

21 July 2009

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Dear John

**Re | Arrangements for Managing Risks Associated with Transmission Network
Congestion AEMC Ref ERC0076**

The AEMC has extended this consultation to allow submissions with respect to two of the issues raised in our earlier submission and the submission from AER regarding the identification of the appropriate TNSP for payment of inter-regional settlement residues. AEMO offers the following additional comments.

To discharge our obligations with respect to market settlements, it is of critical importance that the appropriate TNSPs are clearly and directly identified for settlement residue transactions. AEMO agrees with the AER that it makes sense for the single TNSP or coordinating TNSP responsible for allocating the aggregated annual revenue requirement in a region to be also responsible for regional settlement residue transactions with AEMO. This arrangement will make it clear who is to be involved in settlement transactions with AEMO and removes the ambiguity of allocating settlement residues within regions that do not have a single TNSP.

AEMO does not believe that a Rules consultation would be necessary to determine the single TNSP. It is important that the Rules set down the process for the identification in each region of a specific TNSP organisation that can be held accountable to the market for the settlement residue payments. In this respect the existing Rule 6A29 could provide a reference point to ensure consistency with transmission revenue management. However, that Rule does not set down clear responsibility for the identification process and it is not always obvious from the revenue cap determinations as to the identity of the appropriate TNSP. For example, there is no clear statement that Transend is the sole TNSP in Tasmania and in Victoria it is not clear as to whether AEMO or SP Ausnet is the coordinating TNSP.

AEMO has the view that the clarity of a determination under the draft Rule is important to the integrity of NEM settlements, but it needs to be amended to cover all settlement residue transactions (intra-and inter-regional, positive and negative). The existing process in Rule 6A29 suggests that a Rules consultation would not be necessary to support that determination.

AEMO agrees with Grid Australia's request for publication of positive settlement residues, negative settlement residues and auction proceeds per directional interconnector per quarter. This information is already published in a distributed form, but it would be appropriate to draw it together in one place. A Rule that gives AEMO the power and obligation to publish this data to avoid any concerns about confidentiality is supported.

Yours sincerely

Brian Spalding

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Executive General Manager Operations