



Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

31 January 2025

To Ms Collyer,

Inter-regional settlements residue arrangements for transmission loops – Draft determination

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission’s (the Commission) draft determination on the rule change request to amend the National Electricity Rules (NER) for interregional settlements residue (IRSR) arrangements for transmission loops.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

As noted in ENGIE’s response to consultation paper, the Australian Energy Market Operator (AEMO) undertook fulsome engagement with stakeholders on the IRSR arrangements related to the market integration of Project Energy Connect and put forward a rule change request designed to address the problems arising from the creation of an inter-regional transmission loop.¹ ENGIE is supportive of the Commission’s proposal to largely retain the key aspects of the AEMO rule change request, particularly in relation to the settlement residue auction framework.

ENGIE supports the Commission’s proposal for no changes to SRAs or the allocation of positive IRSR

ENGIE supports the Commission’s draft decision to preserve the value of settlement residue auctions (SRAs) by maintaining the current approach for distributing positive IRSR and recovering negative IRSR from TNSPs. ENGIE considers that SRAs play an important risk management role in the National Electricity Market (NEM)

¹ ENGIE 2024, Inter-regional settlements residue arrangements for transmission loops – Consultation paper, 5 September.

and boost liquidity in the electricity financial market. The role of SRAs and interregional hedging will likely become increasingly important when Project Energy Connect becomes operational, due to the likely lower levels of gas-fired generation in South Australia reducing the opportunities for hedging within South Australia.

There are limited benefits in reviewing SRA arrangements at this time

ENGIE does not agree with the Commission that a holistic review of SRA arrangements is a priority at this time. While ENGIE acknowledges that the introduction of a transmission loop may increase consumers' exposure to the risk of negative IRSR, the size and volatility of this negative IRSR will not become clear for some time. ENGIE considers it would be more appropriate for the Commission to undertake a broader review into the actual consumer outcomes from the introduction of the transmission loop after a set period of time after Project Energy Connect becomes operational. This would enable the Commission to review both the effectiveness of SRA arrangements and the allocation of negative IRSR across regions and whether these frameworks are resulting in equitable and cost-reflective outcomes for consumers across all relevant regions.

As Project Energy Connect is not expected to be operating at full capacity until late-2027, the Commission should consider scheduling its review for late-2029. As will be described further in the next section, allowing Project Energy Connect to operate for two years before the review will enable the Commission and industry to have a better understanding of the consumer outcomes of the IRSR arrangements. ENGIE notes this timing would also allow the Commission and industry to consider the effectiveness of the IRSR arrangements in the context of any potential reforms that arise from the NEM wholesale market settings review that is due to conclude in late-2025.²

ENGIE also reiterates feedback from the Australian Financial Markets Association (AFMA) in their submission to the draft determination, particularly in relation to the identified challenges that could arise in creating and establishing uptake of hedging arrangements for negative IRSR.³

ENGIE is comfortable with the proposed allocation of negative IRSR until a review into consumer outcomes

While ENGIE's views outlined in this submission are primarily focused on maintaining SRA arrangements, we note that the draft determination does not appear to have expressly considered AEMO's feedback that the Commission's proposed allocation methodology would be inconsistent with the conclusions from AEMO's previous consultation on the Project Energy Connect market integration and that the proposed methodology may have potentially significant additional design and implementation implications.⁴

² The Hon Chris Bowen MP 2024, Making the National Electricity Market fit for purpose, Media release, 26 November.

³ Australian Financial Markets Association 2025, Submission to PEC draft determination, 31 January.

⁴ Australian Energy Market Operator 2024, Submission to AEMC Consultation paper – inter-regional settlement residue arrangements for transmission loops, 4 September.

ENGIE acknowledges it is challenging to predict the actual consumer outcomes across the three regions following the introduction of a transmission loop. The quantum of negative IRSR accrued in the transmission loop and the distributional impact on consumers, including any cross-subsidies between regions, will become clearer in the years after Project Energy Connect becomes fully operational. In that context, ENGIE is comfortable with the Commission implementing its proposed allocation methodology for negative IRSR at this time. The Commission's allocation methodology for negative IRSR should be subject to a broader review in late-2029 to assess the relevant consumer outcomes across the three regions, such as the impacts to TUOS from the allocation of negative IRSR and accrued SRA proceeds in each region.

Concluding remarks

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0436 929 403.

Yours sincerely,



Matthew Giampiccolo

Manager, Regulation and Policy