



Draft National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025

The Australian Energy Market Commission makes the following Rule under the National Electricity Law to the extent applied by:

- (a) the *National Electricity (South Australia) Act 1996* of South Australia;
- (b) the *Electricity (National Scheme) Act 1997* of the Australian Capital Territory;
- (c) the *Electricity - National Scheme (Queensland) Act 1997* of Queensland;
- (d) the *National Electricity (New South Wales) Act 1997* of New South Wales;
- (e) the *Electricity - National Scheme (Tasmania) Act 1999* of Tasmania;
- (f) the *National Electricity (Victoria) Act 2005* of Victoria;
- (g) the *National Electricity (Northern Territory) (National Uniform Legislation) Act 2015* of the Northern Territory; and
- (h) the *Australian Energy Market Act 2004* of the Commonwealth.

Anna Collyer
Chairperson
Australian Energy Market Commission

Draft National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025*.

2 Commencement

This Rule commences operation on 3 July 2025, immediately after the commencement of Schedules 1 and 2 of the *National Electricity Amendment (Providing flexibility in the allocation of interconnector costs) Rule 2024 No.18*.

3 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.6.5 Settlements residue due to network losses and constraints

Omit clause 3.6.5 and substitute:

- (a) In this clause 3.6.5:
 - importing region** means, for a *trading interval* for adjacent *regions* that are *interconnected* by:
 - (a) one *regulated interconnector*, the *region* to which the greatest quantity of electricity is transferred by the *interconnector* in the *trading interval*; or
 - (b) more than one *regulated interconnector*, the *region* to which the greatest quantity of electricity is transferred by those *interconnectors* in the *trading interval*.
- (b) *Settlements residue* will be allocated, and distributed or recovered by *AEMO* in accordance with the following principles:
 - (1) the portion of the *settlements residue* attributable to *directional interconnectors* for a *trading interval* will be determined by *AEMO* in accordance with a methodology *published* by *AEMO*;
 - (2) the portion of the *settlements residue* attributable to a *directional interconnector* that is recoverable under clause 5.7.7(aa)(3) or (ab) will be determined by *AEMO* and recovered under those clauses;
 - (3) *settlements residue* attributable to *directional interconnectors* in accordance with subparagraph (1), excluding any amount recoverable under clause 5.7.7(aa)(3) or (ab), will be distributed or recovered under rule 3.18;
 - (4) the remaining *settlements residue* after applying the principles in subparagraphs (1), (2) and (3), including the portion of *settlements residue* due to *intra-regional loss factors*, will be distributed to or recovered from:
 - (i) in the case of *inter-regional settlements residue*, the *Co-ordinating Network Service Provider* for the importing region; and
 - (ii) in the case of *intra-regional settlements residue*, the *Co-ordinating Network Service Provider* for the relevant region; and

- (5) any portion of *settlements residue* distributed to a *Co-ordinating Network Service Provider* in accordance with this paragraph (b) or amount paid on that portion under clause 3.15.10A (if any), including any such payments as adjusted by a *routine revised statement* or *special revised statement* issued under rule 3.15, net of any portion of *settlements residue* recovered from the *Co-ordinating Network Service Provider* in accordance with this paragraph (b), will be used in accordance with Chapter 6A to offset *network service charges*.
- (c) In relation to *settlements residue* that accrues on *designated network assets*, the *Primary Transmission Network Service Provider* will calculate the relevant amounts to be distributed to or recovered from the owners of *designated network assets* in accordance with clause 3.6.2B(f).
- (d) If an amount on account of *settlements residue* is to be recovered from a *Co-ordinating Network Service Provider* under the principles in this clause or rule 3.18:
 - (1) *AEMO* must recover the amount from the *Co-ordinating Network Service Provider* at a payment time, interval, and by a method, determined by *AEMO* following consultation with *Transmission Network Service Providers*;
 - (2) *AEMO* may determine that the *Co-ordinating Network Service Provider* is to pay the amount by a date prior to the date for payment of *final statements* under clause 3.15.16;
 - (3) the *Co-ordinating Network Service Provider* must pay the amount in accordance with *AEMO's* determination under subparagraphs (1) and (2);
 - (4) if interest costs are incurred by *AEMO* in relation to any unrecovered amount referred to in subparagraph (3), then, in respect of the *billing period* in which the *settlements residue* arises:
 - (i) *AEMO* must recover the interest costs from the *Co-ordinating Network Service Provider* at a payment time, interval, and by a method, determined by *AEMO* following consultation with *Transmission Network Service Providers*;
 - (ii) *AEMO* may determine that the *Co-ordinating Network Service Provider* is to pay the interest cost amount by a date prior to the date for payment of *final statements* under clause 3.15.16; and

- (iii) the *Co-ordinating Network Service Provider* must pay the interest cost amount in accordance with *AEMO's* determination under subparagraphs (4)(i) and (ii).
- (e) A *Transmission Network Service Provider* or its jurisdictional delegate is a *Market Participant* for the purposes of clause 3.3.1 and rule 3.15 (excluding clause 3.15.1(b)) but not otherwise.

