

Indicative changes to the National Electricity Rules

Note:

This document shows indicative changes to the relevant parts of the National Electricity Rules (NER) proposed to be made by the draft *National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025*. The changes are shown in a modified version of the NER that incorporates, where relevant, final rules made by 3 October 2024 which take effect as of 3 July 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

- (a) In this clause 3.6.5:

importing region means, for a trading interval for adjacent regions that are interconnected by:

(a) one regulated interconnector, the region to which the greatest quantity of electricity is transferred by the interconnector in the trading interval; or

(b) more than one regulated interconnector, the region to which the greatest quantity of electricity is transferred by those interconnectors in the trading interval—during the relevant trading interval from another region through regulated interconnectors.

- (ba) *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;~~
- ~~(12) the portion of the settlements residue attributable to directional regulated interconnectors for a trading interval will be determined by AEMO in accordance with a methodology published by AEMO; (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;~~
- ~~(2) the portion of the settlements residue attributable to a directional interconnector that is recoverable under clause 5.7.7(aa)(3) or (ab) will be determined by AEMO and recovered under those clauses;~~
- ~~(3) settlements residue attributable to directional interconnectors in accordance with subparagraph (1), excluding any amount recoverable under clause 5.7.7(aa)(3) or (ab), will be distributed or recovered under rule 3.18;~~
- ~~(43) the remaining settlements residue after applying the principles in subparagraphs (1), (2) and (3), including the portion of settlements residue due to intra-regional loss factors, will be distributed to or recovered from: from the appropriate Transmission Network Service Providers (which will not include Market Network Service Providers);~~
- ~~(i) in the case of inter-regional settlements residue, the Co-ordinating Network Service Provider for the importing region; and~~
- ~~(ii) in the case of intra-regional settlements residue, the Co-ordinating Network Service Provider for the relevant region; and~~
- ~~(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:~~
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- ~~(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]~~
 - ~~(56) any portion of settlements residue distributed to a Co-ordinating Network Service Provider in accordance with this paragraph (b) 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 Co-ordinating Network Service Provider in accordance with this paragraph (b) clause 3.6.5(a)(4), will be used in accordance with Chapter 6A 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.~~
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- (c) In relation to *settlements residue* that accrues on *designated network assets*, the *Primary Transmission Network Service Provider* will 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).
- (d) If an amount on account of *settlements residue* is to be recovered from a *Co-ordinating Network Service Provider* under the principles in this clause or rule 3.18:
- (1) *AEMO* must recover the amount 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 amount by a date prior to the date for payment of *final statements* under clause 3.15.16;
 - (3) the *Co-ordinating Network Service Provider* must pay the amount in accordance with *AEMO's* determination under subparagraphs (1) and (2);
 - (4) if interest costs are incurred by *AEMO* in relation to any unrecovered amount referred to in subparagraph (3), then, in respect of the *billing period* in which the *settlements residue* arises:
 - (i) *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*;
 - (ii) *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
 - (iii) the *Co-ordinating Network Service Provider* must pay the interest cost amount in accordance with *AEMO's* determination under subparagraphs (4)(i) and (ii).
- (e) 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.

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*
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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:
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- (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 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*
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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*
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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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3.13.5A **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:
 - (1) the *auction* clearing prices;
 - (2) all bids (but not the name of any bidder); and
 - (3) the proceeds of each such *auction*.
- (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:
 - (1) the total *settlements residue*;
 - (2) the amount of *settlements residue* 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*; and
 - (4) for the billing period, the amount of negative inter-regional settlements residue attributed to directional interconnectors and the amount recoverable under clause 3.18.1A(d) for each region.
- (c) *AEMO* may provide copies of its reports under 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.

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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.

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3.18 Settlements Residue Auctions and distribution and recovery of inter-regional settlements residue allocated to directional interconnectors

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*,
- in accordance with this rule 3.18 and the *auction rules*.
- (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*; ~~and~~
- (3) the importing region for a directional interconnector is the region to which the electricity is transferred.
- (d) [Deleted]
- ~~(d) 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.

3.18.1A Distribution and recovery of settlements residue allocated to directional interconnectors

- (a) In this clause:

looped interconnector means a directional interconnector between a pair of regions in a parallel interconnector configuration.

parallel interconnector configuration means, for any group of three adjacent regions, there are directional interconnectors between each pair of regions in the group.

regional share means, for a billing period, for a region in a parallel interconnector configuration, the region's share of the total rolling annual regional demand in all three regions in the parallel interconnector configuration, calculated as ARD/TRD , where:

- (a) ARD is rolling annual regional demand of the region for the billing period; and

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

rolling annual regional demand for a region for a billing period means 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.

(b) AEMO must allocate settlements residue to directional interconnectors for each trading interval in accordance with the methodology published by AEMO and referred to in clause 3.6.5(b)(2).

