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31 May 2013

Mr John Pierce
Mr Neville Henderson
Dr Brian Spalding
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic submission: www.aemc.gov.au

Dear Commissioners,

Management of negative inter-regional settlement residues issues paper

EnergyAustralia welcomes the opportunity to comment on the AEMC's management of negative inter-regional settlement residues issues paper (the issues paper).

EnergyAustralia is one of Australia's largest energy companies providing gas and electricity to over 2.7 million household customers. We own and operate an integrated portfolio of energy generation and storage facilities across Australia.

We support the AEMC investigating options to improve the management of negative inter-regional settlement residues; however we note that the current arrangements work and strike an acceptable balance.

The root cause of the counter price flows that create negative residues is network congestion, not bidding behaviour in response to this congestion. There may be scope to refine and improve the cost recovery mechanism to ensure that network investment decisions appropriately consider the potential cost to consumers and the market of counter price flows and the management of negative residues.

In terms of its effects on the market, the current methodology for clamping inter-connectors is manageable at the frequency with which it occurs. This could be improved through advanced notification by AEMO of imminent or likely breaches of the intervention threshold and associated clamping where possible.

We would not support any reduction in the \$100,000 intervention threshold as this would increase the frequency of intervention in the market.

The current threshold strikes a reasonable balance between minimising intervention and managing the magnitude of negative residues. However, we would support the AEMC undertaking further analysis of the costs and benefits of increasing the intervention threshold to determine if it is possible to achieve a

significant decrease in the frequency of intervention without a proportionate increase in the magnitude of negative residues.

We thank the AEMC for this opportunity to respond to the issues paper. For any questions regarding this submission, please contact me on (03) 86281034.

Yours sincerely

Signed for email

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