it was expected that the development of the full market for the DKPS (NTEM) would occur relatively quickly and would enable the replacement of the bespoke system with one which met the functions required under the full market arrangements.

A key limitation of the bespoke system was it was designed to process data requirements from 1,500 smart meters, which subsequently increased to 16,000 interval meters by 2020 and more than 44,500 for the DKPS and 7,200 interval meters for all other regions by October 2024. Since its implementation in 2015,

[1] Power and Water's Enterprise Portfolio Management Office oversees the governance framework under which investment decisions are made. Refer to section 7 of this attachment and Chapter 2 of the revised regulatory proposal for further details.

[2] 2024-27 Review of system control and market operator charges. Decision paper –regulatory framework. September 2024 Section 6, Commission's assessment of proposed capital projects, Settlements System page 29 and 30

[3] Northern Territory Electricity Market Priority Reform – Introductory notes on scope of work program June 2020

NTESMO has worked with the system vendor to enhance its functionality to accommodate the significant increase in interval meters being included in settlement calculations.

The significant increase in meter data led to the bespoke system functionality failing intermittently while performing settlement runs which consumed substantial additional resource time and led to market settlements being delayed. The vendor also confirmed that the bespoke system could no longer support the substantial increase in data requirements, and they were no longer able to provide support to maintain system functionality. Given the compromised functionality, and being no longer supported by the vendor, it was clear that the bespoke system had reached 'end of life' status and required replacement to provide the Market Operator functionality and capability to perform the functions defined in the System Control Technical Code. These issues collectively led to significant compliance risks for the Market Operator not being able to perform its settlement function and issue accurate settlement information, with the added risk that this failure could potentially result in a solvency risk for market participants.

Given NTESMO's Market Operator functions and obligations under the System Control Technical Code, compliance has been the primary driver of the need for the Settlements System project. Although the final design of the TEM (previously NTEM) is yet to be settled, the secondary driver for the Settlements System project was the ability for the new settlements system to adapt and configure to meet expanded settlement functions and manage the increased number of licensed participants expected to enter the market as well as the continued growth of interval-metered consumers.

Meeting compliance obligations with respect to accurate and timely settlements is an important means by which NTESMO can provide confidence to electricity market participants that there is a reliable and robust settlement capability within the I-NTEM and, in time, the TEM. This, in turn, is likely to facilitate new market entry consistent with the NT Government's orderly transition toward renewable energy.

1.2 Options analysis

Through the development of the Settlements System Project, two options were considered to address the need as shown in Table 1. Under the investment delivery governance process PWC decided that Option 2 was preferred to Option 1.

Table 1: Summary of credible options

Option No.	Option name	Description	Recommended
1	Do nothing (business as usual)	We considered ongoing use of the bespoke system despite compromised functionality and lack of vendor support. This would have required reliance on increased labour hours to manually check system outputs. The 2015 bespoke system was not fit for purpose, and there were incidences of the system crashing and market settlement not being conducted. This raised insolvency risk for market participants as well as compliance risks.	Reject
2	New settlements system	We considered procuring an off-the-shelf or bespoke settlements system. Under this option, NTESMO would develop a detailed list of its requirements for the settlements system that would meet current I- NTEM requirements[4]. The settlements system solution would need to be easily configurable to meet	Accept

[4] Market Operator Settlements System Functional Requirement are outlined in document reference D2022/368466.

Option No.	Option name	Description	Recommended
		future requirements of the NTEM, as well as require minimal configuration with existing Power and Water ICT systems. The ICT solution most likely to meet NTESMO's requirements would be revealed by an Expression of Interest (EOI) and subsequent competitive tender process involving potential vendors.	

1.3 Procurement process

A vital element of the governance process is to ensure the development of an efficient solution to meet the need. To meet this requirement, NTESMO conducted a two-stage procurement process for the preferred new settlements system based on an expression of interest (EOI) stage followed by a Grade 3 public tender involving short-listed vendors identified during the EOI stage. The EOI process attracted six potential vendors.

The EOI sought preliminary quotes from these vendors for either commercial off-the-shelf or bespoke (including custom build) solutions to develop a new ICT settlements system. The EOI intended to gain information on costs associated with the proposed technology, case studies of successful implementation by the vendor, identification of risks and issues, and the proposed ongoing support solution.

