

# Industry Readiness Approach - Draft

Project Energy Connect –  
Market Integration

February 2026



# Context

AEMO, ElectraNet and Transgrid are partnering to deliver the 900km long energy interconnector **Project EnergyConnect**, connecting South Australia and New South Wales with an added connection into Victoria, to deliver a range of direct benefits for consumers including lower power prices and improved energy security.

AEMO has established Project EnergyConnect – Market Integration (PEC-MI) under the NEM Reform Program to implement system and procedure changes collaboratively with industry. AEMO will be delivering changes to its dispatch and settlement systems as part of the Inter-regional settlement residue (IRSR) rule change. PEC-MI is delivering market changes to AEMO's systems to integrate PEC into AEMO's wholesale market and procedures.

The IRSR rule commenced on 2 October 2025, with netting commencing between 1 October 2026 and 2 November 2026.

- The PEC loop will be represented in AEMO's dispatch systems on the 'loop operations start date' (on or after 1 October 2026).
- AEMO's settlement system updates will occur to implement the new IRSR calculation arrangements on the 'loop settlements start date' (on or after the 'loop operations start date', but no later than 2 November 2026).
- If there is any gap between the 'loop operations start date' and the 'loop settlements start date', the current IRSR calculation arrangements for radial interconnectors will apply to loop flows in that period.

Industry readiness and go-live criteria have been established for delivery of Project Energy Connect Market Integration. The Readiness Approach encompasses two releases with the first 1 August 2026 and the second release 2 November 2026.

The following slides outline:

- Purpose of the initiative readiness approach
- Overview of the readiness approach framework for initiatives
- Changes to be introduced by PEC-MI

# Purpose of Initiative Readiness Approach and Two Releases:

- To assist industry with their own planning and delivery activities to be ready for PEC-MI as it is operationalised.
- To define the criteria against which go-live decisions will be made.
- To align to and support the implementation approach for PEC-MI :
  - 1 August 2026 (Release 1) - Automation of Negative Residue Management and Price-Scaling algorithm
  - 1 November 2026 (Release 2) - IRSR netting commencement and settlement system deployment

This Readiness Approach has two Releases and each Release will include:

- Go live criteria
- Go live plan
- Readiness checkpoints – at 6 months, 3 months and 1 month out from Go live
- Technical specifications

**Note:** Release 1 will **not** include any Industry Testing with Release 2 to include the above steps **along with additional steps for Industry Testing**

The Readiness Approach, once endorsed, will form the basis of participant readiness activities in line with principles in the [NEM 2025 Industry and Business Readiness Strategy](#)

# Anticipated Changes for Release 1 & 2

## Scope: Release 1 - Dispatch changes scheduled 1 August 2026

- Price Scaling system changes and Price Scaling Guide updated with transmission loop
- Automated Negative Residue Management system changes
- Registration of new interconnector in AEMO systems
- Including new unit categories for the addition of the EnergyConnect interconnectors into Settlement Residue Auction (SRA).

