

Indicative changes to the National Electricity Rules

Note:

This document shows changes to the relevant parts of the National Electricity Rules (**NER**) made by the *National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025 No.9*. The changes are shown in a modified version of the NER that incorporates, where relevant, final rules made by 4 September 2025. This modified version of parts of the NER is provided for information only and should not be used for any other purpose. The Australian Energy Market Commission does not guarantee the accuracy, reliability or completeness of this version of the NER or the mark-up.

3. Market Rules

3.6 Network Losses and Constraints

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3.6.4 Network constraints

- (a) Conveyance of electricity between *regions* through a *regulated interconnector* is *constrained* when for operational reasons it is not acceptable for the *regulated interconnector* to transfer the level of electricity between *regions* that would be transferred if the limitation was removed and the condition impacts on the *dispatch* of other *regulated interconnectors* or *scheduled resources*.
- (a1) Conveyance of electricity between *regions* by means of a *scheduled network service* is *constrained* when the *dispatch* of the relevant *scheduled network service* is limited by the notified *available capacity* or *ramp rate* and the limitation impacts on the *dispatch* of *regulated interconnectors* or *scheduled resources*.
- (b) Conveyance of electricity within a *region* is *constrained* when for operational reasons it is not acceptable for a *network* to transfer the level of electricity between different parts of the *region* that would be transferred if the limitation was removed and the condition impacts on the *dispatch* of *scheduled resources*.
- (c) For every *trading interval* AEMO must record any *constraints* including a description and the duration of the *constraint*.
- (d) Any *constraints* which occur within a *region* or between *regions* must be taken into account in the *dispatch* process under clause 3.8.10.

3.6.5 Settlements residue due to network losses and constraints

Definitions

~~(a0) In this clause 3.6.5:~~

~~**importing region** means the *region* to which electricity is transferred during the relevant *trading interval* from another *region* through *regulated interconnectors*.~~

~~(a) Settlements residue will be allocated, and distributed or recovered by AEMO in accordance with the following principles:~~

- ~~(1) full effect is to be given to the *jurisdictional derogations* contained in Chapter 9 relating to *settlements residue*;~~
- ~~(2) the portion of the *settlements residue* attributable to *regulated interconnectors* (as adjusted to take into account the effect of any applicable *jurisdictional derogations* referred to in subparagraph (1)) will be distributed or recovered in accordance with rule 3.18;~~

- ~~(3) the remaining settlements residue, including the portion of settlements residue due to intra-regional loss factors, will be distributed to or recovered from the appropriate Transmission Network Service Providers (which will not include Market Network Service Providers);~~
- ~~(3A) [Deleted]~~
- ~~(4) if the settlements residue arising in respect of a trading interval, after taking into account any relevant adjustment in accordance with clauses 5.7.7(aa)(3) or (ab), is a negative amount then, in respect of the billing period in which the negative settlements residue arises:~~
 - ~~(i) AEMO must recover the amount from the appropriate Transmission Network Service Provider at a payment time, interval, and by a method, determined by AEMO following consultation with Transmission Network Service Providers. AEMO may determine that the appropriate Transmission Network Service Provider is to pay the negative settlements residue amount by a date prior to the date for payment of final statements under clause 3.15.16;~~
 - ~~(ii) the appropriate Transmission Network Service Provider must pay the negative settlements residue amount in accordance with AEMO's determination under subparagraph (4)(i);~~
- ~~(4A) if interest costs are incurred by AEMO in relation to any unrecovered negative settlements residue amount referred to in subparagraph (4), then, in respect of the billing period in which the negative settlements residue arises:~~
 - ~~(i) AEMO must recover the interest costs from the appropriate Transmission Network Service Provider at a payment time, interval, and by a method, determined by AEMO following consultation with Transmission Network Service Providers. AEMO may determine that the appropriate Transmission 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~~
 - ~~(ii) the appropriate Transmission Network Service Provider must pay the interest cost amount in accordance with AEMO's determination under subparagraph (4A)(i);~~
- ~~(4B) for the purposes of subparagraphs (3), (4) and (4A), the appropriate Transmission Network Service Provider is:~~
 - ~~(i) in the case of inter-regional settlements residue:~~
 - ~~(A) if there is more than one Transmission Network Service Provider in the importing region, the Co-ordinating Network Service Provider; or~~
 - ~~(B) if there is no Co-ordinating Network Service Provider in the importing region, the Transmission Network Service Provider to which a transmission determination currently applies in that region;~~

~~(ii) in the case of intra-regional settlements residue:~~

~~(A) if there is more than one Transmission Network Service Provider in the region, the Co-ordinating Network Service Provider; or~~

~~(B) if there is no Co-ordinating Network Service Provider in the region, the Transmission Network Service Provider to which a transmission determination currently applies in that region;~~

~~(4C) [Deleted]~~

~~(4D) [Deleted]~~

~~(5) [Deleted]~~

~~(6) any portion of settlements residue distributed to a Network Service Provider or amount paid on that portion under clause 3.15.10A (if any), or rule 3.18 to a Network Service Provider, 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 Network Service Provider in accordance with clause 3.6.5(a)(4), will be used to offset network service charges.~~

~~(b) 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.~~

Distribution and recovery of settlements residue

(a) AEMO must determine, for each trading interval:

- (1) the amount (which may be positive, negative or zero) of settlements residue assigned to each directional interconnector; and
- (2) the intra-regional settlements residue for each region.

(b) AEMO must develop, publish and maintain the methodology (allocation methodology) that AEMO uses to make the determinations under paragraph (a).

(c) AEMO must distribute or recover the settlements residue assigned to directional interconnectors in accordance with clause 3.6.6 and rule 3.18, subject to paragraph (g).

(d) AEMO must distribute the intra-regional settlements residue for a region to, or recover it from, the Co-ordinating Network Service Provider for the relevant region.

(e) AEMO must determine, for each trading interval, for any interconnector that is neither a regulated interconnector nor a facility that provides a market network service:

- (1) the amount of settlements residue (if any) assigned to the interconnector; and
- (2) which of the two adjacent regions connected by the interconnector is the importing region.

- (f) AEMO must distribute an amount determined under paragraph (e)(1) to, or recover it from, the Co-ordinating Network Service Provider for the importing region.
- (g) AEMO must recover the amount of settlements residue assigned to a directional interconnector that is subject to clause 5.7.7(aa)(3) or (ab) under those provisions. Paragraphs (i), (j) and (k), clause 3.6.6 and rule 3.18 do not apply to that amount of settlements residue.
- (he) In relation to settlements residue that accrues on designated network assets, the Primary Transmission Network Service Provider ~~will~~ must 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).