Following the public tender, NTESMO selected its preferred vendor, [redacted] which offered an off-the-shelf product that required minimal configuration with Power and Water's existing ICT systems. This product also provided a pathway to implement future settlement functions when required once the NTEM design is settled. [redacted]

NTESMO provided the successful vendor with a detailed set of functional and non-functional requirements to enable a short design phase for it to deliver the detailed design of the new settlements system. NTESMO also provided the vendor with access to relevant business subject matter experts, technical systems, and infrastructure to conduct the work.

2 The Commission's requirements addressed

The Commission considered that the compliance summary justified the Settlements System project and relates to NTESMO's regulatory obligations as market operator.5 The Commission noted issues with the compliance summary that need to be addressed, including:

- Errors in Table 4 which were identified by information requests (#0019):
  - The error in the total expenditure has been corrected.
  - Extent and timing of operating expenditure - Further clarity has been provided on the extent and duration of forecast operating expenditure. Forecast ongoing expenditure is captured in the Operational Expenditure Forecast.[6]

[5] Commission, decision paper, p. 29.
[6] Attachment 5.2, Section 5.3.

  - Variations in project expenditure – Section 6 of the revised regulatory proposal is redrafted to provide greater insight into the project expenditure. This explains variations to future operating expenditure requirements for the settlements system for on-premises support by the vendor and are included in the Operational Expenditure Forecast.

- Table 3 and Table 4 provide "approved" project costs, but only actual costs are eligible for inclusion into the RAB. Section 6 should set out the approved estimate of costs exclusive of contingency amounts, approved contingency allowances (in percentage terms), the actual capital expenditure that was incurred and capitalised overhead costs applicable to the project.
  - Approved project costs and actual costs – Section 6 is revised to consider the Commission's requirements and the differences between approved project costs and actual costs with an explanation for variances.
  - The project costs are incremental. Capitalised overhead costs have not been applied to projects already completed and thus not recovered from prior capital expenditure.

- Section 6 advises that the project has been subject to the Project Investment Delivery Management Standard; however, it did not provide information on the project classification and, therefore, the responsible body for endorsement and whether/when that endorsement was provided. The Commission expects the project to have received Board endorsement and evidence of Board approval for the project is required.
  - Section 6 has been updated and shows the project classification and demonstrates the level of authority required for endorsement of expenditure levels. The project was classified as a 'Category B' project as the projected expenditure (at the time of Business Case Approval) was below $5 million. In accordance with the IDF7, Category B projects governance was met by:
    > A project control group or steering committee oversaw the project.
    > All significant project gateway approvals were subject to the Enterprise Program Management Committee Chair approval, being the CEO, under delegation of the Board.
    > The project gateway approvals were delivered to prescriptions of the IDF mandated by the Board.

3 Background on project development

The scope of the Settlements System project was originally planned to be delivered as part of the NTEM Phase 1- Detailed Design and Implementation Project (NTEM Phase 1 Project), which was established through a preliminary business case approval in January 2019. In response to the NT Government's deferral of the final state NTEM in February 2020, the NTEM Phase 1 Project was varied to, among other things, establish the Settlements System as a specific sub-project.

[7] Project Investment Delivery Management Standard, CONTROL0383, Power and Water Corporation, Versions 1.1 (30/03/2021) through to 4.0 (15/09/2023).

In April 2020, the Settlements System project was moved from a NTEM Phase 1 Project to the Core Capabilities Program8 due to the realisation that the bespoke system would need to be replaced, as the existing spreadsheet-based system was beyond modification. The Transformation Portfolio Steering Committee provides governance for major projects that form the Core Capabilities Program and the Enterprise Program Management Committee (EPMC) provides governance for all investment gateways associated to Category A and B projects. Given technical scope and the enhanced need for ICT project management expertise, the inclusion of the Settlements System project within the Core Capabilities Program was considered well aligned. In support of this approach, a new preliminary business case was approved in December 2020.

Due to ongoing delays by the NT Government in the development and finalisation of the NTEM policy design, a project variation request was submitted to the Transformation Portfolio Steering Committee9 in June 2021 providing the following two options for consideration:

- Option 1, pause the project until July 2022 when there was expected to be both regulatory and funding certainty, which would cause the delivery date of the system to move to the first quarter of 2024; or
- Option 2, issue an Expression of Interest in July 2021 with the aim of issuing a Request for Proposal in December 2021 after the NTEM reform program released the draft rules in September 2021. This would cause the delivery date of the system to move to March 2023.

