

Your Ref: ERC0076

2 July 2009

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

*by e-mail to Kamlesh.Khelawan@aemc.gov.au*

Dear Dr Tamblyn

**RE: Negative inter-regional settlements residue amounts**

**(AEMC reference ERC0076)**

The AER welcomes the opportunity to respond to the rule change proposal regarding the negative inter-regional settlements residue amounts in clauses 3.6.5, 3.15.1 and 3.18.4 of the National Electricity Rules ('Electricity Rules').

The AER monitors the National Electricity Market (NEM) and is responsible for compliance with and enforcement of the Electricity Rules. The AER is also responsible for the economic regulation of electricity transmission and distribution services. These roles leave the AER well placed to comment on the proposed rule change.

In particular, the AER would like to comment on proposed sub?clause 3.6.5(a)(4B) which places an obligation on the AER to:

...make, publish and where necessary, amend a determination identifying the appropriate TNSP responsible for payments in respect of a negative settlement residues, ...

As currently worded, the clause requires the AER to undertake such a determination in accordance with the Rules consultation procedures.

I note that there is only one transmission network service provider (TNSP) in each of the Queensland, South Australia and Tasmania regions, and hence the determination of which TNSP will fund the negative settlements residues in these regions is effectively pre-determined. In NSW and Victoria (where there are more than one TNSP for each region), a coordinating network service provider (*under clause 6A.29*) is appointed by the TNSPs in a region, and the coordinating NSP allocates revenues between those TNSPs

The appointment of a coordinating TNSP is a well established process that is managed by the TNSPs, without the explicit involvement of a regulatory body. It would seem sensible to apply this arrangement to the need to define an appropriate TNSP responsible for payments in respect of a negative settlements residue.

Defining the appropriate TNSP in the Electricity Rules will greatly enhance the administrative simplicity of the proposed rule change, and avoid the delays associated with a rules consultation process, which can take up to 6 months.

The term "appropriate TNSP" is not defined in Clause 3.6.5(a)(3). Using the same definition of an appropriate TNSP, as applies under clause 3.6.5(a)(4B) would enhance the transparency of the Electricity Rules, and reduce the administrative burden on NEM participants and the AER.

I therefore recommend that the proposed rule be amended to specify or otherwise define an appropriate TNSP as "*in a region where only one TNSP operates, the TNSP operating in a region, or if two or more TNSPs operate in a region the coordinating TNSP, as appointed under clause 6A.29.*"

Please contact me if you have any queries in regard to any of the matters raised in this letter.

Yours sincerely



Mark Wilson  
Director  
Markets Branch