

7 July 2025

Ms Emily Banks  
Project Leader  
Australian Energy Market Commission

Submission lodged via the project page

Dear Ms Banks,

## **SUBMISSION TO DIRECTIONS PAPER ON INTER-REGIONAL SETTLEMENT RESIDUES**

Delta Electricity ('Delta') is providing a brief submission to the Australian Energy Market Commission's ('AEMC') directions paper on Inter-regional settlements residue arrangements for transmission loops.

Delta does not support the new direction the AEMC has taken in proposing a 'netting off' approach for inter-regional settlement residue ('IRSR') in transmission loops, and this departure from the draft determination is exacerbated by only allowing three weeks, an inadequate amount of time, for industry to engage on such a significant change in direction. Delta proposes that the AEMC revert to AEMO's original reform proposal, as it had outlined in its draft determination, and consider the issues raised by Energy Networks Australia in a separate review.

Delta echoes much of the sentiment from industry opposing the AEMC's proposal and strongly agrees with the points made in the Australian Financial Markets Association's ('AFMA') submission. Delta highlights the following points.

### **Consumer impact**

The AEMC state that:

- the current IRSR allocation results in a 'high risk for consumers themselves' and the high cash flow risk to networks is 'ultimately borne by consumers'; and
- the netting-off approach 'would best promote the long term interests of consumers'.

This implies that netting-off will somehow reduce the costs borne by consumers and make them better off in the long term. Delta disagrees with this. Settlement Residue Auction (SRA) units are a tool used by market participants to manage or hedge risk, typically in regions where they do not have generation. By reducing the value of SRA units through the netting off approach, it will reduce transparency of the costs associated with SRA units and increase hedging costs for market participants. This is likely to reduce retail competition, reduce the ability of generators to offer wholesale hedging products in adjacent regions and reduce contract market liquidity, likely leading to higher costs being passed onto consumers.

### **TNSP cash flow risk and alternative options**

Delta understands the concerns raised by Energy Networks Australia regarding the impact of rising negative settlement residue costs on TNSP cashflows and believes the AEMC should consider solutions that address these issues without undermining the value of SRA units.

The netting of negative residues is a less effective option, as it diminishes the usefulness of SRA units for hedging and does not fully resolve TNSPs' cashflow problems. While netting may slightly reduce the





volatility impact in transmission loops, it still leaves TNSPs financially exposed. Delta would support any of the other alternative industry proposals that better target TNSP concerns without reducing the value of SRA units or imposing broader costs on the market and consumers.

Delta notes the benefits of both the 'AEMO holding fund' and 'Recovery from market customers' options are summarised in AFMA's submission. Delta encourages the AEMC to revert to AEMO initial reform proposal and reconsider these alternative options in a separate review.

To discuss further please contact Delta's Market Compliance and Regulation Manager Joel Aulbury at [joel.aulbury@de.com.au](mailto:joel.aulbury@de.com.au).

Yours sincerely,

**ANDY YOUNG**  
Energy Markets Risk Manager