Payment of amounts to be recovered from Co-ordinating Network Service Providers

- (i) AEMO must deduct, by way of set off, from any amount on account of settlements residue or auction proceeds to be distributed to a Co-ordinating Network Service Provider under this clause, clause 3.6.6 or clause 3.18.4(a), any amount required to be recovered from the Co-ordinating Network Service Provider on account of settlements residue.
- (j) AEMO must collect payment of any amount required to be recovered from a Co-ordinating Network Service Provider on account of settlements residue (after taking into account any amount deducted under paragraph (i)) 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.
- (k) AEMO may determine that a Co-ordinating Network Service Provider is to pay the amount under paragraph (j) by a date prior to the date for payment of final statements under clause 3.15.16.
- (l) A Co-ordinating Network Service Provider must pay the amount under paragraph (j) in accordance with AEMO's determination under paragraphs (j) and (k).
- (m) If a Co-ordinating Network Service Provider fails to pay an amount at the time required under paragraph (l) and AEMO incurs interest costs in relation to the unpaid amount, then, in respect of the billing period in which the settlements residue arises:

 - (1) 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;
 - (2) 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
 - (3) the Co-ordinating Network Service Provider must pay the interest cost amount in accordance with AEMO's determination under subparagraphs (1) and (2).

- (n) A Co-ordinating 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.

3.6.6 Settlements residue allocated to directional interconnectors

Definitions

- (a) In this clause:

allocation means, for a *directional interconnector* for a *trading interval*, the amount (in \$) of *settlements residue* that *AEMO* assigns under the allocation methodology. An allocation may be positive, negative or zero.

allocation methodology means *AEMO's* methodology made under clause 3.6.5(b) for determining the *settlements residue* assigned to each *directional interconnector* and the *intra-regional settlements residue* for each *region*.

looped interconnector means, for a parallel interconnector configuration, each of the six *directional interconnectors* comprised in the parallel interconnector configuration.

looped region means each of the three *regions* that are *connected* by a parallel interconnector configuration.

net exporting region means, for a parallel interconnector configuration for a *trading interval*, a looped region that has a net regional export quantity that is positive or zero.

net loop allocation means, for a parallel interconnector configuration for a *trading interval*, an amount (in \$) (which may be positive, negative or zero) calculated by applying the following formula:

$$PA - NA$$

where:

PA is the sum of the positive allocations (if any) for the looped interconnectors; and

NA is the absolute value of the sum of the negative allocations (if any) for the looped interconnectors.

net regional export quantity means, for a looped region for a *trading interval*, the quantity (in MWh) (which may be positive, negative or zero) calculated by applying the following formula:

$$EF - IF$$

where:

EF is the sum of the notional interconnector export flows at the regional reference node, but excluding the notional interconnector export flows for any notional interconnector that does not form part of the parallel interconnector configuration; and

IF is the sum of the notional interconnector import flows at the regional reference node, but excluding the notional interconnector import flows for any notional interconnector that does not form part of the parallel interconnector configuration.

net trade amount means, for a looped interconnector for a *trading interval*, the amount (in \$) calculated under paragraph (j).

net trade quantity means, for a looped interconnector for a *trading interval*, the quantity (in MWh) calculated under paragraph (f), (g) or (h), as applicable.

notional interconnector means, for a *regulated interconnector* between two *regions*, the regulated *transmission assets*, incorporating the assets comprising the *regulated interconnector*, that form the *connection* between the two *regional reference nodes*.

notional interconnector export flow means, for a notional interconnector for a *trading interval* at a *regional reference node*, the ‘export flow’ into the notional interconnector (in MWh) calculated under the allocation methodology, expressed as a positive number.

notional interconnector import flow means, for a notional interconnector for a *trading interval* at a *regional reference node*, the ‘import flow’ out of the notional interconnector (in MWh) calculated under the allocation methodology, expressed as a positive number.

parallel interconnector configuration means a configuration of *regulated interconnectors* that *connects* a group of three *regions*, where each *region* shares a boundary with both other *regions* in the group and there are *directional interconnectors* between each pair of *regions*.

provisional net trade amount means, for a looped interconnector for a *trading interval*, the amount (in \$) calculated under paragraph (i).

regional share means, for a *billing period*, for a *region* in a parallel interconnector configuration, the factor calculated by applying the following formula:

$$\frac{ARD}{TRD}$$

where:

ARD is the rolling annual regional demand for the *region*, calculated as 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*; and

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

unsold settlements residue amount means, for a *trading interval*, for a:

- (1) looped interconnector, the net trade amount (if any) for the looped interconnector for the *trading interval*, to the extent it is not distributed to *eligible persons* holding *SRD units* or used to recover *auction expense fees*; and
- (2) directional interconnector that is not a looped interconnector, the positive allocation to the *directional interconnector* for the *trading*

interval, to the extent it is not distributed to *eligible persons* holding *SRD units* or used to recover *auction expense fees*.

Distribution and recovery for parallel interconnector configurations (looped interconnectors)

- (b) Where the net loop allocation for a parallel interconnector configuration for a *trading interval* is positive, *AEMO* must:
- (1) first, use it to recover *auction expense fees*, in accordance with the *auction rules* and clause 3.18.4;
 - (2) next, in accordance with rule 3.18, distribute the net trade amount (if any) for each looped interconnector to *eligible persons* holding the applicable *SRD units*, to the extent of the unit entitlement; and
 - (3) last, distribute the unsold settlements residue amount (if any) for each looped interconnector to the *Co-ordinating Network Service Provider* for the *importing region*.
- (c) Where the net loop allocation for a parallel interconnector configuration for a *trading interval* is negative, *AEMO* must recover from the *Co-ordinating Network Service Provider* for each *region* in the parallel interconnector configuration, its share of the net loop allocation, calculated as the product of:
- (1) the net loop allocation; and
 - (2) the regional share for the *Co-ordinating Network Service Provider's region* for the *billing period* in which the relevant *trading interval* occurs.

Distribution and recovery for other directional interconnectors

- (d) Where the allocation for a *directional interconnector* that is not a looped interconnector for a *trading interval* is positive, *AEMO* must:
- (1) first, use it to recover *auction expense fees*, in accordance with the *auction rules* and clause 3.18.4;
 - (2) next, in accordance with rule 3.18, distribute it to *eligible persons* holding the applicable *SRD units*, to the extent of the unit entitlement; and
 - (3) last, distribute the unsold settlements residue amount for the *directional interconnector* (if any) to the *Co-ordinating Network Service Provider* for the *importing region*.
- (e) Where the allocation for a *directional interconnector* that is not a looped interconnector for a *trading interval* is negative, *AEMO* must recover the amount from the *Co-ordinating Network Service Provider* for the *importing region*.

Net trade quantity calculations

- (f) For a *trading interval* in which only one of the three looped regions in a parallel interconnector configuration is a net exporting region (the **first region**), the net trade quantity is:

- (1) for the looped interconnector for which the first region is the *exporting region* and either of the other two looped regions (the **second region**) is the *importing region* – the absolute value of the net regional export quantity for the second region;
- (2) for the looped interconnector for which the first region is the *exporting region* and the remaining looped region (the **third region**) is the *importing region* – the absolute value of the net regional export quantity for the third region; and
- (3) for the remaining looped interconnectors – zero.
- (g) For a *trading interval* in which two of the three looped regions in a parallel interconnector configuration are net exporting regions (the **first region** and the **second region** respectively), the net trade quantity is:
 - (1) for the looped interconnector for which the first region is the *exporting region* and the remaining looped region (the **third region**) is the *importing region* – the net regional export quantity for the first region;
 - (2) for the looped interconnector for which the second region is the *exporting region* and the third region is the *importing region* – the net regional export quantity for the second region; and
 - (3) for the remaining looped interconnectors – zero.
- (h) For a *trading interval* in which all the looped regions in a parallel interconnector configuration are net exporting regions, the net trade quantity is:
 - (1) for each of the three looped interconnectors that is transferring electricity in that *trading interval* – the net regional export quantity for the *exporting region*; and
 - (2) for the remaining three looped interconnectors – zero.