[2] Clause 3.8.1 Central Dispatch

In clause 3.8.1(e), omit the first "each" and substitute "each".

[3] Clause 3.8.10 Network constraints

In clause 3.8.10(c), omit "by 1 June 2010,".

[4] Clause 3.13.5A Settlements residue auctions

Omit the heading of clause 3.13.5A and substitute:

3.13.5A Reporting by AEMO on settlements residue

[5] Clause 3.13.5A Reporting by AEMO on settlements residue

In clause 3.13.5A(b)(2), omit " (including the amount paid pursuant to the *jurisdictional derogations* in Chapter 9)".

[6] Clause 3.13.5A Reporting by AEMO on settlements residue

In clause 3.13.5A(b)(2), omit "and".

[7] Clause 3.13.5A Reporting by AEMO on settlements residue

In clause 3.13.5A(b)(3), omit "." and substitute "; and".

[8] Clause 3.13.5A Reporting by AEMO on settlements residue

After clause 3.13.5A(b)(3), insert:

- (4) for the *billing period*, the amount of negative *inter-regional settlements residue* attributed to *directional interconnectors* and the amount recoverable under clause 3.18.1A(d) for each *region*.

[9] Clause 3.15.1 Settlements management by AEMO

In clause 3.15.1(a)(3), omit "negative".

[10] Rule 3.18 Settlements Residue Auctions

Omit the heading of rule 3.18 and substitute:

3.18 Settlements Residue Auctions and distribution and recovery of inter-regional settlements residue allocated to directional interconnectors

[11] Clause 3.18.1 Settlements residue concepts

In clause 3.18.1(c)(1), omit "and".

[12] Clause 3.18.1 Settlements residue concepts

In clause 3.18.1(c)(2), omit "." and substitute "; and".

[13] Clause 3.18.1 Settlements residue concepts

After clause 3.18.1(c)(2), insert:

- (3) the importing *region* for a *directional interconnector* is the *region* to which the electricity is transferred.

[14] Clause 3.18.1 Settlements residue concepts

Omit clause 3.18.1(d) and substitute "[Deleted]".

[15] New clause 3.18.1A Distribution and recovery of settlements residue allocated to directional interconnectors

After clause 3.18.1, insert new clause 3.18.1A:

3.18.1A Distribution and recovery of settlements residue allocated to directional interconnectors

- (a) In this clause:

looped interconnector means a *directional interconnector* between a pair of *regions* in a parallel interconnector configuration.

parallel interconnector configuration means, for any group of three adjacent *regions*, there are *directional interconnectors* between each pair of *regions* in the group.

regional share means, for a *billing period*, for a *region* in a parallel interconnector configuration, the *region's* share of the total rolling annual regional demand in all three *regions* in the parallel interconnector configuration, calculated as ARD/TRD, where:

- (a) ARD is rolling annual regional demand of the *region* for the *billing period*; and

- (b) TRD is the sum of the rolling annual regional demand for all three *regions* in the parallel interconnector configuration for the *billing period*.

rolling annual regional demand for a *region* for a *billing period* means the sum of ACE (as defined in clause 3.15.4(b)) for all *market connection points* in the *region* for all *trading intervals* in that *billing period* and the immediately preceding 51 *billing periods*.

- (b) *AEMO* must allocate *settlements residue* to *directional interconnectors* for each *trading interval* in accordance with the methodology *published* by *AEMO* and referred to in clause 3.6.5(b)(2).
- (c) Where the *settlements residue* allocated to a *directional interconnector* for a *trading interval* under paragraph (b) is positive, *AEMO* must use it:
 - (1) first, to recover *auction expense fees*, in accordance with the *auction rules* and clause 3.18.4(c);
 - (2) next, to distribute to relevant *eligible persons* holding *SRD units*, to the extent of the unit entitlement; and
 - (3) last, where clause 3.18.4(a1) applies, to distribute to the *Co-ordinating Network Service Provider* for the importing *region* for the *directional interconnector*, subject to set off under clause 3.18.4(a2).
- (d) Where the *settlements residue* allocated to a *directional interconnector* for a *trading interval* under paragraph (b) is negative, but subject to clauses 5.7.7(aa) and (ab):
 - (1) if the *directional interconnector* is not a looped interconnector, *AEMO* must recover the amount from the *Co-ordinating Network Service Provider* for the importing *region* in the *trading interval*; and
 - (2) if the *directional interconnector* is a looped interconnector, *AEMO* must:
 - (i) recover a share of the amount from the *Co-ordinating Network Service Provider* for each *region* forming part of the relevant parallel interconnector configuration; and
 - (ii) calculate the share to be recovered from each *Co-ordinating Network Service Provider* by multiplying:
 - (A) the total amount to be recovered; by
 - (B) the *regional share* of the *Co-ordinating Network Service Provider's region* for the *billing period* in which the relevant *trading interval* occurs.

[16] Clause 3.18.3 Auction rules

In clause 3.18.3(a1)(3), omit "and".

