

17 September 2024

Madeleine Hartley
Project leader
Australian Energy Market Commission
By email: madeleine.hartley@aemc.gov.au

Your Ref: ERC0386

Dear Ms Hartley,

Inter-regional settlements residue arrangements for transmission loops

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the Inter-regional settlements residue arrangements for transmission loops proposed rule amendment (the consultation paper).

Inadequate engagement with consumers

While the Australian Energy Market Operator (AEMO) has 'undertaken significant stakeholder consultation on the market integration of PEC [Project EnergyConnect] into the NEM',¹ this has largely been without involvement of consumers or consumer representatives. Shell and the EUAA, were the exceptions, both asserting that AEMO appeared not to have adequately considered the costs and risks that will be passed on to consumers in the integration of Project EnergyConnect (PEC).

While we commend the AEMC for proactively reaching out to consumers for input in this rule change process, there is limited scope to influence the process. The options are already very advanced and the opportunity for substantive impact in the design of the identified solutions appears to be negligible.

To redress this, we recommend that, regardless of the chosen solution, the AEMC commits to review the arrangement in two years' time. This review should involve a proactive approach to consumers and stakeholders early enough to be meaningful. The process should also involve substantial technical assistance for consumers and stakeholders to enable them to develop and communicate meaningful preferences on if and how to adjust arrangements.

¹ AEMC, 2024, Inter-regional settlements residue arrangements for transmission loops, p.4.

Market design failure

We support input provided verbally by Brian Spak of the ECA. We agree the issue of inter-regional settlement residues arises as a result of a market design failure, not a market failure, namely that dispatch settlement and payment settlement use different prices. Drawing on principles of market efficiency to resolve this, while leaving out the possibility of resolving the market design flaw itself, would seem to be both perverse and unlikely to be effective.

The assessment criteria should be weighted substantially towards outcomes for consumers over theoretical principles of market efficiency. We note that the dot point on 'Principles of market efficiency' on page *iv* of the consultation paper is very quickly recoded into a second way of evaluating options in terms of the outcomes for consumers. A clearer and less convoluted way of arriving at evaluating outcomes for consumers would be to omit the principles of market efficiency criteria altogether.

We welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth. Please contact me at mlynch@jec.org.au regarding any further follow up.

Yours sincerely

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