The Transformation Portfolio Steering Committee instructed the project team to follow the second option after considering the risk factors and proposed mitigation options to support a prudent and efficient approach to implementing the project. The project team noted that at this time there was no certainty the estimated timeline would be delivered by the NT Government and further delays in releasing of the NTEM reform rules would result in delays to the project delivery dates. As noted in Chapter 6, the project was subject to a business case assessment under Power and Water's governance process which was subsequently approved.

4 Project drivers

The bespoke system was developed in 2015 to support NTESMO perform its market settlement functions under the I-NTEM. Through the Microsoft Excel platform the bespoke system conducted the settlement calculations and issued virtual invoices to retailers and credit notes to generators.

The bespoke system was built to perform basic virtual settlement tasks with little functionality to perform more complex tasks. Its design was premised on leveraging the existing arrangements and accommodating legacy ICT infrastructure, systems, and operational practices. From 2021, the bespoke system no longer received vendor support and its continued use became dependent on significant manual work-around and was no longer able to meet the settlement functions of the Market Operator.

[8] Core Capabilities Program comprises five major ICT projects; Meter to Cash (meter data management system, retail billing system and integration layer), Physicals to Financials (financial management system), Asset Management System, Project / Service Delivery System and a Customer Portal.

[9] Transformation Steering Committee oversees the Core Capabilities Program.

4.1 Primary investment driver – Settlement Function Compliance

NTESMO is required to meet its legal responsibilities in accordance with section 38 of the Electricity Reform Act 2000 and System Control Technical Code, in its role as the DKPS market operator, and prepare for future NTEM (now known as TEM) reform to be initiated by the NT Government.

The 2015 bespoke system was originally designed to process data requirements from 1,500 smart meters and as the volume of smart meters grew was deemed to have reached an 'end of life' status for the following reasons:

- It was not inherently secure.
- It was no longer being supported by the vendor, who considered the current system was not designed for long term use with any further development of the system slow and inherently risky.
- It would not support the expected significant rise in metering data stream inputs given it was designed for approximately 1,500 smart meters, which subsequently increased to 16,000 interval meters by 2020, more than 31,000 smart meters by 2023 and 44,500 smart meters in October 2024. It was anticipated that the bespoke system would be required to manage over 90,000 smart meters by the end of the smart meter rollout by June 2029.
- It did not conduct the required validation to support the data processing required to conduct the market settlements and ancillary (essential) services calculations.
- It did not deliver transparency to customers in the settlement of commercial transactions.
- It would require enhancements to implement the Meter to Cash IT program (introduction of the Market Settlements and Transfer Solution (MSATS) transactions and revised meter data file format).
- It was rudimentary in its design and is not configurable to meet any settlement function design changed anticipated through the NTEM reforms.

Advice from the original developer concurred with NTESMO's assessment that the 2015 bespoke system could not be adapted to fully support current market settlement requirements or meet future needs expected once the full market design is finalised.

4.2 Secondary investment drivers – service improvement and future configurability

In addition to these service improvements, at the time Settlements System project was initiated the bespoke system was not considered capable of efficient updates and enhancements to comply with future market design, including but not limited to:

- Minimisation of service disruptions.
- Reduction of settlement period from monthly to weekly basis.
- Introduction of nodal reference points within the DKPS and management of settlement residue due to the introduction of two reference nodes (no longer part of the TEM reforms).
- Introduction of a process for management of participant default (prudential risk).
- Configuration for the calculation and management of financial for out-of-balance settlements.

The selection of suitable settlements system would need to be sufficiently adaptable and configurable to meet a range of wholesale electricity market design features yet to be determined through electricity market reforms.

5 Options analysis

Various options that were considered to address the increasing settlement failure risk under the 2015 bespoke system, and the preferred option was identified to efficiently address the risk. The options were analysed based on ability to address the identified needs, prudency and efficiency, commercial and technical feasibility, deliverability, future configurability, and benefits.

5.1 Comparison of credible options

In developing the project, two potential options were compared to address the needs.