[17] Clause 3.18.4 Proceeds and fees

Omit clause 3.18.4(a) and substitute:

- (a) *AEMO* must distribute the *auction* clearing price for each *SRD unit* as follows:
 - (1) subject to subparagraph (2), to the *Co-ordinating Network Service Provider* for the importing *region* for the *directional interconnector* to which the *SRD unit* relates; or
 - (2) to the relevant *eligible person*, in accordance with the relevant *SRD agreement* and the *auction rules*, if, under secondary trading arrangements for *SRD units* provided for in this clause, the *eligible person* has offered the *SRD unit* and that *SRD unit* has subsequently been cancelled by *AEMO* pursuant to clause 3.18.1(b)(2)(ii).

[18] Clause 3.18.4 Proceeds and fees

Omit clause 3.18.4(a1) and substitute:

- (a1) *AEMO* must distribute to the *Co-ordinating Network Service Provider* for the importing *region* for a *directional interconnector*, the *settlements residue* allocated to the *directional interconnector* for a trading interval in respect of which a *SRD unit* has not been issued under a *SRD agreement*, if that amount is positive.

[19] Clause 3.18.4 Proceeds and fees

After clause 3.18.4(a1), insert:

- (a2) *AEMO* must deduct (by way of set off) from any amount to be distributed to a *Co-ordinating Network Service Provider* under paragraph (a) or (a1), any amount required to be paid by that *Co-ordinating Network Service Provider* to *AEMO* under clause 3.6.5(d).

[20] Clause 3.18.4 Proceeds and fees

In clause 3.18.4(c)(1), omit "clause 3.18.1(d)" and substitute "clause 3.18.1A(c)".

[21] Clause 3.18.4 Proceeds and fees

In clause 3.18.4(c)(2), omit "*Network Service Providers* under clause 3.18.4(a)(2)" and substitute "*Co-ordinating Network Service Providers* under paragraph (a1)".

[22] Clause 3.18.4A Secondary trading proceeds and margin

Omit clause 3.18.4A(d) and substitute:

- (d) If the full amount payable by *AEMO* to *eligible persons* for cancellation of *SRD units* pursuant to clause 3.18.4(a)(2) is less than the amount available to *AEMO* from *auction* proceeds provided to *AEMO* by *eligible persons* (**shortfall**) then *AEMO* must recover that shortfall:
 - (1) first, from the *auction* proceeds payable to the relevant *Co-ordinating Network Service Provider* under clause 3.18.4(a)(1); and
 - (2) if the amount under paragraph (d)(1) is insufficient, then *AEMO* must recover the remaining amount that could not be recovered from the *Co-ordinating Network Service Provider* for the importing *region* for the *directional interconnector* to which the *SRD units* relate, as if the shortfall were *inter-regional settlements residue* recoverable under clause 3.6.5(b)(4).

[23] Clause 6A.23.3 Principles for the allocation of the annual service revenue requirement to connection points

Omit clause 6A.23.3(b)(1) and substitute:

- (1) subtracting the amount:
 - (i) estimated by the *Co-ordinating Network Service Provider* to be payable to it under clause 3.18.4 as proceeds from *auctions* or *settlements residue* allocated to a *directional interconnector*; as adjusted by
 - (ii) the adjustment calculated in accordance with paragraph (f); and

[24] Clause 6A.23.3 Principles for the allocation of the annual service revenue requirement to connection points

Omit clause 6A.23.3(e)(2) and substitute:

- (2) adding or subtracting any amount for *settlements residue* estimated to be receivable or payable by the *Co-ordinating Network Service Provider* in accordance with clause 3.6.5(b)(4) or clause 3.18.1A(d) (excluding, to avoid doubt, any amount referred to in subparagraph (b)(1) and *settlements residue* that accrues on a *designated network asset* due to *boundary loss factors*);

[25] Chapter 10 Amended definitions

In Chapter 10, omit and substitute the following definition:

regulated interconnector

An *interconnector* that is:

- (a) referred to in clause 11.8.2 of the *Rules* and is subject to *transmission service* regulation and pricing arrangements in Chapter 6A;
- (b) a *specified interconnector*;
- (c) developed as an *actionable ISP project* and:
 - (1) that is subject to *transmission service* regulation and pricing arrangements in Chapter 6A; and
 - (2) where *AEMO* has incorporated the power flows on the *interconnector* between the relevant *interconnected regions* in the *dispatch algorithm*; or
- (d) deemed to be a *regulated interconnector* under Chapter 9.

Schedule 2 Savings and Transitional Amendment to the National Electricity Rules

(Clause 4)

[1] New rule 11.[xxx] Rules consequential on the making of the National Electricity Amendment (Inter- regional settlements residue arrangements for transmission loops) Rule 2024

In Chapter 11, after rule 11.[xxx], insert:

11.[xxx] Rules consequential on the making of the National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2024

11.[xxx].1 Definitions

In this rule 11.[xxx]:

Amending Rule means the *National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2024*.

effective date means the date of commencement of Schedule 1 of the Amending Rule, being 3 July 2025.

11.[xxx].2 AEMO guides relating to auctions and settlements residue

Within a reasonable time after the effective date, *AEMO* must review and, where *AEMO* considers it appropriate, update and reissue, the guides and other information issued by *AEMO* relating to the allocation of *inter-regional settlements residue* and *auctions*.