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Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
Sydney NSW 2001

Dear Dr Tamblyn

NATIONAL ELECTRICITY RULES – INTER-REGIONAL SETTLEMENTS AGREEMENTS

I refer to the arrangements in the National Electricity Rules (the ***Rules***) for the distribution or recovery of settlements residue attributable to regulated inter-connectors.

Rule 3.6.5(a)(5) states that an importing region must pay a charge to the exporting region which reflects the extent of the use of a network located in the exporting region. The charge must be agreed by the governments in which the importing and exporting regions are located, and must not exceed the amount of the settlements residue relating to the transferred electricity.

These arrangements are transitional and will expire on 30 June 2006. The arrangements are intended to be an interim measure pending the introduction of a comprehensive regime that accommodates the recovery of inter-regional transmission use of system charges. Such a comprehensive methodology has not been incorporated into the Rules, however I understand that this matter is currently being considered by the Commission in its review of electricity transmission revenue and pricing rules. Changes to the Rules as a result of this review are not expected to come into operation before 1 January 2007.

Since the commencement of the National Electricity Market, Victoria and South Australia have entered successive agreements which provide for payments for the use of each other's transmission network for the transfer of electricity between them. The existing agreement expires on 30 June 2006.

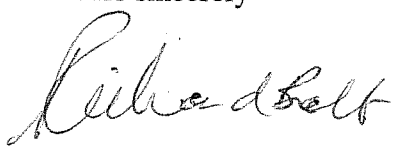
Victoria and South Australia intend to sign a new agreement to continue the arrangements for such payments. The proposed agreement will be similar to the existing agreement. The purpose of this agreement is to provide for the payment of a charge in recognition of the transmission costs that are incurred by the exporting region as a result of the use of the exporting region's transmission network for the transfer of electricity to the importing region. As such, this agreement will be made in reliance on the interim arrangements contained in Rule 3.6.5(a)(5)(ii).

Accordingly, I request that the Commission amend the Rules to accommodate this agreement by extending the operation of these interim arrangements until 30 June 2009. I attach a proposed Rule change (and associated documentation) for this purpose as required under the National Electricity Law. Extending the present arrangements for three years will allow sufficient time for the formulation and implementation of a comprehensive regime to appropriately allocate inter-regional transmission costs. Of course, if comprehensive arrangements to allocate transmission costs for inter-regional transfers are incorporated into the Rules before 30 June 2009, then it may be appropriate for these interim arrangements to be terminated earlier. This proposed Rule change is consistent with the national electricity market objective because it enables a recognition of the costs incurred by transmission network service providers in exporting electricity to other regions, and so provides more appropriate price signals that will encourage more efficient investment in and use of transmission networks.

The proposed Rule change is merely extending existing interim arrangements. Further, the charges under the agreement are expected to be relatively small. Accordingly, I request that the Commission treat this proposed Rule change as a "non-controversial Rule" for the purposes of section 96(1)(b) of the National Electricity Law.

This Rule change proposal is being made by me on behalf of the Crown in right of the State of Victoria in my capacity as an Executive Director of the Victorian Department of Infrastructure. For these purposes I note that "any person" can request a Rule change and that a person is defined to include a body politic such as the State of Victoria (see National Electricity Law, s.91(1); Schedule 2, cl.10).

Yours sincerely



Richard Bolt
Executive Director, Energy and Security
Department Of Infrastructure

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RULE CHANGE PROPOSAL

1. Introduction

This is an application to amend the National Electricity Rules (***NER***) so as to enable the continuation of arrangements under which a region that imports electricity from another region can be charged for the use of the network in that other region.

Presently, a Transmission Network Service Provider (***TNSP***) can only recover a charge for the use of its network to export electricity to another region where that charge is agreed between the exporting region and the importing region. However, the Rule that provides for the imposition of this charge, clause 3.6.5(a)(5)(ii), only allows such a charge to be made in respect of the period ending on 1 July 2006. This 'sunset' date was included because the Rule is considered to be an interim measure, pending the introduction of a comprehensive cost allocation methodology that accommodates the recovery of inter-regional transmission use of system (***TUOS***) charges.

No such comprehensive methodology has yet been incorporated into the NER. Accordingly, if the operation of the existing Rule is not extended beyond 1 July 2006 then, as from that date, a TNSP will not be able to recover any charge for the use of its system to transfer electricity to another region. This would be undesirable. The proposed Rule change avoids this outcome by extending the 'sunset' date from 1 July 2006 to 1 July 2009. Of course, if arrangements for the recovery of inter-regional TUOS charges are implemented before 1 July 2009, then it may be appropriate to repeal the Rule altogether as part of the introduction of those arrangements.