(c) Where the settlements residue allocated to a directional interconnector for a trading interval under paragraph (b) is positive, AEMO must use it:

(1) first, to recover auction expense fees, in accordance with the auction rules and clause 3.18.4(c);

(2) next, to distribute to relevant eligible persons holding SRD units, to the extent of the unit entitlement; and

(3) last, where clause 3.18.4(a1) applies, to distribute to the Co-ordinating Network Service Provider for the importing region for the directional interconnector, subject to set off under clause 3.18.4(a2).

(d) Where the settlements residue allocated to a directional interconnector for a trading interval under paragraph (b) is negative, but subject to clauses 5.7.7(aa) and (ab):

(1) if the directional interconnector is not a looped interconnector, AEMO must recover the amount from the Co-ordinating Network Service Provider for the importing region in the trading interval; and

(2) if the directional interconnector is a looped interconnector, AEMO must:

(i) recover a share of the amount from the Co-ordinating Network Service Provider for each region forming part of the relevant parallel interconnector configuration; and

(ii) calculate the share to be recovered from each Co-ordinating Network Service Provider by multiplying:

(A) the total amount to be recovered; by

(B) the regional share of the Co-ordinating Network Service Provider's region for the billing period in which the relevant trading interval occurs.

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:
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- (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.
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- (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 Proceeds and fees

- ~~(a) *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*.~~
 - (a) *AEMO* must distribute the *auction* clearing price for each *SRD unit* as follows:
 - (1) subject to subparagraph (2), to the *Co-ordinating Network Service Provider* for the importing region for the *directional interconnector* to which the *SRD unit* relates; or
 - (2) to the relevant *eligible person*, in accordance with the relevant *SRD agreement* and the *auction rules*, if, under secondary trading arrangements for *SRD units* provided for in this clause, the *eligible person* has offered the *SRD unit* and that *SRD unit* has subsequently been cancelled by *AEMO* pursuant to clause 3.18.1(b)(2)(ii).
 - (a1) *AEMO* must distribute to the *Co-ordinating Network Service Provider* for the importing region for a *directional interconnector*, the *settlements*
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residue allocated to the directional interconnector for a trading interval in respect of which a SRD unit has not been issued under a SRD agreement, if that amount is positive.

- (a2) AEMO must deduct (by way of set off) from any amount to be distributed to a Co-ordinating Network Service Provider under paragraph (a) or (a1), any amount required to be paid by that Co-ordinating Network Service Provider to AEMO under clause 3.6.5(d).
- (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 3.18.1A(c)~~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 paragraph (a1)~~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*,
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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(a)(2)~~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, 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~~ from the Co-ordinating Network Service Provider for the importing region for the directional interconnector to which the SRD units relate ~~clause 3.6.5, as if the shortfall were inter-regional settlements residue recoverable under clause 3.6.5(b)(4)~~ as if references to negative settlements residue amounts were references to the shortfall.

- (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
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- (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
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(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:
 - (i) estimated by the Co-ordinating Network Service Provider to be payable to it under clause 3.18.4 as proceeds from auctions or settlements residue allocated to a directional interconnector; as adjusted by
 - (ii) 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(b)(4) or clause 3.18.1A(d) (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 *regulatory year* in which adjustments are made under paragraph (f).

"year $t - 1$ " means the *regulatory year* immediately prior to year t or, where year t is the first year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.

"year $t - 2$ " means the *regulatory year* immediately prior to year $t - 1$ or, where year t is the:

- (1) first year of a *regulatory control period*, the penultimate *regulatory year* of the previous *regulatory control period*; and
- (2) second year of a *regulatory control period*, the last *regulatory year* of the previous *regulatory control period*.

- (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:
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- (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*.
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10. Glossary

regulated interconnector

An *interconnector* that is:

- (a) 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) a *specified interconnector*;
- (c) developed as an actionable ISP project and:
 - (1) that is subject to transmission service regulation and pricing arrangements in Chapter 6A; and
 - (2) where AEMO has incorporated the power flows on the interconnector between the relevant interconnected regions in the dispatch algorithm; or
- (d) deemed to be a regulated interconnector under Chapter 9.

11. Savings and Transitional Rules

Part ZZZZZI 2024 Savings and Transitional Rules

11.[XXX] Rules consequential on the making of the National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2024

11.[XXX].1 Definitions

In this rule 11.[XXX]:

Amending Rule means the *National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2024*.

effective date means the date of commencement of Schedule 1 of the Amending Rule, being 3 July 2025.

11.[XXX].2 AEMO guides relating to auctions and settlements residue

Within a reasonable time after the effective date, *AEMO* must review and, where *AEMO* considers it appropriate, update and reissue, the guides and other information issued by *AEMO* relating to the allocation of *inter-regional settlements residue* and *auctions*.