11 July 2025

Electronic lodgement - NEMReform@aemo.com.au

**Consultation on automation of negative residue management for the implementation of transmission loops**

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Australian Energy Market Operator's (AEMO) consultation on automation of negative residue management for the implementation of transmission loops.

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

In summary, AEMO is consulting on the following elements:

- The treatment of transmission loops, as arises from the implementation of the PEC interconnector.
- 'Cycling' issue in the existing clamping process.
- Other possible enhancements or changes to the existing NRM process and design.

As the AEMO paper notes, PEC is due to be completed by October 2026 with inter-network testing due to commence in late 2026. ENA appreciates AEMO's initiative to commence consultation now, ready to commence work on implementation in systems in early 2026. This consultation deals with the dispatch side of changes but not the settlements changes. ENA notes that the AEMC has recently issued a revised approach in its Direction paper, *IRSR arrangements for transmission loops*, and any AEMO implementation needs to be mindful of the Directions paper and consistent with the AEMC's Final Determination, *IRSR arrangements for transmission loops*, to be issued in late September.

ENA supports the PEC related change and, as noted above, considers that there is more needed for implementation of the AEMC's final rule.

ENA notes that a range of the proposed changes go beyond operationalising the PEC loop and will impact settlements more broadly. AEMO expects to publish the draft report on 11 August. ENA would welcome an understanding of the costs of each of these elements and the likely benefits that will flow to consumers from a reduced quantum and variability of negative IRSR.

AEMO has proposed two options to fix the clamping issue in the current dispatch arrangements. AEMO has highlighted this issue and its impact on the TNSPs and consumers and we welcome AEMO fixing the issue to avoid cycling as soon as possible and query why this might need to wait till the end of 2026, given the first cycling options appear straightforward to implement.

Net negative IRSR can still be substantive. ENA accordingly would welcome a robust solution that determines when the clamping event commences and when it should end and seeks to minimise the negative IRSR to the extent possible. ENA notes that the second cycling option is still expected to have a moderate to high benefit for consumers in more appropriately managing clamping when needed and should be considered for implementation in late 2026 as part of these changes.

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We appreciate AEMO's consultation on this matter and fixing the cycling issue. In the meantime, if you would like to discuss this submission, please contact Verity Watson (vwatson@energynetworks.com.au) in the first instance.

Yours sincerely,

**Dominic Adams**

**Chief Operations Officer**