



## Payment to AEMO of negative intra-regional settlements residue

Final rule determination 22 March 2012

**The Australian Energy Market Commission has made a rule that enables the market operator, AEMO, to change payment arrangements for a particular type of settlements residue. Negative intra-regional settlements residue will now be paid at a time to be determined by AEMO, following consultation with Transmission Network Service Providers (TNSPs).**

### About the rule

The rule change was requested by AEMO to enable it to determine the payment timing for negative intra-regional settlements residue. AEMO already had this ability under the rules for negative inter-regional settlements residue.

The rule allows AEMO to require payment at an earlier interval in the spot market settlements cycle than under previous arrangements. This would provide more time for AEMO to follow up with TNSPs on any late or short payments before it would have to short pay market participants. Under the previous arrangements, AEMO had approximately two and a half hours to perform this task.

In addition, the rule enables AEMO to determine the payment arrangements for any interest associated with late payment of negative intra-regional settlements residue.

A redundant rule (rule 11.1) has also been deleted and a minor clarification has been made to the definition of settlements residue in the Glossary of the rules.

The rule commences operation on 5 April 2012.

### Outcomes of the rule

The rule primarily affects the timing of certain payments by TNSPs. It does not change the payment amount or the party responsible for the payment.

The rule will enable AEMO to better manage the risk of late or short payment by TNSPs. This should, in turn, reduce the risk of AEMO having to short pay market participants in the settlements process.

The rule will also require AEMO to align the payment of both types of negative settlements residue (intra-regional and inter-regional) to help simplify the settlements process for TNSPs and AEMO.

AEMO is required to consult with TNSPs in developing the new payment approach that will apply to both types of settlements residue. This requirement for consultation is consistent with the current approach for negative inter-regional settlements residue.

### Transitional arrangements

The rule contains transitional arrangements to apply from the commencement date until the new payment procedure has been implemented by AEMO.

A transitional rule allows TNSPs to require that AEMO's consultation follows the rules consultation procedures the first time they align the payment procedure for both types of settlements residue. This is to provide TNSPs with the option for the consultation process to follow an established structure and timeline for the initial change in the TNSP settlement approach.

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The AEMC has made a rule concerning the payment of negative intra-regional settlements residue by TNSPs.

The rule commences operation on 5 April 2012.

The transitional rule requires AEMO to notify each TNSP of how it plans to conduct consultation and the associated timing. If a TNSP wishes for consultation to follow the rules consultation procedures, it must advise AEMO within one week of AEMO providing notice of its consultation plans.

Following the implementation of the new payment procedure, AEMO must consult TNSPs on additional changes to the payment arrangements. The option for this subsequent consultation to follow the rules consultation procedures is not provided. This is because the requirement for consultation with TNSPs, as set out in the rule under clause 3.6.5(a), is considered appropriate for the nature of future changes concerning payment timing.

### Rule making process

The AEMC assessed the rule change request under its expedited process, which is permitted under section 16 of the National Energy Law for rule changes that are considered 'non-controversial'.

The AEMC asked for written requests from any stakeholders who objected to the rule being assessed under the expedited process. No such requests were received and the AEMC proceeded with the expedited process, where no draft determination is provided.

The final determination reflects the AEMC's assessment of the rule against the National Electricity Objective. It also reflects the AEMC's consideration of issues raised in stakeholder submissions from TransGrid and TRUenergy and in subsequent consultation.

The rule largely adopts the rule proposed by AEMO, except that it includes a number of minor clarifications and transitional arrangements.

### Background on settlements residues

Under certain market conditions, AEMO receives payments from TNSPs as part of the spot market settlements process. These payments are for settlements residues. There are two types of settlements residues in the national electricity market – intra-regional and inter-regional – and they can be either positive or negative. This rule change alters the payment arrangements for negative intra-regional settlements residue.

This type of residue involves the appropriate TNSP paying AEMO the difference between what consumers owe to AEMO and what AEMO owes to market participants in a particular region, in order for the market to settle for a billing period.

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