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AEMO NEM Reform
Australian Energy Market Operator
Level 19, 20 Bond Street
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Automation of negative residue management for the implementation of transmission loops submission.

To the AEMO NEM Reform team,

Energy Consumers Australia (ECA) thanks the Australian Energy Market Operator (AEMO) for welcoming views on the consultation paper on automation of negative residue management for the implementation of transmission loops.¹ We are the national voice for all household and small business energy consumers, and we advocate for a future Australian energy system that works for, and benefits, all who use it.

ECA notes that the completion of Project EnergyConnect (PEC), due to be completed by October 2026,² will lead to the first transmission loop in the National Electricity Market (NEM). We understand that this new loop is expected to cause more frequent accrual of negative inter-regional settlement residues (IRSR) from counter-price flows³ than across radial interconnectors,⁴ which has led AEMO to propose a new Loop negative residue management (NRM) Flag field to record the status of the aggregate residue.⁵ ECA supports this proposal as a reasonable way to account for the introduction of a transmission loop.

ECA also notes the issue identified with the current application of automated NRM leading to clamping and unclamping — or cycling — of interconnectors, resulting in the accumulation of negative residues in excess of the \$100,000 threshold. In Q4 of 2024, Victorian consumers were paying \$2.6m per week in additional transmission use of system (TUOS) charges due to negative residues.⁶ We expect that fixing this issue will result in material savings for consumers, particularly as counter-price flows are expected to become more common due to increased transmission congestion and as more solar and wind generation is connected further from demand centres.⁷

AEMO has proposed two solutions to this:

1. Modification of NRM constraint limits to set non-zero minimum flow,
2. Addition of Graduated Release stage to NRM management periods.

We believe that implementing either or both options would go some way to addressing this issue.

¹ AEMO, [Automation of negative residue management for the implementation of transmission loops](#), Consultation paper, 13 June 2025

² AEMO, [Automation of negative residue management for the implementation of transmission loops](#), Consultation paper, 13 June 2025, page 4

³ AEMO, [Management of negative inter-regional settlements residues](#), 20 February 2014, page 6

⁴ AEMO, [Automation of negative residue management for the implementation of transmission loops](#), Consultation paper, 13 June 2025, page 8

⁵ AEMO, [Automation of negative residue management for the implementation of transmission loops](#), Consultation paper, 13 June 2025, page 10

⁶ AEMO, [Quarterly energy dynamics Q4 2024](#), January 2025, page 46

⁷ WattClarity, [Interconnector intricacies: double and triple auto-clamping of pesky negative residues](#), 30 January 2025



ECA also supports the proposed change to the NRM process estimating IRSR on a 5-minute basis from the current 30-minute basis to reduce the differences between the process's assessment of negative residue amounts relative to the 5-minute calculation basis on which the IRSR is actually settled.

ECA agrees with AEMO on the other recommendations on the automated NRM management process, as well as the priority ranking for changes.⁸

ECA notes that the AEMC is currently considering a rule change request on Inter-regional settlements residue (IRSR) arrangements for transmission loops in their directions paper.⁹ ECA considers that both AEMC's and AEMO's processes are warranted and may proceed separately, but that each should consider the development of the other to ensure consistency in any future rules and arrangements.

Yours sincerely,

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⁸ AEMO, [Automation of negative residue management for the implementation of transmission loops](#), Consultation paper, 13 June 2025, page 21

⁹ AEMC, [Inter-regional settlements residue arrangements for transmission loops](#), Directions paper, 19 June 2025