

30/01/2025

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted via email: "lodge a submission" www.aemc.gov.au project reference code: ERC0386

Dear Sir / Madam,

Re: Stanwell Corporation: submission Australian Energy Market Commission (AEMC) Draft rule determination – (Inter-regional settlements residue arrangements (IRSR) for transmission loops)

Stanwell Corporation welcomes the opportunity to make a submission in response to the Australian Energy Market Commission (AEMC) Draft rule determination – National Electricity Amendment (Inter-regional settlements residue arrangements for transmission loops) Rule 2025 as proposed by the Australian Energy Market Operator (AEMO).

As a major provider of electricity to Queensland, the National Electricity Market (NEM) and large industry users throughout Australia, Stanwell is committed to providing reliable and affordable energy and supporting the changes in the energy market to achieve State and Commonwealth emissions reduction targets.

This feedback contains the views of Stanwell and should not be construed as being indicative or representative of the views or policy of the Queensland Government.

Background:

A transmission loop will be formed in the National Electricity Market (NEM) when Project Energy Connect Stage 2 (PEC) becomes operational.¹ Together with the existing interconnectors between New South Wales, Victoria and South Australia, PEC, creates the first interregional loop in the National Electricity Market (NEM).

The rule change is designed to ensure appropriate markets arrangements for the transmission loop and support the realisation of PEC's expected consumer benefits, with the rule also applying to future inter-regional loops.

Important Role of SRA's in the Market:

Settlement Residue Auctions (SRAs) are an important tool allowing participants to hedge inter-regional risk. SRA units also allow generators in one region to manage risk of price with adjoining regions, allowing them to offer hedge cover in these regions. The ability to manage this risk boosts liquidity in the electricity financial market and gives retailers access to a larger offering of financial products to manage spot risk and helps support the offering of competitive products to customers.

Stanwell acknowledges the important role that SRAs play in the market and commends the AEMC, in the draft determination for its continued support of the products. The proposed approach to the allocation of inter-regional settlements residue will help preserve the role of SRA's units as an inter-regional hedging instrument. We agree that the decision "not to make any changes to SRA arrangements or positive IRSR allocation aligns with good regulatory practice by promoting stability and consistency".²

¹ <https://www.aemc.gov.au/rule-changes/inter-regional-settlements-residue-arrangements-transmission-loops> i

² <https://www.aemc.gov.au/rule-changes/inter-regional-settlements-residue-arrangements-transmission-loops> p.10

Review of SRA arrangements:

Stanwell notes the commission, beyond this rule change, intends to review the arrangements for SRAs in 2025-26 which will consider whether the current SRA arrangements are in the long-term interests of consumer, for interconnectors both within and outside of the transmission loop.

While Stanwell agrees with the concept and scope of the proposed SRA arrangements review³, we argue that rather than 2025-26, it should occur after the new allocation method has been fully incorporated into the dispatch engine, which is expected in Q4 2027. Stanwell suggests it would be of benefit to have the review at least 12 months after this, allowing the review to consider actual data on the impacts and performance of the IRSR.

This would also assist the AEMC to better allocate resources to emerging critical areas to help support a successful transition of the sector, noting key projects relating to Consumers: Consumer Energy Resources (CER): Long-Term Market Design and Transmission are priorities.⁴

Conclusion:

Stanwell supports the AEMC's draft rule determination on IRSR arrangements for transmission loops, recognizing its potential to enhance market efficiency and consumer benefits. The proposed changes, including the new allocation method for negative IRSR and the continued support for SRAs, are seen as positive steps towards managing consumer risks and promoting inter-regional hedging. Stanwell also emphasizes the importance of timing the review of SRA arrangements to ensure it is informed by actual data and current market conditions.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please don't hesitate to contact Brad Supple, Market Regulation Analyst, via email at Bradley.supple@stanwell.com

Yours sincerely



Zi Ying Koh
Acting Manager Market Policy and Regulatory Strategy

³ <https://www.aemc.gov.au/rule-changes/inter-regional-settlements-residue-arrangements-transmission-loops> iv

⁴ [Our Priorities | AEMC](#)