Note:

There may be three net exporting regions in a parallel interconnector configuration due to the effect of *inter-regional losses*.

Net trade amount calculations

- (i) The **provisional net trade amount** for a looped interconnector for a *trading interval* is the amount calculated by applying the following formula:

$$PA = \frac{NA}{SNA} \times NLA$$

where:

- (1) PA is the provisional net trade amount and may be positive, negative or zero;
- (2) NA is calculated by applying the following formula:

$$NTQ \times (RRP_{IR} - RRP_{ER})$$

where, for the *trading interval*:

- (i) NTQ is the net trade quantity for the looped interconnector;
 - (ii) RRP_{IR} is the regional reference price for the importing region;
and
 - (iii) RRP_{ER} is the regional reference price for the exporting region;
- (3) SNA is the sum of the amounts calculated under subparagraph (2) for all looped interconnectors in the parallel interconnector configuration;
and
- (4) NLA is the net loop allocation for the parallel interconnector configuration.
- (j) The **net trade amount** for a looped interconnector for a trading interval is:
 - (1) zero, if the provisional net trade amount is zero or negative; and
 - (2) otherwise, is calculated by applying the following formula:
$$NTA = \frac{PA}{TPA} \times NLA$$

where:

 - (i) NTA is the net trade amount and must be positive;
 - (ii) PA is the provisional net trade amount;
 - (iii) TPA is the sum of each provisional net trade amount for the looped interconnectors in the parallel interconnector configuration that is positive; and
 - (iv) NLA is the net loop allocation for the parallel interconnector configuration.

Information relating to allocations

- (k) Each day, in accordance with the timetable, AEMO must publish for each trading interval in the previous trading day:
 - (1) for each looped region, the net regional export quantity;
 - (2) for each directional interconnector, the allocation; and
 - (3) for each looped interconnector:
 - (i) the net trade quantity;
 - (ii) the provisional net trade amount; and
 - (iii) the net trade amount.

3.8 Central Dispatch and Spot Market Operation

3.8.1 Central Dispatch

- (a) *AEMO must operate a central dispatch process to dispatch scheduled resources and market ancillary services in order to balance power system supply and demand, using its reasonable endeavours to maintain power system security in accordance with Chapter 4 and to maximise the value of spot market trading on the basis of dispatch bids.*

- (b) The *central dispatch* process should aim to maximise the value of *spot market* trading i.e. to maximise the value of electricity consumption based on *dispatch bids* less the combined cost of electricity production, *wholesale demand response*, *market network services* and *market ancillary services* based on *dispatch bids* and *market ancillary service bids* subject to:
 - (1) *dispatch bids* and *market ancillary service bids*;
 - (2) *constraints*:
 - (i) due to availability and *commitment*; or
 - (ii) in the case of *semi-scheduling generating units*, identified by the *unconstrained intermittent generation forecast*;
 - (3) *non-scheduled load* requirements in each *region*;
 - (4) *power system security* requirements determined as described in Chapter 4 and the *power system security standards*;
 - (5) *network constraints*;
 - (6) *intra-regional losses* and *inter-regional losses*;
 - (7) *constraints* consistent with *dispatch bid* data;
 - (8) current levels of *dispatched generation*, *dispatched wholesale demand response*, *load* and *market network services*;
 - (9) *constraints* imposed by *ancillary services* requirements;
 - (10) arrangements designed to ensure pro-rata loading of tied *dispatch bid* data; and
 - (11) the management of negative *settlements residue*, in accordance with clause 3.8.10 and any guidelines issued by AEMO under clause 3.8.10(c).
- (c) AEMO must establish procedures to allow relaxation of *power system constraints* listed in clause 3.8.1(b) in order to resolve infeasible *dispatch* solutions, subject to the following principles:
 - (1) the procedures are developed in consultation with *Registered Participants* to achieve a reasonable *dispatch* outcome while maintaining consistency with AEMO's obligations to maintain *power system security* and the pricing principles listed in clause 3.9.1; and
 - (2) AEMO must report to *Registered Participants* any events requiring the relaxation of these *constraints*.
- (d) AEMO must develop and *publish* a *dispatch algorithm* to be used by AEMO for the purpose of *central dispatch* and pricing in accordance with rules 3.8 and 3.9.
- (e) AEMO must use the *dispatch algorithm* to determine the *loading level* in MW for each *scheduled resource* in each *trading interval* in accordance with the principles set out in clause 3.8.1(b).
- (e1) AEMO must use the *dispatch algorithm* to determine the quantity of each *market ancillary service* which will be *enabled* for each *ancillary service unit*.

- (e2) When *AEMO* determines the quantity of each *market ancillary service* which will be *enabled*, *AEMO* must determine:
 - (1) the required quantity of each *market ancillary service* that may be sourced from any *region* (referred to as the *global market ancillary service requirement*); and
 - (2) any required quantity of such *market ancillary service* which must only be sourced from one or more nominated *regions* (referred to as a *local market ancillary service requirement*).
- (f) *AEMO* may investigate from time to time:
 - (1) the scope for further development of the *dispatch algorithm* beyond the minimum requirements specified in clause 3.8.1(b); and
 - (2) the sufficiency of the *dispatch algorithm* in meeting the minimum requirements specified in clause 3.8.1(b),and following compliance with the *Rules consultation procedures*, *publish* a report setting out its recommendations.

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3.8.9 Default bids

- (a) A *Market Participant* may, at any time, submit a *default bid*.
- (b) A *Market Participant* may vary or withdraw a *default bid* at any time prior to the deadline for submissions of *dispatch bids* and *market ancillary service bids* for a *trading day* in accordance with the *timetable*.
- (c) Subject to any procedures *published* in accordance with paragraph (d), a *default bid* applicable to a *trading day* must be included by *AEMO* in the *central dispatch* process when the deadline for submission of *dispatch bids* and *market ancillary service bids* for that *trading day* arrives in accordance with the *timetable* if, and only if, no later valid *dispatch bid* or *market ancillary service bid* has been submitted pursuant to clauses 3.8.6, 3.8.6A, 3.8.7, 3.8.7A, 3.8.7B or paragraph (b).
- (d) *AEMO*, in consultation with *Market Participants* in accordance with the *Rules consultation procedures*, must develop and *publish* procedures to determine the circumstances when *AEMO* may use a prior *dispatch bid* or *market ancillary service bid* lodged by a *Market Participant* as a substitute for a *default bid*.
- (e) *AEMO* may disregard a *default bid* and substitute a prior *dispatch bid* or *market ancillary service bid* lodged by a *Market Participant* determined in accordance with a procedure developed under paragraph (d) as inputs to *PASA*, *pre-dispatch* and *central dispatch*.