The proposed Rule change also clarifies a minor drafting issue in clause 3.6.5(a)(5)(iii).

Because the proposed Rule change takes the form of amendments to clause 3.6.5(a) of the NER, the proposed amendments are set out in section 7 in the form of a mark-up to clause 3.6.5(a).

The manner in which this Rule change proposal complies with the requirements of the National Electricity Law (s.92(1)(a),(b)) and the associated regulations (reg.8(1)(a)-(d)) is set out in the table below:

Section 2	Name and address of Rule change proponent
Section 3	Description of Rule proposed to be made
Section 4	Statement of issues concerning the existing Rules that are to be addressed by the proposed Rule and explanation of how the proposed Rule would address these issues
Section 5	Explanation of how the proposed Rule would or would be likely to contribute to the achievement of the national electricity market objective

In addition, it is requested that the proposed Rule be treated as a 'non-controversial Rule' as it is unlikely to have a significant effect on the national electricity market (***NEM***). The reasons for this request are set out in section 6.

2. Details of person making request

Person making request:	Richard Bolt, Executive Director, Energy and Security, Department of Infrastructure, Government of Victoria
Address:	Richard Bolt Department of Infrastructure Level 23 Nauru House 80 Collins Street Melbourne VIC 3000

3. Description of Rule proposed to be made

3.1 Description of proposed Rule

The proposed Rule change will make two amendments to clause 3.6.5(a)(5) of the NER:

(a) Clause 3.6.5(a)(5)(ii) requires a region into which electricity is transferred (the ***importing region***) to pay to the region from which that electricity is transferred (the ***exporting region***) a charge that reflects the extent of the use of the network located in the exporting region to transfer that electricity. However, currently this charge is only payable in respect of the period from market commencement until 1 July 2006. The proposed amendment to clause 3.6.5(a)(5)(ii) will extend this end date from 1 July 2006 to 1 July 2009.

(b) Clause 3.6.5(a)(5)(i) requires that all the settlements residue relating to such transferred electricity must be allocated to Network Service Providers in respect of a network located in the importing region. In this context, the reference to 'settlements residue' is correctly understood as a reference to the net proceeds raised by NEMMCO from auctioning the inter-regional settlements residue attributable to the relevant regulated interconnector and such of that inter-regional settlements residue as is not distributed at an auction. Clause 3.6.5(a)(5)(iii) is intended to require that the amount of the charge referred to in paragraph (a) above must not exceed the amount of this settlements residue, ie. it should state that 'the amount of the charge described in clause 3.6.5(a)(5)(ii) must not exceed the amount of the settlements residue referred to in clause 3.6.5(a)(5)(i)'. However, it actually states that 'the amount of the charge described in clause 3.6.5(a)(5)(i) and (ii) must not exceed the amount of the settlements residue'. The point is that clause 3.6.5(a)(5)(i) does not refer to a charge but only to the settlements residue.

The subject matter of this Rule change proposal is a matter in respect of which the Australian Energy Market Commission may make a Rule – not least because it is a matter which was dealt with in the National Electricity Code (see National Electricity Law, s.34(1)(a); Schedule 1, item 36).

Clause 3.6.5(a)(5) provides a mechanism for the payment by an importing region for the use of a network in an exporting region to transfer electricity from the exporting region to the importing region. The resultant charge, which must be agreed between the importing and exporting regions and is capped at the total of the relevant net settlements residue auction proceeds and unsold inter-regional settlements residue, is not necessarily the same as the charge that would be used for the use of the network in the exporting region if TUOS charges were imposed. However, given the absence from the NER of a methodology for calculating inter-regional TUOS charges, the current mechanism is an appropriate interim solution pending the development of such methodology. The remaining parts of this section set out the context in which this interim solution applies and provides background to the reasons which have led to this proposal that the interim solution be extended for a further period of up to 3 years.

3.2 Introduction of settlements residue auctions and the moratorium on inter-regional TUOS charges

Clause 3.6.5 of the National Electricity Code (***NEC***) originally required NEMMCO to 'develop and publish a methodology ... for the accounting, allocation and distribution of the total settlements

residue due to the application of inter-regional loss factors, intra-regional loss factors and network constraints to each regulated interconnector and each region'. NECA was required to approve this methodology no later than six months prior to market start.

