Transgrid

[redacted]

30 June 2026

Ben Beikoff
Business Lead, Shortening the Settlement Cycle
Australian Energy Market Operator
MELBOURNE VIC 3000

Submitted by email: NEMReform@aemo.com.au

Dear Mr Beikoff,

Transgrid submission to AEMO Draft NEM TNSP Negative Settlement Residue Procedure

Transgrid welcomes the opportunity to provide a submission to the Australian Energy Market Operator's (**AEMO**) Draft Transmission Network Service Provider (**TNSP**) Negative Settlement Residue Procedure (the **Draft Procedure**). Transgrid is the primary TNSP in NSW and the ACT, responsible for planning, operating and maintaining the high-voltage transmission network that underpins the secure and reliable supply of electricity to consumers across NSW and the ACT.

While Transgrid supports the intent of the Shortening the Settlement Cycle (**SSC**) reform, the proposed changes to TNSP's settlement timelines introduce timing challenges where TNSP is required to pay settlement residues. The proposed two-day window between receiving a statement for negative settlement residues and paying AEMO would not provide sufficient time for TNSPs to provide notice of drawdown against debt facilities to ensure the transfer of funds on time or alternatively require the TNSP to hold inefficient levels of cash on balance sheet to fund potential settlement residues. We propose that an additional business day (at least) would help mitigate any timing risk associated with transferring funds at short notice and any associated costs that would flow through to customers because of managing this risk. In the context of Project EnergyConnect's (**PEC**) energisation, this risk is amplified given immense uncertainty about the future negative settlement residue payments Transgrid may face.

The proposal increases settlement risks that TNSPs need to manage, leading to cost for customers

Transgrid understands and supports the intent of the SSC reform. A shorter settlement timeline reduces the amount of credit support that wholesale market participants are required to lodge with AEMO as part of the prudential regime, as well as the working capital they must hold to potentially respond to Call Notices from AEMO. As the AEMC has noted, "lowering working capital requirements for market participants, including retailers, would support increased investment in service innovation, lower barriers to retail electricity market entry, and reduce the risk of retailer failure".

A corresponding change under the procedure is to bring forward the payment of negative settlement residue amounts by TNSPs to business day five (**BD** 5) after the end of a billing week, from BD 13 under the current arrangements. The Preliminary Statement, containing the amount of negative settlement residue to be paid, will continue to be issued on BD 3 (noting this can sometimes be issued as late as 3pm), giving TNSPs only two business days between Preliminary Statement and payment falling due.

While Transgrid has not regularly faced negative settlement residue payments in the past, there remain forecasting challenges and changing market dynamics that creates uncertainty in the expected settlement residues going forward. With PECs energisation, it is important to note that the nature of inter-regional trade in the wholesale electricity market involving Transgrid and NSW has fundamentally changed. This means that previous experience cannot be considered a clear guide and Transgrid faces significant uncertainty about negative settlement residue going forth.

It is therefore prudent for TNSPs to have arrangements in place to transfer funds when the need arises. There is a cost associated with having such a facility, even when it is not called on. In addition, shortening the payment terms to only two business days from when a statement is issued becomes onerous and risk increasing energy system costs unnecessarily as it does not allow sufficient time for drawdown request under these facilities which would necessitate additional costs from inefficient holding of additional cash balances.

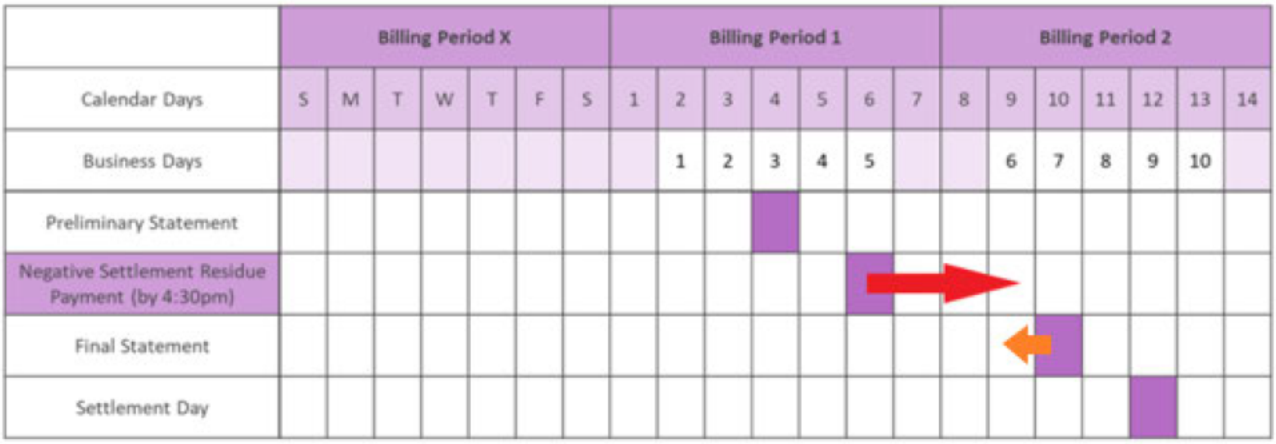
Any additional business days between Statements and TNSP payment dates to AEMO will mitigate the risk, without compromising the reform

We consider that an additional business day is required:

- between the issuing of the Preliminary Statement and payment of negative settlement residue amounts (as shown by the red arrow in Figure 2)
- between the Final Statement and Settlement Day (orange arrow in Figure 2).

Making these changes, to ensure there is at least three business days between Preliminary/Final Statement and the Negative Settlement Residue Payment/Settlement Day respectively, would allow TNSPs to operate more efficient funding arrangements. In our view, this change would not compromise other steps of the process, as the issuing of a Final Statement is not reliant on the payment of the Negative Settlement Residue.

Figure 2 TNSP settlement timeline



If you require any further information or clarification on this submission, please contact Oliver Derum, via [redacted]

Yours sincerely

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Alex McPherson
GM Regulation and Policy