5.1.1 Option 1 – Do nothing (continue with the 2015 bespoke system)

A do-nothing option did not satisfy the identified need because the bespoke system was not designed to deliver a settlements function for the current and prospective number of generators and smart meters operating in the I-NTEM, let alone expected in the TEM. Maintaining the 2015 bespoke system also increased the risk that settlement could not be facilitated due to system failure. This risk would amplify over time as more smart meters were installed. The impact of failing to settle the market would see the cash flow of generators severely hampered, with an estimated $10 million-$20 million exchanged between market participants each month. In addition to the financial risk of the bespoke system failing, such a system could have damaged confidence in the DKPS and discouraged new market participants.

Continued operation of the bespoke system required a significant amount of manual work arounds which increased operating costs and the risk of settlement errors, including due to operator error and Excel spreadsheet processing failure.

Further, NTESMO's ability to perform the settlement function of the Market Operator was expected to be further compromised as the bespoke system's file format was not compatible with the meter to cash software system being implemented by Power and Water which was required to communicate with AEMO's MSATS system. As the bespoke system was no longer supported by the vendor, there were no updates available for it to become compatible with the meter to cash system.

For the above reasons, the do-nothing option was assessed to not be a prudent course of action for NTESMO or provide an efficient settlements system that delivers outcomes that are commensurate with the expectations of market participants over time.

5.1.2 Option 2 – Invest in a new settlements system

Option 2 was to invest in a new off-the-shelf or bespoke settlements system that could be designed with the capability to deliver an efficient settlement function commensurate with current (I-NTEM) and prospective (NTEM) settlement demands and design, with minimal re-configuration required of Power and Water's existing ICT systems. A new system would also remove the ongoing need for manual workarounds to operationalise the settlements system.

The key advantages of this option included that it:

- satisfied the identified need
- was technically feasible
- was appropriate in scope to address the identified need and does not require additional works.

A competitive tender process that involved appropriately qualified vendors competing, based on a detailed list of NTESMO's requirements, resulted in cost efficiency.

The new settlements system was delivered within the required timeframe based on an agreed contractual position with the successful vendor despite a significant variation in the method of system hosting.

5.2 Benefits of Option 2

As noted above, Option 2 was identified as the preferred option. Table 2 provides a summary of the benefits identified by Option 2.

Table 2: Summary of benefits arising from Option 2

Benefit Title	Benefit Category	Current State	Future State	Timing
Operational Risk	Non-financial	Risk of system failing given its age and volume of smart meters requiring settlement. Estimated that market participants would exchange between $10-$20 million every month for market settlements.	System can support settlement with current and future projected volumes of meters and participant contract configurations	Sept 2023
Performance Constraints	Non-financial	System time taken to run settlements was increasing and could not be run remotely over the VPN	System can support settlements with current and future projected volumes of meters	Sept 2023
Meter to Cash compliant	Non-financial	System will not support MSATS transactions or new meter data file format	System can manage new data input formats	Sept 2024 (since revised to February 2025)
Flexibility to support market changes arising from the TEM Reform Program	Non-financial	Current system will not support the proposed TEM Priority Reform Program	System that can support the proposed NTEM Priority Reform Program	[Unknown]
Support additional market entrants	Non-financial	Manual work required in old system	An automated process and reports can expand as new entrants join the NTEM	[As Required]

Efficiencies	Non-financial	Manual data entry and query Correction of manual data errors Monthly set up time for each settlement run	• Reduce manual data entry through automation. • Reduce monthly system set up and running time. • Better reporting for easier identification of exceptions.	Sept 2023

The 2015 bespoke system processes utilised approximately two FTEs each month spread across the Market Operator team. The new Settlements System reduced the operating time and resource effort of the settlements team through greater automation and integration with the MSATS data feeds. However, the transition to the new Settlements System and managing the complexity of new data requires additional resource to educate participants and resolve data issues and anomalies.

6 Procurement

NTESMO conducted a two-stage procurement process for the preferred new settlements system based on an initial Expression of Interest (EOI) stage followed by a Grade 3 public tender involving short-listed vendors.

The EOI sought preliminary quotes from vendors for commercial off-the-shelf or bespoke (including custom build) solutions to develop the ICT settlements system. The EOI was intended to gain information on cost associated with the proposed technology, case studies of successful implementation by the vendors, identification of risks/issues and proposed ongoing support solution.