3.8.10 Network constraints

- (a) In accordance with the *AEMO power system security responsibilities* and any other standards set out in Chapter 4, *AEMO* must determine any *constraints* on the *dispatch* of *scheduled resources* or *ancillary service units* which may result from planned *network outages*.

- (b) Subject to paragraph (e), *AEMO* must determine and represent *network constraints* in *dispatch* which may result from limitations on *intra-regional* or *inter-regional* power flows and, in doing so, must use a *fully co-optimised network constraint formulation*.
- (c) *AEMO* must, in accordance with the *Rules consultation procedures*, develop and ~~publish by 1 June 2010,~~ and, where necessary, amend *network constraint* formulation guidelines, to address, amongst other things, the following matters:
 - (1) the circumstances in which *AEMO* will use *alternative network constraint formulations* in *dispatch*;
 - (2) the process by which *AEMO* will identify or be advised of a requirement to create or modify a *network constraint* equation, including in respect of:
 - (i) the methodology to be used by *AEMO* in determining *network constraint* equation terms and co-efficients; and
 - (ii) the means by which *AEMO* will obtain information from, and disseminate information to, relevant *Market Participants*;
 - (3) the methodology to be used by *AEMO* in selecting the form of a *network constraint*, equation including in respect of the location of terms on each side of the equation;
 - (4) the process to be used by *AEMO* for applying, invoking and revoking *network constraint* equations in relation to different types of *network constraints*, including in respect of:
 - (i) the circumstances in which *AEMO* will use *alternative network constraint formulations* and *fully co-optimised network constraint formulations*; and
 - (ii) the dissemination of information to relevant *Market Participants* in respect of this process; and
 - (5) *AEMO's* policy in respect of the management of negative *settlements residue*, by intervening in the *central dispatch* process under clause 3.8.1 through the use of *fully co-optimised network constraint formulations*, including in respect of the process to be undertaken by *AEMO* to manage negative *settlements residue*.
- (d) *AEMO* must at all times comply with the *network constraint* formulation guidelines issued in accordance with paragraph (c).
- (e) Where, in *AEMO's* reasonable opinion, a specific *network constraint* is such that use of a *fully co-optimised network constraint formulation* is not appropriate, *AEMO* may apply an *alternative network constraint formulation* for the expected duration of that *network constraint*, if *AEMO*:
 - (1) has previously identified, in guidelines issued in accordance with paragraph (c), that it may use an *alternative network constraint formulation* in respect of that type of *network constraint*; and
 - (2) reasonably considers that it can apply an *alternative network constraint formulation* without prejudicing its obligation to operate a

central dispatch process to dispatch scheduled resources and market ancillary services in order to balance power system supply and power system demand, consistent with using its reasonable endeavours to maintain power system security in accordance with Chapter 4 of the Rules and to maximise the value of spot market trading, in accordance with clause 3.8.1(a) and (b).

- (f) *AEMO must represent network constraints as inputs to the dispatch process in a form that can be reviewed after the trading interval in which they occurred.*
- (g) **[Deleted]**

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3.13 Market Information

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3.13.4 Spot market

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- (n) *Each day, in accordance with the timetable, AEMO must publish the actual regional reference prices, ancillary service prices, MW load and generation for each region and the power system, inter-regional loss factors, the information under clause 3.6.6(k) and details of any network constraints for each trading interval in the previous trading day.*
- (n1) *In accordance with the timetable, AEMO must publish the inter-regional flows.*
- (o) **[Deleted]**

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3.13.5A Reporting by AEMO on sSettlements residue-auctions

- (a) *If AEMO conducts an auction under rule 3.18, AEMO must, as soon as practicable thereafter, make available to all Registered Participants a report outlining for each category of SRD unit:*
 - (1) *the auction clearing prices;*
 - (2) *all bids (but not the name of any bidder); ~~and~~*
 - (3) *the proceeds of ~~the each such~~ auction; ~~and~~*
 - (4) *the number of SRD units sold, and of that number, how many were offered by eligible persons under the secondary trading arrangements.*
- (b) *AEMO must, as soon as practicable after the final statements for a billing period have been given to Market Participants under clause 3.15.15, make*

available to all *Registered Participants* a report setting out, for the billing period:

- (1) the total *settlements residue*;
 - (2) the amount of *settlements residue* ~~assigned~~attributable to each *directional interconnector* ~~(including the amount paid pursuant to the jurisdictional derogations in Chapter 9); and~~
 - (3) the amount of *settlements residue* attributable to *intra-regional loss factors* for each region, ~~for that billing period;~~
 - (4) for each category of *SRD unit*, the payment per unit on account of *settlements residue* (but not who received the payments);
 - (5) for each *directional interconnector* for which a provisional net trade amount is calculated under clause 3.6.6(i), the total of the provisional net trade amounts for the billing period; and
 - (6) the amount of *inter-regional settlements residue* recoverable from each *Co-ordinating Network Service Provider*.
- (b1) If an *eligible person* terminates a *SRD agreement*, *AEMO* must include in the next report under paragraph (a):
- (1) how many *SRD units* (if any) were cancelled as a result of the termination (but not who terminated any *SRD agreement*);
 - (2) the category of *SRD units* cancelled; and
 - (3) the price at which the *SRD units* were originally issued.
- (c) *AEMO* may provide copies of its reports under paragraphs (a) and (b) ~~clauses 3.13.5A(a) and (b)~~ to persons other than *Registered Participants*, and may charge a fee for doing so to cover an appropriate share of the costs of preparing the report.

...

3.15 Settlements

3.15.1 Settlements management by AEMO

- (a) *AEMO* must facilitate the billing and *settlement* of payments due in respect of *transactions* under this Chapter 3, including:
 - (1) *spot market transactions*;
 - (2) *reallocation transactions*;
 - (3) ~~negative~~*settlements residue* under clause 3.6.5;
 - (4) under clause 3.15.6A;
 - (5) under clause 3.15.6B; and
 - (6) under clause 3.21.3.
- (b) *AEMO* must determine the *Participant fees* and the *Market Participants* must pay them to *AEMO* in accordance with the provisions of rule 2.11.

...

3.18 Settlements Residue Auctions

3.18.1 Settlements residue concepts

- (a) An *auction participation agreement* is an agreement between *AEMO* and an *eligible person* concerning the participation by the *eligible person* in *auctions*.
- (b) A *SRD agreement* is an agreement between *AEMO* and an *eligible person* entered into following an *auction* under which:
 - (1) in all cases:
 - (i) *AEMO* agrees to issue a *SRD unit* to an *eligible person*;
 - (ii) the *eligible person* agrees to pay *AEMO* the *auction* clearing price for the *SRD unit*;
 - (2) where a secondary trading decision is made under clause 3.18.3A(a):
 - (i) the *eligible person* has a right to offer a *SRD unit* in future *auctions*;
 - (ii) if the *SRD unit* is cleared in a future *auction*, *AEMO* is required to cancel the *SRD unit*; and
 - (iii) the cancellation of a *SRD unit* by *AEMO* pursuant to subparagraph (ii) does not terminate the underlying *SRD agreement* between *AEMO* and the *eligible person* under which that *SRD unit* was issued, and, for the avoidance of doubt, does not affect the obligation of:
 - (A) the *eligible person* to pay *AEMO* for the *SRD unit* issued to it under the *SRD agreement*; or
 - (B) *AEMO* to pay the *eligible person* for cancellation of the *SRD unit* under the *SRD agreement*,
- (c) For the purposes of this rule 3.18:
 - (1) all the *regulated interconnectors* between any 2 adjacent *regions* are deemed to constitute a single *interconnector*; and
 - (2) the deemed *interconnector* referred to in paragraph (1) between any 2 adjacent *regions* consists of 2 *directional interconnectors*, one involving a transfer from *region A* to *region B*, and one involving a transfer from *region B* to *region A*.