On 20 May 1999, NECA applied to the ACCC for authorisation of amendments to the NEC that were designed to allow NEMMCO to conduct settlements residue auctions. These amendments included the insertion of a new clause 3.18 which set out the arrangements for the auctioning of settlements residue. They also included changes to clause 3.6.5 to set out the principles in accordance with which NEMMCO was to allocate and distribute settlements residue. One of these principles was that:

> (5) for the purposes of the distribution and allocation of settlements residue that is attributable to regulated interconnectors:
>
> (i) all of the settlements residue relating to electricity that is transferred from one region (the 'exporting region') to another region (the 'importing region') must be allocated to Network Service Providers in respect of a network located in the importing region (or part of a network located in the importing region);
>
> (ii) the importing region must, in respect of the period from market commencement until 1 January 2001, pay a charge to the exporting region reflecting the extent of the use of a network located in the exporting region (or part of a network located in the exporting region) to transfer the electricity from the exporting region to the importing region; and
>
> (iii) the amount of the charge described in the preceding paragraphs (i) and (ii) must not exceed the amount of the settlements residue and must be agreed between the participating jurisdictions in which the importing region and the exporting region are located provided that, if the parties have not reached an agreement by 30 June 1999, either party may refer the matter for resolution through the dispute resolution procedures set out in clause 8.2.

This is the original predecessor to the current clause 3.6.5(a)(5) of the NER. The ACCC authorised these amendments on 22 December 1999.

As can be seen from the above, the charging regime embodied in this principle was intended to be an interim measure that only applied in respect of the period up to 1 January 2001. The reason for this 'sunset' date was that it was anticipated that a national transmission pricing regime that accommodated inter-regional TUOS charges would be developed and incorporated into the NEC by that date.

The introduction of such a national transmission pricing regime was foreshadowed in clause 6.7.3 of the NEC. Clause 6.7.3 provided that a TNSP was required to make periodic financial transfers to another TNSP for the use of that other TNSP's network, the amount of such transfers to be calculated in accordance with a prescribed cost allocation methodology. However, the operation of these provisions for the inter-regional transfer of TUOS charges was suspended until 1 January 2001 (which was also the date when the charging arrangements under clause 3.6.5(a)(5) were to cease to apply).

In short, the operation of the clause 6.7.3 regime for the inter-regional transfer of TUOS charges was intended to supersede the clause 3.6.5(a)(5) charging arrangements. (At the same time clause 6.7.4 provided for financial transfers between TNSPs where the prescribed cost allocation methodology resulted in the allocation of some a TNSP's costs to a customer who was connected to another TNSP's network).

3.3 Subsequent developments

On 26 July 1999, NECA applied to the ACCC to authorise a range of substantial amendments to the NEC. These proposed amendments included a revised transmission pricing methodology. These amendments did not affect the moratorium on the inter-regional transfer of TUOS charges in clause 6.7.3. However, they provided for the payment of inter-regional TUOS charges arising as a result of the use of a TNSP's network in one region to export electricity to another region. This was to be achieved through financial transfers between the TNSPs in the importing and exporting regions, based on a newly specified cost allocation and charging allocation.

The ACCC's review of the proposed amendments was incomplete at 1 January 2001. Accordingly, the ACCC agreed to extend the moratorium in clause 6.7.3 until 1 July 2002 (this extension received interim authorisation on 12 December 2000 and was the subject of a final determination on 19 December 2001). The 'sunset' date for the charging arrangements in clause 3.6.5(a)(5) was correspondingly extended to 1 July 2002.

On 21 September 2001, the ACCC released its determination on NECA's proposed revised transmission pricing methodology. In that determination the ACCC refused to authorise those aspects of the methodology which required the financial transfers between TNSPs to be reflected in a TNSP's general charges rather than usage charges as this was considered not to result in appropriate price signals. In addition, the ACCC imposed a condition that required NECA to complete a review by 1 July 2003 of the possibility of NEM-wide general prices, the introduction of NEM-wide transfers relating to usage charges, and the provisions for the distribution and allocation of inter-regional settlements residue. In recognition of the extended date for this review, the ACCC also required that the moratorium on the operation of clause 6.7.3 and the 'sunset' date in clause 3.6.5(a)(5) be changed from 1 July 2002 to 1 July 2003.