[redacted]

[redacted]

The successful vendor emerging from the procurement process, [redacted] offered an off-the-shelf product requiring minimal re-configuring of Power and Water's existing ICT systems. The reduced upfront cost of the [redacted] bid were offset by higher charges through the operational period of the contract. However, it scored highest against the on-time delivery, innovation, and scope evaluation criteria.

The two rejected potential vendors achieved scores of below 60% against the evaluation criteria. Amongst other reasons, neither of these vendors had previously delivered comparable settlements systems.

6.1 Strategic alignment

Power and Water is committed to helping the NT Government achieve a vision for an orderly transition to renewable energy (at the time of delivery of the project, a 50% renewable energy target by 2030 was mandated), which will require investment in Power and Water's network and associated systems to facilitate around 30 per cent large scale renewables that connect to the grid, with about 15-20 per cent coming from residential rooftop solar.10

In this strategic context, Power and Water's 2024-2029 Strategic Plan refocuses the business with two goals:

- Modernising our business.
- Embracing a sustainable future with innovation.

Each of these goals is underpinned by two objectives of which NTESMO's settlements system investment aligns with:

- Successful investments in core systems and capability to improve efficiency and value of service.
- Structuring, facilitating, and enabling infrastructure and innovations that support the renewable energy transition and achieving economic growth targets.

6.2 Dependent projects

The Meter to Cash Program is a key project that Power and Water's network business proposes to implement in the 2024-29 regulatory period and that will directly impact on NTESMO's settlements system investment. NTESMO has explicitly scheduled for the settlements system investment to be completed before the Meter to Cash Program investment is undertaken.

6.3 Deliverability

The new Settlements System went live on 13 September 2023 and was run in parallel with the 2015 bespoke system for the first four weeks. [redacted] continued to provide ongoing monthly customer support in accordance with the contract for services through the provision of a business hours support line

[10] Power and Water, Statement of Corporate Intent, 2023/24, p 5.

through which they were able to resolve issues associated with the implementation and parallel operation of the system. In addition to this NTESMO was able to request the Vendor to make minor enhancements and changes monthly, with the Settlements System receiving twice yearly product updates as the Vendor enhances the system.

6.4 Customer considerations

NTESMO has engaged with its stakeholders regarding the settlements system investment. Stakeholders recognise the importance of the investment to providing confidence in the I-NTEM and future electricity market reforms, including facilitating new renewable generation entrants to the market.

NTESMO recognises customer concerns regarding the price impacts of the investment. NTESMO underwent a rigorous procurement process in relation to the settlements system investment to ensure it delivers the required settlement services at efficient cost.

7 Governance, delivery, and expenditure

The development of the Settlements System has been subject to the business case governance framework in at the time, referred to as the Project Investment Delivery Management Standard.11 The project was classified as Category B ($2 million to $10 million expenditure) and subject to all gateway stages approved by the EPMC, which is chaired by the Chief Executive Officer. The project was governed internally by the Transformation Portfolio Steering Committee. Under the Project Investment Delivery Framework, the Chief Executive Officer has financial delegation (as defined by the Board) and was not required to be tabled for Board approval. Table 3 sets out the gateway milestones.

7.1 Project investment milestones

- The project met all investment gateway milestones as evidenced in Table 3. Key observations regarding the project gateway milestones include:
- The business case development actual costs of $0.6 million and was extended from February 2021 to August 2022.
- The most significant variation to the business case development stage was a scheduled revision in July 2021 to facilitate an extensive EOI and tender to pre-select the preferred supplier prior to development and approval of a final business case. This was undertaken to ensure the most efficient and timely solution would be delivered.
- Following the approval of the final business case, a project variation of $0.79 million was approved in June 2023 to accommodate cyber security considerations and host the Settlements System with on-premises servers, not the original cloud-based application. This variation covered variation to the implementation schedule by several months and increased post-project vendor support costs.
- The project was fully implemented and completed in November 2023 and the project post implementation review was signed off in April 2024.
- The project cost was $2.62 million which was delivered within the approved budget of $2.91 million at final business case stage.

[11]Chapter 2 of the revised regulatory proposal provides further information on the business case governance framework in place at the time of the Settlements System Project commenced, and how it has recently evolved.