Note:

Clause 3.6.6 provides for the distribution of the settlements residue assigned to directional interconnectors, including to eligible persons holding SRD units.

- (d) ~~[Deleted] Subject to clause 3.18.4, AEMO must use the portion of the settlements residue allocated to a directional interconnector remaining after applying the relevant jurisdictional derogations under chapter 9 (as determined by applying the principles referred to in clause 3.6.5) to:~~

~~(1) — distribute settlements residue to relevant eligible persons holding SRD units; and~~

~~(2) — recover the auction expense fees.~~

- (e) Where a person registered as a *Trader* is required to appoint an agent for the purposes of rule 2.5A(c)(2), *AEMO* and the *Trader* must ensure that the *auction participation agreement* and the *SRD agreement* entered into by the *Trader* and its agent provides that the *Trader* and the agent are jointly and severally liable in relation to the obligations of the *Trader* under those agreements.

3.18.2 Auctions and eligible persons

- (a) *AEMO* may conduct *auctions* to determine which *eligible persons* will be issued with *SRD units* under *SRD agreements* with *AEMO*.
- (b) *AEMO* may only enter into a *SRD agreement* with a person (called an *eligible person*) who satisfies the following criteria:
- (1) the person is a *Market Customer*, a *Generator*, an *Integrated Resource Provider* or a *Trader*, or a person seeking to be eligible for registration as a *Trader* under rule 2.5A; and
 - (2) the person satisfies any criteria specified in the *auction rules*, which criteria must comply with paragraph (g).
- (c) *Auctions* must be conducted in accordance with this rule 3.18 and the *auction rules*.
- (d) *AEMO* may, with the approval of the *settlement residue committee*, suspend, or remove a suspension, on conducting *auctions* for one or more *directional interconnectors* for a specified period if *AEMO* believes it is not practicable to conduct those *auctions* or those *auctions* are unlikely to lead to the entry into of *SRD agreements* in relation to all of the *settlements residues* being auctioned.
- (e) *AEMO* may, after complying with the *Rules consultation procedures*, cease conducting *auctions*.
- (f) If *AEMO* takes any action under paragraph (d) or (e), then it must post a notice on its website specifying the action taken as soon as practicable after taking it.
- (g) Any criteria specified in the *auction rules* concerning persons with whom *AEMO* may enter into *SRD agreements* must be consistent with paragraph (b), not exclude any persons other than those specified in subparagraphs (1) – (6) below and must exclude the persons specified in subparagraphs (1), (2), (5) and (6) below:
- (1) persons who have not entered into an *auction participation agreement*;
 - (2) *Transmission Network Service Providers*;
 - (3) **[Deleted]**
 - (4) persons:

- (i) who have previously defaulted on payment obligations under an *auction participation agreement* or a *SRD agreement*; or
- (ii) in relation to whom a *default event* has occurred;
- (5) any person who *AEMO* considers is acting on behalf of or in concert with a person described in subparagraphs (1) or (2);
- (5A) any person who *AEMO* considers is acting on behalf of or in concert with a person described in subparagraph (4); or
- (6) any person who would be a **retail client** as defined in section 761GA of the *Corporations Act 2001* (Cth), if they entered into ~~an~~ *SRD agreement* with *AEMO*.

(h) **[Deleted]**

3.18.3 Auction rules

- (a) In all cases, *AEMO* must develop rules (called *auction rules*) which set out:
 - (1) additional criteria which a person must satisfy to be an *eligible person* (which must include, without limitation, criteria requiring the person to enter into an *auction participation agreement* with *AEMO* in a form satisfactory to *AEMO*);
 - (2) the procedures for conducting *auctions* and the timing of *auctions*;
 - (3) the mechanism for calculating the *auction* clearing price in respect of each *directional interconnector* for each *auction*;
 - (4) the mechanism for calculating *auction expense fees*;
 - (5) the procedures and timetable for billing and settling *auction amounts*; and
 - (6) the standard form of any *auction participation agreement* referred to in subparagraph (1).
- (a1) Where a secondary trading decision is made under clause 3.18.3A(a), *AEMO* must amend the *auction rules* to set out:
 - (1) a right for an *eligible person* that holds a *SRD unit* to offer that *SRD unit* in another *auction* in accordance with the *auction rules*;
 - (2) if an *eligible person* offers a *SRD unit* in an *auction*, a right for *AEMO* to cancel that *SRD unit* in accordance with the *SRD agreement* and the *auction rules*;
 - (3) the requirements for cancellation of *SRD units* by *AEMO*; ~~and~~
 - (4) mechanisms for calculating and distributing *auction amounts*;
 - (5) a mechanism for calculating and determining the margin referred to in clause 3.18.4A(b), which must take into account the relevant prices at which the *eligible person* offers *SRD units* in an *auction* as well as the *auction* clearing prices at which the *eligible person* received *SRD units* in previous *auctions*; and
 - (6) the procedures *AEMO* will follow to obtain and manage the margins referred to in clause 3.18.4A.

- (b) In developing and amending the *auction rules*, AEMO must give effect to the following principles:
 - (1) **[Deleted]**
 - (2) to the extent reasonably practicable, an *auction* must be structured in a way that maximises the value of the relevant *settlements residue*;
 - (3) the price for each *SRD unit* to be paid by *eligible persons* will be the same for all *SRD units* cleared in the same *auction* and will be equal to the *auction* clearing price in respect of the *directional interconnector* for the *auction*; and
 - (4) enhancing competition and efficiency by promoting interstate trade in electricity.
- (c) AEMO must make the *auction rules* available to *Registered Participants* and to any other person who requests a copy.
- (d) AEMO may amend the *auction rules*:
 - (1) at any time, with the approval of the *settlement residue committee* and in accordance with the *Rules consultation procedures*; or
 - (2) if AEMO has consulted to the extent practicable in the circumstances in relation to the proposed amendment, the amendment has the support of at least three quarters of the members of the *settlement residue committee*, and AEMO considers the amendment is urgent.

3.18.3A Secondary trading of SRD units

- (a) AEMO may, with the approval of the *settlement residue committee*, decide to implement secondary trading of *SRD units* by *eligible persons* in accordance with this rule 3.18 and the *auction rules* at a specified date (**secondary trading decision**).
- (b) Before the date specified under paragraph (a), AEMO must amend the *auction rules* in accordance with clause 3.18.3(d)(1) to include the requirements specified in clause 3.18.3(a1).