These amendments to the NEC were subsequently gazetted on 6 December 2001. Under these amendments, the cost allocation methodology (contained in clauses 6.4.3 to 6.4.3C) was largely limited to the allocation by a TNSP of costs for services provided by it to customers directly connected to its network and a new provision (clause 6.5.10(f)) required NECA, by no later than 1 July 2003, to conduct a review to assess:

- the inter-regional allocation of customer TUOS general charges;
- the option of NEM-wide customer TUOS general charges;
- the option of NEM-wide transfers for usage charges to implement a 'user-pays' approach to the existing transmission network; and
- the provisions for the distribution and allocation of inter-regional settlements residues.

The required NECA review was deferred pending the consideration of transmission policy issues by the NEM Ministers Forum. As a result, the moratorium on the inter-regional transfer of TUOS charges expired on 1 July 2003 despite no review having been undertaken. However, because the cost allocation procedure in the NEC did not provide for the allocation (or recovery) of usage costs to (or from) customers connected to a network that takes electricity from a network in another region, the provisions of clause 6.7.3 had little practical effect.

At the same time the 'sunset' date for the interim charging arrangements in clause 3.6.5(a)(5) occurred without those arrangements being extended. However, on 25 March 2004 the ACCC authorised an extension of the 'sunset' date to 1 July 2006.

In 2005, the NEC was superseded by the NER. The relevant provisions of the NEC were incorporated into the NER without material change. The only changes that were made were to remove provisions the operation of which had expired through the effluxion of time, namely:

- the reference in clause 3.6.5(a)(5)(iii) to the importing and exporting regions having to reach agreement on the charge by 30 June 1999, failing which a dispute resolution procedure would apply;
- the deletion of the moratorium date referred to in clause 6.7.3(a) (ie. 1 July 2003); and
- the deletion of the requirement in clause 6.5.10(f) to review the arrangements for inter-regional TUOS charges by no later than 1 July 2003.

3.4 Present state of affairs

The interim charging arrangements in clause 3.6.5(a)(5) will cease to apply from 1 July 2006. However, no replacement transmission pricing methodology has been developed that that will encompass inter-regional TUOS charges.

The introduction of inter-regional TUOS charges is presently being considered by the Australian Energy Market Commission as part of its review of the electricity transmission revenue and pricing rules in the NER. This review may develop a transmission pricing methodology that accommodates inter-regional TUOS charges. However, any such Rules are not expected to come into operation before 1 January 2007.

Accordingly, it is necessary to provide for the interim charging arrangements to continue to apply for some period. In light of the current review and of the likely time taken to implement and transition to any new pricing methodology that accommodates inter-regional TUOS charges (should such a methodology be incorporated in the NER), it is appropriate to extend the interim charging regime so that it applies until 1 July 2009. If arrangements for the recovery of inter-regional TUOS charges are implemented before this date, then (subject to appropriate transitional arrangements) it may be appropriate for the whole of clause 3.6.5(a)(5) to be repealed as part of the introduction of these new arrangements.

4. Issues addressed by proposed Rule change

4.1 Principal issue to be addressed

There is currently no methodology in the NER which allows for the recovery of inter-regional TUOS charges. Instead, interim arrangements have been included in the NER under which an importing region can be required to pay an exporting region for the use of a network in that exporting region to transfer electricity from the exporting region to the importing region. The charge that may be imposed for this purpose must be agreed between the importing and exporting regions and is capped at the total of the relevant net settlements residue auction proceeds and unsold inter-regional settlements residue. These interim arrangements will cease to apply from 1 July 2006. However, although the Australian Energy Market Commission is reviewing the introduction of inter-regional TUOS charges, any Rules that establish such a regime will not come into operation before 1 July 2006. Accordingly, it is appropriate to extend the interim charging arrangements so as to avoid a situation where there is no provision at all for a charge to be made for the use of an exporting regions network to transfer electricity to an importing region.

Continuing the interim charging regime is desirable because it provides a mechanism for recognising a legitimate network cost.

4.2 How proposed Rule change addresses principal issue

The proposed Rule change extends the operation of the existing interim charging arrangements until 1 July 2009. This additional three years should be sufficient time to enable the development of a methodology that accommodates inter-regional TUOS charges. Extending the operation of these interim charging arrangements for a fixed period is consistent with their interim nature. However, if the replacement methodology is implemented before the proposed new 'sunset' date of 1 July 2009, then (subject to appropriate transitional arrangements) it may be appropriate to repeal the relevant Rule altogether as part of the introduction of this new methodology.