Table 3: Settlements System Project Gateway Milestones

Investment Milestone	Approval	Date	Cost Element	Value ($ millions)	Total Value Approved ($ millions)
Business Need / Preliminary Business Case	Chief Executive Officer	18/02/2021	Business case development	0.30	0.30
Project Variation (IOM)	Chief Executive Officer	24/03/2021	Business case development	0.14	0.44
Project Variation	Chief Executive Officer	02/07/2021	Business case development	0.16	0.60
Business Case [redacted]	Chief Executive Officer	26/08/2022	Implementation	2.31	2.91
Project Variation [redacted]	Chief Executive Officer	26/06/2023	Ongoing operating cost variation	0.79	2.91[12]
Post Implementation Review [redacted]	Chief Executive Officer	14/04/2024	Implementation	2.62*	2.91

* Actual Cost

[redacted]

7.2 Project review

7.2.1 Project Schedule

The project implementation review commenced on schedule in September 2022. The testing and parallel implementation of the system was due to commence in May 2023 but was deferred until mid-September 2023 due to:

- Schedule variance of two months associated with the on-premises hosting of the system; and
- Schedule variance of two and half months associated with the vendor revising the settlement reports for market participants to fully meet the requirements of the Market Operator as well as further testing required to demonstrate full functionality as per the Market Operator requirements.

Parallel operation of the system continued until final implementation of project completion in November 2023.

[12] The project variation did not alter the budget for implementation ($2.91 million) as this was an increase in ongoing operating costs and an implementation schedule variance.

7.2.2 Project Scope

The full scope of the Settlements System Project was met within the project deliverable along with minor amendments through online vendor support post implementation of the project. The project was delivered using the existing data file format but contained a provision to accommodate the future MSATS compliant meter data file format as part of the scope.

Minor amendments to reporting systems and refinements are being undertaken after the project implementation review which will result in incremental costs during the 2024/25 regulatory year. These costs are not accounted for within this compliance statement.

Further amendments to the Settlements System will likely be caused by the finalisation of NT Government electricity market reforms and will be covered under separate business need identification. Project scoping will be undertaken in accordance with the Investment Delivery Standard framework when the full extent of the reforms is known.

7.3 Project expenditure

The overall project expenditure is presented in Table 4 below.

Table 4: Settlements Systems expenditure included in the NTESMO Revised Regulatory Proposal

Item	2019-20 Nominal ($ millions)	2020-21 Nominal ($ millions)	2021-22 Nominal ($ millions)	2022-23 Nominal ($ millions)	2023-24 Nominal ($ millions)
Business Case Development	0.002	0.184	0.015	0.053	
Development and Implementation				0.921	1.446
Less funding from alternative sources					-0.120
Total	**0.002**	**0.184**	**0.015**	**0.974**	**1.326**

7.3.1 Project implementation cost

Table 3 shows the final project implementation cost was $2.62 million against an approved project budget cost of $2.91 million. Overall, the settlements system was delivered under budget. Only a small proportion of the approved contingency funding was required to accommodate the additional time expended to account for the variation during implementation to the hosting arrangements of the system.

7.3.2 Ongoing operational expenditure

Operational expenditure in the last year of the 2019-24 regulatory period is not claimed as per the Commission's final decision. The forecast ongoing operational expenditure for the Settlements System for the 2024 to 2027 regulatory period is accounted for in the operational expenditure forecast[13].

7.3.3 Forecast capital expenditure not included in the business case

The initial regulatory proposal in December 2023 submitted capital expenditure forecast costs associated to the likely reconfiguration of the Settlements System to give effect to accelerated electricity reforms proposed by Government. Due to the prolonged nature and uncertainty of the electricity reforms, any works associated to reconfiguration of the Settlements System for this purpose will be developed into a separate ex-ante business case for the next Regulatory Period.

7.3.4 Funding from alternative sources

While the NTESMO revised regulatory proposal seeks to recover $2.501 million, this reflects a reduction of $120,000 due to a contribution provided by Territory Generation for developments required to support unregulated settlement functions for Alice Springs, Tennant Creek, Yulara and Kings Canyon.

[13] Attachment 5.2, Section 5.3 provides further information about the three year vendor contract which includes renewal options at the end of the initial contract term.

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