3.18.4 **Auction p**Proceeds and **auction expense** fees

- (a) Subject to paragraph (a1), AEMO must distribute to the Co-ordinating Network Service Provider for the importing region, the auction clearing price for each SRD unit issued for a directional interconnector. AEMO must distribute to the relevant Network Service Provider:
 - ~~(1) subject to clauses 3.6.5(a)(4) and 3.6.5(a)(4A) and paragraph (a1), the auction clearing price for each SRD unit received by an eligible person in an auction in accordance with the auction rules; and~~
 - ~~(2) subject to paragraphs (b) and (c), any portion of the settlements residue allocated to the directional interconnector in respect of which a SRD unit has not been issued under a SRD agreement, in accordance with the principles in clause 3.6.5 in relation to the allocation and distribution of settlements residue attributable to regulated interconnectors.~~

- (a1) Where a secondary trading decision is made under clause 3.18.3A(a), *AEMO* must pay an *eligible person* the *auction* clearing price for each *SRD unit* that is offered by that *eligible person* and subsequently cancelled by *AEMO* pursuant to clause 3.18.1(b)(2)(ii) and in accordance with the relevant *SRD agreement* and the *auction rules*.
- (b) The costs and expenses incurred by *AEMO* in establishing and administering the arrangements contemplated by this rule 3.18, in conducting *auctions* under this rule 3.18 and in entering into and administering *auction participation agreements* and *SRD agreements* under this rule 3.18 will be recovered from *settlements residue* by way of *auction expense fees*.
- (c) The *auction expense fees* are to be developed by *AEMO* in accordance with the *auction rules* and approved by the *settlement residue committee*, and recovered as follows:
 - (1) to the extent the *settlements residue* is distributed to *eligible persons* ~~under clause 3.18.1(d)~~, in accordance with the *auction rules*; and
 - (2) to the extent the *settlements residue* is distributed to ~~*Co-ordinating Network Service Providers*~~ *Network Service Providers* ~~under clause 3.18.4(a)(2)~~, as if the *settlements residue* was being distributed to *eligible persons* in accordance with the *auction rules*.
- (d) The *auction expense fees* for an *auction* are to be *published* before the *auction*.
- (e) *Eligible persons* and *AEMO* must pay *auction amounts* in accordance with the *auction rules*, and, for the avoidance of doubt, amounts payable by *eligible persons* to *AEMO* under *SRD agreements* and any amounts payable by *AEMO* to *eligible persons* under *SRD agreements* will not be regarded as amounts payable under the *Rules* for the purposes of rule 3.15.

Note

This paragraph is classified as a tier 3 civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (f) *AEMO* may nominate an electronic funds transfer facility for the purposes of paying *auction amounts* and, if it does so, *eligible persons*, *Network Service Providers* and *AEMO* must use that facility for paying and receiving *auction amounts*.

3.18.4A Secondary trading proceeds and margin

- (a) This clause 3.18.4A applies where a secondary trading decision is made under clause 3.18.3A(a).
- (b) When an *eligible person* offers a *SRD unit* in an *auction*, the *eligible person* must provide a margin to *AEMO* at the same time as it offers the *SRD unit*, in accordance with the requirements of the *auction rules* and the *SRD agreement*.

Note

Clause 3.18.3(a1)(5) requires the *auction rules* to set out a mechanism for calculating and determining the margin.

- (c) If an *eligible person* provides a margin under paragraph (b) and subsequently that *eligible person's SRD agreement* or *auction participation agreement* is terminated by *AEMO*, then *AEMO* must apply the margin provided by that *eligible person* to:
 - (1) any outstanding amounts owing to *AEMO* by that *eligible person*; or
 - (2) any amounts that would have been owing to *AEMO* by that *eligible person* under *SRD agreements* had the *SRD agreements* or *auction participation agreement* not been terminated,in accordance with this rule 3.18 and the *auction rules*.
- (d) If the full amount payable by *AEMO* to *eligible persons* for cancellation of *SRD units* pursuant to clause 3.18.4(a1) 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, by deducting it from the *auction* proceeds payable to the relevant *Co-ordinating Network Service Provider* ~~*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 in accordance with, as applicable:
 - (i) clause 3.6.6(c), as if the shortfall were a negative net loop allocation for the relevant parallel interconnector configuration; ~~or clause 3.6.5, as if references to negative settlements residue amounts were references to the shortfall.~~
 - (ii) clause 3.6.6(e), as if the shortfall were a negative allocation to the relevant directional interconnector.
- (e) If an *eligible person's SRD agreement* or *auction participation agreement* is terminated by *AEMO*, then any *SRD units* which that person held immediately prior to the relevant agreement being terminated may be made available by *AEMO* in another *auction*.

3.18.5 Settlement residue committee

- (a) *AEMO* must establish a ~~*settlements*~~ *residue committee*.
- (b) The functions of the *settlement residue committee* are to:
 - (1) approve any suspension, or removal of a suspension, imposed by *AEMO* on the conducting of *auctions*;
 - (2) approve proposed amendments to the *auction rules* developed by *AEMO*;
 - (3) monitor, review and report on the *auctions* conducted by *AEMO* under this rule 3.18; and
 - (4) approve the costs and expenses incurred by *AEMO* in conducting *auctions* under this rule 3.18 and in entering into and administering *auction participation agreements* and *SRD agreements* under this rule 3.18.

- (c) The *settlement residue committee* is to consist of:
 - (1) an employee of *AEMO* appointed by *AEMO*, who will act as chairperson of the committee;
 - (2) a person representing *Generators* or *Integrated Resource Providers*;
 - (3) a person representing *Market Customers*;
 - (4) a person representing *Transmission Network Service Providers*;
 - (5) a person representing *Traders*;
 - (6) a person appointed jointly by the relevant *Ministers* of the *participating jurisdictions*; and
 - (7) a person appointed by the *AEMC* to represent *retail customers*.
- (d) *AEMO* may remove the person referred to in clause 3.18.5(c)(1) at any time for any reason.
- (e) The persons referred to in clauses 3.18.5(c)(2), (3), (4) and (5) must be appointed and removed by *AEMO* after consultation with the class of *Registered Participants* the person is to represent, and *AEMO* must:
 - (1) appoint a person agreed to by at least one third in number of the relevant class of *Registered Participants*; and
 - (2) commence consultation on the removal of such a person if requested to do so by a member of the relevant class of *Registered participants*, and must remove that person if so agreed by at least one third in number of the relevant class of *Registered Participants*.
- (f) The *Ministers* of the *participating jurisdictions* acting jointly may remove the person referred to in clause 3.18.5(c)(6) at any time for any reason.
- (g) The *AEMC* may remove the person referred to in clause 3.18.5(c)(7) at any time for any reason.
- (h) A person holds office as a member of the *settlement residue committee* until that person:
 - (1) resigns from office;
 - (2) if the person is the person referred to in clause 3.18.5(c)(1), is removed from office by *AEMO* in accordance with clause 3.18.5(d);
 - (3) if the person is a person referred to in clauses 3.18.5(c)(2), (3), (4) or (5), is removed from office by *AEMO* in accordance with clause 3.18.5(e)(2);
 - (4) if the person is the person referred to in clause 3.18.5(c)(6), is removed from office by the *Ministers* of the *participating jurisdictions* in accordance with clause 3.18.5(f); or
 - (5) if the person is the person referred to in clause 3.18.5(c)(7), is removed from office by the *AEMC* in accordance with clause 3.18.5(g),and such a person is eligible for re-appointment.