In authorising the last extension of the interim charging arrangements to 1 July 2006, the ACCC acknowledged that those arrangements were not ideal but nevertheless stated that the extension:[1]

> will provide further time for a national transmission pricing methodology to be considered, and simultaneously provide some recognition of network costs that arise in respect of inter-regional transmission. The ACCC considers that some public benefit will arise from the continued facilitation of inter-regional transfers, as a transitional measure prior to the introduction of a national transmission pricing methodology. Further, there appears to be minimal anti-competitive detriment or other detriment associated with the proposed code change.

These considerations remain relevant because there has been no material change since 2004 in transmission pricing methodologies.

The Victorian and South Australian Governments currently have an agreement in place under which they (or the relevant TNSPs in their jurisdiction) are required to pay a charge for the use of

[1] ACCC Determination 'Amendments to the National Electricity Code: Inter-regional settlements agreements', 25 March 2004, p.6.

the transmission networks in each other's region for the transfer of electricity to their region. The amount of this charge for any quarter is calculated as the difference between:

(a) 50% of the auction proceeds relating to that quarter, and of any inter-regional settlements residue relating to a previous quarter that are not distributed pursuant to the auction process, in respect of the inter-regional settlements residue accruing to South Australia; and

(b) 50% of the auction proceeds relating to that quarter, and of any inter-regional settlements residue relating to a previous quarter that are not distributed pursuant to the auction process, in respect of the inter-regional settlements residue accruing to Victoria.

If the amount referred to in paragraph (a) exceeds that in paragraph (b) then the difference is payable by South Australia (or ElectraNet) to VENCorp. If the amount referred to in paragraph (b) exceeds that in paragraph (a) then the difference is payable by Victoria (or VENCorp) to ElectraNet. However, the maximum net annual payment that is required to be made by a party under these arrangements is capped at $7 million per year. Consistently with the current interim charging arrangements in clause 3.6.5(a)(5) of the NER, the payment arrangements under this agreement relate to the period ending on 30 June 2006 (although this period will be shortened if, prior to that date, amendments are made to the NER which give full effect to clause 6.7.3 of the NER to permit recovery of customer transmission use of system service charges from importing regions).

This agreement replaced a similar agreement which expired on 30 June 2002. Both the Victorian and South Australian Governments wish to enter into similar arrangements for the period from 1 July 2006 until the implementation of amendments to the NER which allow for inter-regional TUOS charges. In order to enable them to do this, it is necessary for the interim charging arrangements in clause 3.6.5(a)(5) of the NER to be extended.

The amount of the net payments made by South Australia to Victoria for the past three years under their existing agreement are set out below:

Period	Calculated net annual payment	Annual Payment Cap	Actual Net Annual Payment
2003-04	3,107,764	7,000,000	3,107,764
2004-05	11,141,662	7,000,000	7,000,000
2005-06	7,271,179	7,000,000	7,000,000

4.3 Clarification of clause 3.6.5(a)(5)(iii) the NER

Clause 3.6.5(a)(5)(i) of the NER requires that all of the settlements residue relating to electricity that is transferred from an exporting region to an importing region must be allocated to Network Service Providers in respect of a network located in the importing region. Clause 3.6.5(a)(5)(ii) requires the importing region to pay a charge to exporting region for the use of a network located in the exporting region to transfer the electricity to the importing region. Clause 3.6.5(a)(5)(iii) states that 'the amount of the charge described in clause 3.6.5(a)(5)(i) and (ii) must not exceed the

amount of the settlements residue'. However, clause 3.6.5(a)(5)(i) does not refer to a charge but only to the settlements residue.

Clause 3.6.5(a)(5)(iii) should be amended to provide that 'the amount of the charge described in clause 3.6.5(a)(5)(ii) must not exceed the amount of the settlements residue referred to in clause 3.6.5(a)(5)(i)'. This is a minor drafting amendment but is desirable for the purposes of clarification.

5. How proposed Rule change contributes to achievement of national electricity market objective

The national electricity market objective is:

> To promote efficient investment in, and efficient use of, electricity services for the long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity and the reliability, safety and security of the national electricity system.

