



Management of negative inter-regional settlements residues

Publication of the Draft Report

The AEMC published its **Draft Report into AEMO's management of negative inter-regional settlements residues on 24 October 2013**. The AEMC considers that current arrangements are broadly appropriate. The report proposes that AEMO consider minor changes to its approach to managing these residues and measures to improve information on managing the consequences of counter-price flows.

Draft findings

After reviewing AEMO's management of negative inter-regional settlements residues (IRSRs) our draft findings are that:

- the current threshold of \$100,000 for intervention should be retained as the evidence does not support increasing or decreasing it;
- there is benefit in AEMO investigating alternatives to current arrangements to determine if it can diminish the repeated application and release of AEMO's intervention to 'clamp' or reduce counter-price flows that can occur multiple times a day;
- AEMO should communicate the basis for its approach to the increments (targeted change in interconnector flow) used in applying and releasing the clamp to interested stakeholders;
- where possible, AEMO should publish its estimate of the negative IRSRs within a current trading interval in real-time; and
- AEMO's use of the metered initial interconnector flow to estimate the value of the negative IRSRs within a current trading interval is appropriate.

The AEMC is not proposing any changes to the NER.

Submissions on the draft report are due on 6 December 2013.

Background on the review

Why are we conducting this review?

The AEMC is required to conduct a review into AEMO's management of negative IRSRs under National Electricity Rules (NER). This obligation under the NER arose as a recommendation in the AEMC's Congestion Management Review completed in 2008.

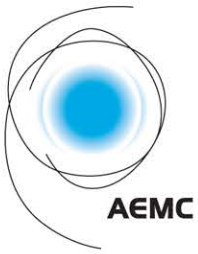
What is a negative inter-regional settlements residue (IRSR)?

An IRSR, which may be a positive or negative value, is the product of the difference in the regional reference price between two regions in the National Electricity Market (NEM) and the quantity of electricity flowing over an interconnector between those two regions.

A negative IRSR arises where there are counter-price flows; that is, electricity flows from a high-priced region to a low-priced region. There are a variety of circumstances, such as the presence of network congestion, that give rise to counter-price flows, and hence negative IRSRs.

How negative IRSRs are currently managed in the NEM?

When the value of these negative IRSRs is or is expected to reach \$100,000 then AEMO 'clamps' or reduces the counter-price flow of electricity over the affected direction of an interconnector.



INFORMATION

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What is the scope of this review?

The proposed scope for this review covers:

- The efficiency of AEMO's practice of managing negative IRSRs, including the 'clamping' of negative IRSRs when their value reaches \$100,000; and
- The appropriateness of the \$100,000 intervention threshold.

This is not a review of IRSRs generally; rather, it specifically reviews AEMO's management of negative IRSRs.

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