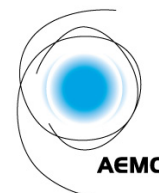


Inter-regional settlements residue arrangements for transmission loops ERC0386



14 August 2025

Report on rule not made within 12 months under NEL section 108A

Purpose

The Australian Energy Market Commission (AEMC or Commission) is required under s. 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of the publication of the notice of the commencement of the rule change process.

Background

Project EnergyConnect Stage 2 (PEC), currently under construction, will link New South Wales and South Australia to form the first inter-regional transmission loop in the National Electricity Market (NEM).

On 8 August 2024, the AEMC initiated a rule change request from the Australian Energy Market Operator (AEMO) to change how inter-regional settlements residue (IRSR) that arises on the arms of a transmission loop is allocated.

The AEMC published a draft determination and draft rule for this rule change request on 12 December 2024. The AEMC published a directions paper and indicative rule drafting on 19 June 2025.

This rule change request has received two extensions under s. 107 of the NEL, as outlined below.

Reason for the final rule determination not being made within 12 months

On 8 August 2024, the AEMC extended the time for making the draft determination and draft rule to 12 December 2024, and the time for making the final determination and final rule to 27 March 2025. This extension was required because the rule change request raised complex issues, including issues related to the behaviour of flows and pricing in transmission loops, the role of the settlements residue auction (SRA) framework, and equity and distributional impacts. The extension to the final determination date also allowed for a longer consultation period on the draft determination (to 30 January 2025) to enable stakeholders to consider these complex issues.

On 20 March 2025, the AEMC extended the time for making the final determination and final rule to 25 September 2025. This extension was required because stakeholders raised new, complex and material issues in submissions to the draft determination. Transmission network service providers (TNSPs) and consumer groups raised concerns that the draft rule would place material cash flow risks on TNSPs in New South Wales, Victoria and South Australia, and that these risks would be passed through to consumers. The extension allowed the AEMC to publish a directions paper on 19 June 2025 to consult on a revised proposal for netting off negative and positive IRSR in transmission loops. Submissions to the directions paper closed on 10 July 2025.

Expected time for making a final rule determination

The final rule determination is expected to be made by **25 September 2025**.

Publishing a final determination in September 2025 aligns with AEMO's timeframes to implement the final rule and integrate PEC into the NEM.