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DRAFT RULE DETERMINATION: RECOVERY OF NEGATIVE INTER-REGIONAL SETTLEMENT RESIDUES

Thank you for the opportunity to comment on the Draft Rule Determination on the *Recovery of Negative Inter-Regional Settlement Residues*. CS Energy broadly agrees with the AEMC's draft determination, but has reservations about the proposed modifications to NEMMCO's original proposal.

CS Energy supports recovery of negative settlement residues from Settlement Residue Auction (SRA) proceeds rather than through auction fees. This rule change will minimise the costs incurred by NEMMCO in carrying forward negative residues while also reducing the variability in auction fees caused by the allocation of negative residue recoveries to future auctions. Such allocations are significantly delayed from the negative residue event, and therefore reduce the attractiveness of SRA as a mechanism to improve levels of inter-regional trade.

SUNSET PROPOSAL

CS Energy does not support the adoption of a 3-year sunset on the proposed changes. Introducing a sunset decreases regulatory certainty and does nothing to improve the SRA in terms of providing a mechanism to manage risk. CS Energy believes that this rule change can and should be considered independently from any consultations on issues such as the cause of negative residues, and therefore should not be restricted by timeframes associated with other consultations. In any case, proposals dealing with related issues could easily incorporate any necessary revisions related to recovery of negative settlement residues at the time of their consultations.

INTRA-WEEK RECOVERY and ACCUMULATED DEBT

CS Energy supports the views detailed in the submission on this determination prepared by the National Generators Forum (NGF) on intra-week recovery. That is, that negative and positive residues should no longer be netted off in a given settlement week. This would further improve the value of the SRA as a mechanism for inter-regional trade, removing

the risk that positive residue events are nullified by significant negative residue events during a settlement week.

CS Energy supports the proposal that existing unallocated accumulated debts from negative settlement residues are recovered through auction proceeds, on the same basis as future debts. Continuing to allocate current accumulated debts to future auction fees would detract from the value the SRA process and undermine the positive impact of the current consultation.

Yours faithfully

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