- (i) A person may resign as a member of the *settlement residue committee* by giving notice in writing to that effect to *AEMO*.

6A. Economic Regulation of Transmission Services

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

The allocation of the *annual service revenue requirement* of a *Transmission Network Service Provider* for each *category of prescribed transmission services* to the relevant *connection points* (other than the *connection points* of any *Market Network Service Provider*), and the manner and sequence in which adjustments can be made to those allocations, for the relevant *regulatory year* to which the *maximum allowed revenue* relates, must be in accordance with the following principles:

- (a) The *annual service revenue requirement* for *prescribed TUOS services* is to be allocated between a locational component (*pre-adjusted locational component*) and a non-locational component (*pre-adjusted non-locational component*) either:
 - (1) as to 50% to each component; or
 - (2) an alternative allocation to each component, that is based on a reasonable estimate of future *network* utilisation and the likely need for future *transmission* investment, and that has the objective of providing more efficient locational signals to *Market Participants*, *Intending Participants* and end users.
- (b) Subject to paragraph (d), the *pre-adjusted locational component* is to be adjusted by:
 - ~~(1) subtracting any amount estimated as proceeds from auctions or any portion of settlements residue allocated to the directional interconnector which is not the subject of a SRD agreement estimated to be receivable by the Transmission Network Service Provider from the connection points for each relevant directional interconnector as referred to in clause 3.18.4, with that amount including an adjustment calculated in accordance with paragraph (f); and~~
 - (1) subtracting the amount estimated by the Co-ordinating Network Service Provider to be payable to it under clause 3.18.4 as auction proceeds or under clause 3.6.6 as unsold settlements residue amounts, as adjusted by the adjustment calculated in accordance with paragraph (f); and
 - (2) adding or subtracting the amount estimated by the *Co-ordinating Network Service Provider* for the *modified load export charge* receivable by or payable to the *Transmission Network Service Provider* under clause 6A.29A.5, with that amount including an adjustment calculated in accordance with paragraph (f),

(the *adjusted locational component*).
- (c) If the *adjusted locational component* is a positive amount, it is to be allocated to *transmission network connection points* of *Transmission Customers* on the basis of their proportionate use of the relevant *transmission system* assets, excluding, to avoid doubt, assets which constitute an *identified user shared asset* or *designated network asset*. The

CRNP methodology and the *modified CRNP methodology* are two permitted methodologies to estimate the proportionate use of the relevant *transmission system* assets as referred to in paragraph (b).

- (d) If the *adjusted locational component* is a negative amount, then the *adjusted locational component* will be deemed to be zero and the absolute value of that negative amount is to be subtracted from the *pre-adjusted non-locational component* under subparagraph (e)(1).
- (e) The *pre-adjusted non-locational component* is to be adjusted by:
 - (1) subtracting the absolute value of the amount (if any) referred to in paragraph (d);
 - ~~(2) adding or subtracting any amount for settlements residue (not being any auction amount referred to in subparagraph (b)(1) or settlements residue that accrue on a designated network asset due to boundary point loss factors, but otherwise, including any amount of settlements residue due to intra-regional loss factors) estimated to be receivable by or payable to the Transmission Network Service Provider in accordance with clause 3.6.5(a)(3);~~
 - (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(d), clause 3.6.5(f), clause 3.6.6(c) or clause 3.6.6(e) (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 point loss factors);
 - (3) adding or subtracting any adjustment arising as a result of the application of clauses 6A.23.4(c) and (d);
 - (4) adding or subtracting any amount arising as a result of the application of prudent discounts (if any) under clauses 6A.26.1(d) to (g);
 - (5) adding or subtracting any *over-recovery amount* or *under-recovery amount*, with that amount including an adjustment calculated in accordance with paragraph (f); and
 - (6) adding the amount of *NTP function* fees advised to the *Co-ordinating Network Service Provider* in accordance with clause 2.11.3(ba),
(the *adjusted non-locational component*).
- (f) The adjustment referred to in subparagraphs (b)(1), (b)(2) and (e)(5) must be calculated as the sum of:
 - (1) the difference between:
 - (i) the estimated amount payable or receivable for a service (or component of a service) referred to in subparagraphs (b)(1), (b)(2) and (e)(5) in year $t - 1$; and
 - (ii) the amount actually payable or receivable for that service (or that component of service) in year $t - 1$;
 - (2) the difference between:

- (i) the actual amount payable or receivable for that service (or that component of service) in year $t - 2$; and
 - (ii) the estimate of the amount payable or receivable for that service (or component of a service) in year $t - 2$ that was used for the purposes of clause (f)(1)(i) in accordance with the *Co-ordinating Network Service Provider's* or the *Transmission Network Service Provider's* (as the case may be) *pricing methodology* that applied in year $t - 1$; and
 - (3) grossed up on the basis of the *allowed rate of return* that applies to the *Transmission Network Service Provider* at the time when the further adjustment is to be made.
- (g) For the purposes of paragraph (f):
- | | |
|-----------------|---|
| "year t " | means the <i>regulatory year</i> in which adjustments are made under paragraph (f). |
| "year $t - 1$ " | means the <i>regulatory year</i> immediately prior to year t or, where year t is the first year of a <i>regulatory control period</i> , the last <i>regulatory year</i> of the previous <i>regulatory control period</i> . |
| "year $t - 2$ " | means the <i>regulatory year</i> immediately prior to year $t - 1$ or, where year t is the: <ul style="list-style-type: none">(1) first year of a <i>regulatory control period</i>, the penultimate <i>regulatory year</i> of the previous <i>regulatory control period</i>; and(2) second year of a <i>regulatory control period</i>, the last <i>regulatory year</i> of the previous <i>regulatory control period</i>. |
- (h) The *annual service revenue requirement* for *prescribed common transmission services* is to be adjusted by adding the operating and maintenance costs incurred in the provision of those services and *system strength service payments* (to the extent that those costs or payments were subtracted from the *maximum allowed revenue* in accordance with clause 6A.22.1)
- (h1) In addition to the adjustment under paragraph (h), for a *Transmission Network Service Provider* who is a *System Strength Service Provider*:
- (1) the *annual service revenue requirement* for *prescribed common transmission services* for a *regulatory year* must be adjusted by:
 - (i) subtracting the *Transmission Network Service Provider's* forecast of its *annual system strength revenue* for the *regulatory year* made in accordance with clause 6A.23.3A(a)(1); and

- (ii) adding or subtracting any adjustment for the *regulatory year* arising as a result of the application of clause 6A.23.3A(b); and
- (2) a reference to the *annual service revenue requirement* or *ASRR* for *prescribed common transmission services* for that *Transmission Network Service Provider* is taken to be a reference to the amount adjusted in accordance with subparagraph (h1)(1).
- (i) The whole of the *annual service revenue requirement* for *prescribed entry services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) in accordance with the *attributable connection point cost share* for *prescribed entry services* that are provided by the *Transmission Network Service Provider* at that *connection point*.
- (j) The whole of the *annual service revenue requirement* for *prescribed exit services* is to be allocated to *transmission network connection points* (other than *connection points* of any *Market Network Service Provider*) in accordance with the *attributable connection point cost share* for *prescribed exit services* that are provided by the *Transmission Network Service Provider* at that *connection point*.

