



Dr Madeleine Hartley
Senior Adviser & Project Leader
Australian Energy Market Commission

Lodged online: <https://www.aemc.gov.au>

30 January 2025

Dear Dr Hartley,

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

Origin Energy Limited (Origin) appreciates the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) draft determination regarding inter-regional settlements residue (IRSR) arrangements for transmission loops.

Origin is supportive of adopting the Australian Energy Market Operator's (AEMO) approach to maintaining the allocation of positive IRSR through Settlement Residue Auctions (SRAs) and continuing to recover negative residues from Transmission Network Service Providers (TNSPs), as proposed in the draft determination. This approach will preserve the value and firmness of settlement residue distribution (SRD) units that are essential for facilitating inter-regional trade, enhancing market efficiency, and delivering long-term benefits to consumers through effective risk management and competitive pricing.

Reallocation of negative IRSR based on regional demand

Origin supports, in principle, the reallocation of negative IRSR based on regional demand, to the extent the AEMC is satisfied this will result in better outcomes for consumers. A holistic approach to assessing good consumer outcomes should remain a central assessment criterion for the rule change.

Potential cash flow issues faced by TNSPs, however, should not influence the reallocation method of negative residues. If such issues arise, they should instead be addressed through adjustments to the economic framework for transmission network businesses, such as timelier cost recovery mechanisms.

A review of SRA arrangements is not necessary

Beyond the rule change, Origin does not consider a broader review of SRA arrangements by the AEMC necessary. As outlined in our previous submission to this rule change, SRAs deliver value and long-term benefits to consumers through their critical role in effective risk management strategies and the facilitation of inter-regional trade.

SRD units enable market participants to hedge against regional price differences, reducing exposure to basis risk and thereby facilitating inter-regional trade within the National Electricity Market (NEM). This is especially valuable in regions with low contract market liquidity, such as South Australia. By promoting competition and enhancing risk management practices, SRAs contribute to competitive pricing and improved market efficiency.

If you wish to discuss any aspect of this submission further, please contact me at megan.findlay@originenergy.com.au.

Yours faithfully,

A handwritten signature in black ink that reads "S Cole".

Shaun Cole
Group Manager, Regulatory Policy