



Management of negative inter-regional settlements residues

Publication of an Issues Paper

The AEMC formally commenced its review into AEMO's management of negative inter-regional settlements residues by publishing an Issues Paper. Submissions on the Issues Paper are due by 31 May 2013.

Why are we conducting this review?

The AEMC is required to conduct this review under clause 3.8.10(g) of the 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 inter-regional settlements residue, 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 inter-regional settlements residue 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 are negative IRSRs currently managed in the NEM?

It is AEMO's policy and practice that 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.

What is the scope of this review?

The proposed scope for this review covers:

- The efficiency of AEMO's current policy and 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.

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