10. Glossary

exporting region

As between the two adjacent regions connected by an interconnector, the region from which the electricity is transferred.

For a directional interconnector, the region from which the electricity is transferred.

importing region

As between the two adjacent regions connected by an interconnector, the region to which the electricity is transferred.

For a directional interconnector, the region to which the electricity is transferred.

regulated interconnector

An interconnector that ~~is~~:

- (a) is referred to in clause 11.8.2 of the *Rules* and is subject to ~~transmission service~~ transmission service regulation and pricing arrangements in Chapter 6A; ~~or~~
- (b) is a specified interconnector~~;~~;
- (c) has been developed as an actionable ISP project and is subject to transmission service regulation and pricing arrangements in Chapter 6A, from the time that it is first represented in the dispatch algorithm as an interconnector in the same manner that other regulated interconnectors are represented in the dispatch algorithm; or
- (d) Chapter 9 deems to be a regulated interconnector.

11. Savings and Transitional Rules

Part ZZZZZJ 2025 Savings and Transitional Rules

11.188 Rules consequential on the making of the National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025 No. 9

11.188.1 Definitions

In this rule 11.188:

Amending Rule means the *National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025 No. 9*.

commencement date means the date of commencement of Schedule 1 of the Amending Rule, being 2 October 2025.

loop operations start date means the date from which *AEMO* cuts over from the ‘micro-slice’ model initially used for the PEC interconnector to the ‘interconnector dispatch integration model’, which represents the PEC quantities as an *interconnector* in the *dispatch algorithm* (known as NEMDE).

loop settlements start date means the date from which *AEMO* applies changes to its systems to allow *settlements*, including the payment and recovery of *settlements residues*, to be calculated under new Chapter 3.

loop transition period means the period (if any) starting on the loop operations start date and ending immediately before the loop settlements start date.

new Chapter 3 means Chapter 3 as in effect on and from the commencement date.

new Chapter 10 means Chapter 10 as in effect on and from the commencement date.

new unit category means each of the two new unit categories to be established under the *auction rules* for the *directional interconnectors* representing flows on the PEC interconnector in the directions South Australia to New South Wales and New South Wales to South Australia respectively.

PEC quantities means the quantities of electricity transferred between the *regions* of South Australia and New South Wales that result from the *connection* created by the PEC interconnector.

PEC interconnector means the *interconnector* resulting from Project Energy Connect, a project for the construction and operation of *transmission lines* between locations in South Australia and New South Wales and New South Wales and Victoria.

PEC interconnector loop means the configuration of *regulated interconnectors*, including the PEC interconnector, that *connects* the *regions* of South Australia, New South Wales and Victoria.

unit category has the meaning given to ‘Unit Category’ in the *auction rules*.

11.188.2 New unit categories and AEMO instruments relating to auctions

- (a) *AEMO* must use reasonable endeavours to ensure that on or before 1 October 2026:
 - (1) the new unit categories are established under the *auction rules*; and
 - (2) at least one *auction* is held in which *SRD units* established under the new unit categories are offered.
- (b) *AEMO* must review and, where *AEMO* considers it necessary or appropriate, amend the *auction rules* to take into account the Amending Rule, by the earlier of:
 - (1) 10 *business days* prior to the first auction of new unit categories; and
 - (2) four weeks prior to the loop operations start date.
- (c) For the purposes of paragraphs (a) and (b):
 - (1) *AEMO* may amend the *auction rules* using the *expedited rules consultation procedure*;
 - (2) *AEMO* is not required to obtain the approval or support of the *settlement residue committee* under clause 3.18.3(d)(1) or (2); and
 - (3) the new unit categories may be established and offered before the loop operations start date with respect to periods on and from the loop operations start date.

11.188.3 Loop readiness

- (a) By no later than four weeks before the loop operations start date, *AEMO* must review and, where *AEMO* considers it necessary or appropriate, amend the following documents to take into account the Amending Rule:
 - (1) the *timetable*; and
 - (2) the *network constraint* formulation guidelines made under clause 3.8.10(c).
- (b) For the purposes of paragraph (a), *AEMO* may use the *expedited rules consultation procedure*.
- (c) As soon as practicable after the commencement date, *AEMO* must *publish* information about:
 - (1) the timing and process for the integration of the transfer capacity of the PEC interconnector in *dispatch* and *settlements*; and
 - (2) rights and obligations of *eligible persons* with respect to *SRD units* affected by the matters in subparagraph (1).
- (d) *AEMO* must keep the information *published* under paragraph (c) up to date.
- (e) On the commencement date:
 - (1) *AEMO's* 'Methodology for the allocation and distribution of settlements residue' (version 3 published 2 June 2024) (**current allocation methodology**) is the allocation methodology under clause 3.6.5(b) of new Chapter 3;

- (2) by reason of subparagraph (1), *AEMO* is taken to have satisfied the requirement in clause 3.6.5(b) of new Chapter 3 to develop and *publish* the allocation methodology; and
- (3) to avoid doubt, the *inter-regional settlements residue* assigned to a *directional interconnector* for a *trading interval* under paragraph 3.1 of the current allocation methodology corresponds to the amount referred to in clause 3.6.5(a)(1) of new Chapter 3 and the allocation defined in clause 3.6.6(a) of new Chapter 3.

11.188.4 Settlements during the loop transition period

- (a) *AEMO* must ensure that the loop operations start date occurs:
 - (1) on or after 1 October 2026; and
 - (2) by no later than 2 November 2026.
- (b) *AEMO* must ensure that the loop settlements start date occurs:
 - (1) on or after the loop operations start date; and
 - (2) by no later than 2 November 2026.
- (c) On and from the loop operations start date, the PEC interconnector becomes a *regulated interconnector* within the meaning of paragraph (c) of the definition of *regulated interconnector* in new Chapter 10.
- (d) For each *trading interval* occurring during the loop transition period (if any occurs):
 - (1) despite anything to the contrary in the definitions in clause 3.6.6(a) of new Chapter 3:
 - (i) the PEC interconnector loop is not a parallel interconnector configuration; and
 - (ii) the *directional interconnectors* in the PEC interconnector loop are not looped interconnectors; and
 - (2) *AEMO* must distribute and recover *settlements residue* for all *directional interconnectors* under clauses 3.6.6(d) and (e) of new Chapter 3.
- (e) To avoid doubt, for each *trading interval* occurring on and from the loop settlements start date:
 - (1) for the purposes of the definitions in clause 3.6.6(a) of new Chapter 3:
 - (i) the PEC interconnector loop is a parallel interconnector configuration; and
 - (ii) the *directional interconnectors* in the PEC interconnector loop are looped interconnectors; and
 - (2) *AEMO* must distribute and recover *settlements residue* for all *directional interconnectors* under the provisions of clause 3.6.6 of new Chapter 3 applicable to the relevant *directional interconnector*.