The national electricity market objective should be read in accordance with the second reading speech:

> The national electricity market objective in the new National Electricity Law is to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity, and the safety, reliability and security of the national electricity system.
>
> The market objective is an economic concept and should be interpreted as such. For example, investment in and use of electricity services will be efficient when services are supplied in the long run at least cost, resources including infrastructure are used to deliver the greatest possible benefit and there is innovation and investment in response to changes in consumer needs and productive opportunities.
>
> The long term interest of consumers of electricity requires the economic welfare of consumers, over the long term, to be maximised. If the National Electricity Market is efficient in an economic sense the long term economic interests of consumers in respect of price, quality, reliability, safety and security of electricity services will be maximised.

Clearly, the use of a network in one region to transfer electricity to another region imposes costs on the network in the exporting region. The promotion of efficient investment in, and efficient use of, electricity services requires the appropriate allocation of costs. While the implementation of a national transmission pricing regime that accommodates inter-regional TUOS charges (based upon an appropriate cost allocation methodology) would be the best solution in terms of providing the appropriate price signals that would result in efficient investment in and efficient use of the transmission grid, no such regime has yet been incorporated in the NER. In the absence of such a regime, the interim charging arrangements contained in clause 3.6.5(a)(5) of the NER provide an acceptable interim solution that at least gives some recognition to network costs which arise in respect of inter-regional transmission. That this is the case was recognised by the ACCC when it authorised an extension of the 'sunset' date to these arrangements from 1 July 2003 to 1 July 2006 (see section 4.2 above).

Efficient investment in and efficient use of the transmission grid is in the long-term interests of consumers of electricity because it will result in lower sustainable prices for customers who use the grid and will not entail some customers effectively cross-subsidising the inefficiency of other customers.

6. Proposed Rule change should be treated by AEMC as non-controversial

It is requested that the Commission treat the proposed Rule as a 'non-controversial Rule' for the purposes of section 96(1)(b) of the National Electricity Law. This is because the proposed Rule 'is unlikely to have a significant effect of the national electricity market' (see s.87). The reasons for this are that:

- The Rule change will continue an existing interim measure, this being necessary as arrangements for inter-regional TUOS charges have not yet been developed. Moreover, as recognised by the ACCC (see section 4.2 above), the extension of this interim measure carries with it minimal (if any) detriment.
- The imposition of the charge under the interim charging arrangements requires the agreement of the importing and exporting regions – in other words, the proposed Rule change itself does not result in the imposition of the charge.
- As a result of increased generation in South Australia, flows between South Australia and Victoria have reduced from their high levels in the early years of the operation of the NEM. This is reflected in a major decrease in the annual totals of settlement residues. Settlement residues for flows from Victoria to South Australia peaked in the 1999 calendar year at a 12 months accumulation of $109 million. In later years (after reporting arrangements were changed to financial years), the 12 month accumulations were $4 million and $10 million for 2001/02 and 2002/03 respectively. More recently, these amounts rose to $30 million and $24 million for 2003/04 and 2004/05, which are the latest figures available. There have also been some residue fund accumulations for flows from South Australia to Victoria, although these have been relatively minor. As a result of the decline in flows between Victoria and South Australia in recent years, the charges under any agreement are unlikely to be significant, particularly given that the charge will be subject to a cap under the agreement. Despite this, both Victoria and South Australia consider it appropriate that some compensation should be provided for the use of the transmission networks in their respective jurisdictions to transfer electricity between them.

7. Proposed Rule change

3.6.5 Settlements residue due to network losses and constraints

(a) *Settlements residue* will be allocated, and distributed or recovered by *NEMMCO* in accordance with the following principles:

(1) ...

(2) ...

(3) ...

(4) ...

(5) for the purposes of the distribution or recovery of *settlements residue* that is attributable to *regulated interconnectors*:

(i) all of the *settlements residue* relating to electricity that is transferred from one *region* (the "exporting region") to another *region* (the "importing region") must be allocated to *Network Service Providers* in respect of a *network* located in the importing region (or part of a *network* located in the importing region);

(ii) the importing region must, in respect of the period from *market commencement* until ~~1 July 2006~~1 July 2009, pay a charge to the exporting region reflecting the extent of the use of a *network* located in the exporting region (or part of a *network* located in the exporting region) to transfer the electricity from the exporting region to the importing region; and

(iii) the amount of the charge described in clause 3.6.5(a)(5)~~(i) and~~ (ii) must not exceed the amount of the *settlements residue* referred to in clause 3.6.5(a)(5)(i) and must be agreed between the *participating jurisdictions* in which the importing region and the exporting region are located; and

(6) ...