## Scope: Release 2 - Settlement changes scheduled 2 November 2026

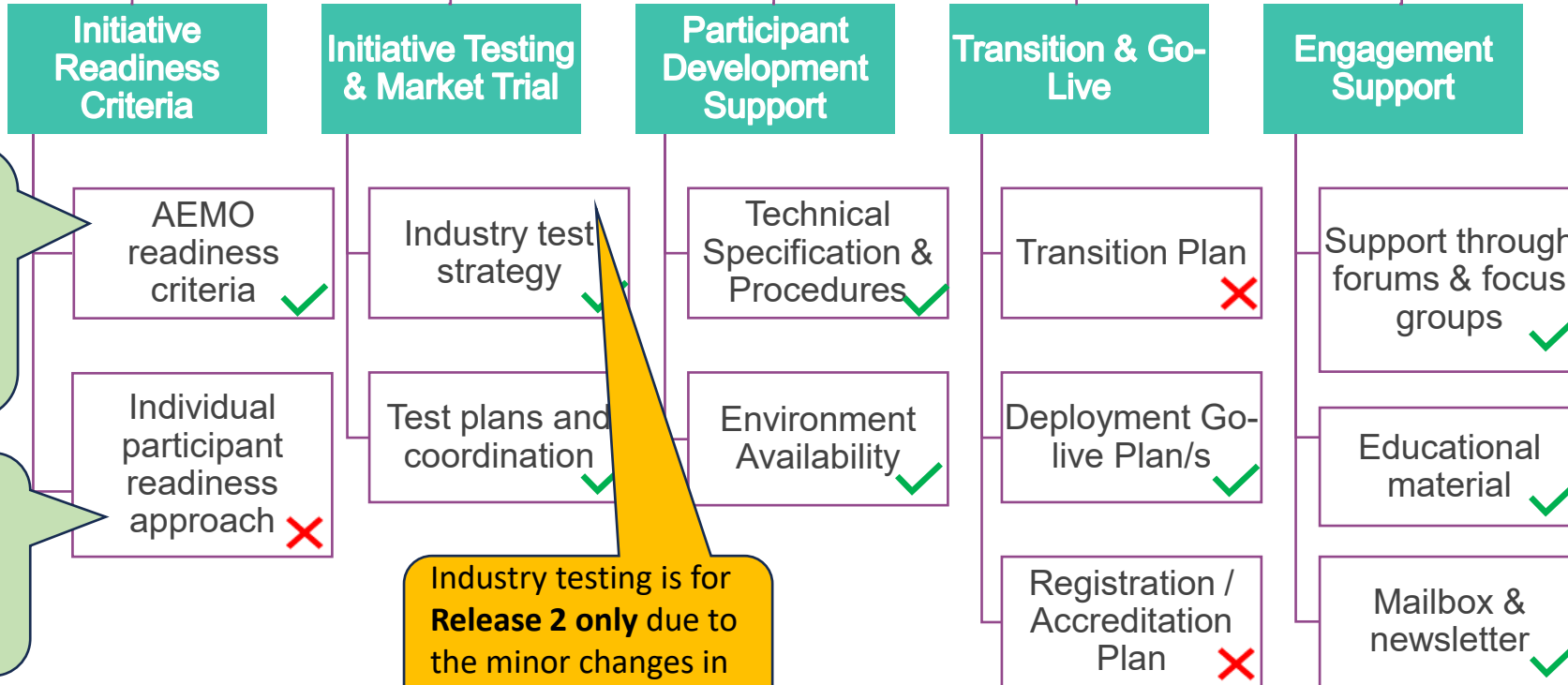
- IRSR methodology system deployment and IRSR netting commencement
- Refer to AEMO's Final HLIA for more information on how AEMO is implementing the AEMC's Final Determination on Inter-regional settlements residue arrangements for transmission loops and how they are allocated and payable
- Further details can be found on [AEMO's website for PEC-MI](#).

# Readiness Approach

## NEM REFORM READINESS STRATEGY (ALL INITIATIVES)

### PEC-MI READINESS APPROACH

PEC-MI readiness approach adopts the standard NEM Reform Program Framework



• AEMO solution needs to be updated and tested  
• AEMO business needs to be ready to operate  
• AEMO IT support needs to be in place

Individual participant (or participant category) readiness is NOT a dependency for go-live

Industry testing is for **Release 2 only** due to the minor changes in Release 1

## RISK & CONTINGENCY MANAGEMENT ✓

## INITIATIVE READINESS REPORTING ✓ & GO-LIVE CRITERIA MANAGEMENT ✓

READINESS AREA	INDUSTRY READINESS APPROACH – PEC-MI	
<b>Initiative readiness criteria</b>	Individual participant readiness approach	<ul style="list-style-type: none"> <li>Individual participant readiness is a not considered essential market commencement of PEC-MI.</li> <li>Introduction of PEC-MI is based on AEMO using existing standard approach for dispatch and settlements.</li> </ul>
	AEMO readiness criteria	<p>By the PEC-MI commencement date, AEMO's:</p> <ul style="list-style-type: none"> <li>Solution needs to be updated and tested for:               <ul style="list-style-type: none"> <li>Release 1                   <ul style="list-style-type: none"> <li>Dispatch systems changes to the NRM process calculations</li> <li>Inclusion of the new interconnector in dispatch tables</li> <li>Updates to the coding for price scaling algorithms</li> <li>New unit categories for the addition of the EnergyConnect interconnectors into Settlement Residue Auction</li> </ul> </li> <li>Release 2                   <ul style="list-style-type: none"> <li>Settlement system changes to IRSR methodology</li> </ul> </li> </ul> </li> <li>Business needs to be ready to support financial operations</li> <li>IT support needs to be in place.</li> </ul>
<b>Industry Testing</b>	Industry test strategy	<ul style="list-style-type: none"> <li>AEMO proposes to support an Industry test window of indicatively 1 month in the pre-production environment for both Release 1 and Release 2.</li> <li>Preproduction will be available for a 1-month period from the start of October 2026 to allow participants to test changes to their interfaces.</li> <li>The majority of Industry testing will be focused on the Inter-Regional Settlements Residue changes however industry will be able to consider changes deployed into pre-production prior to Release 1 and Release 2. Additionally, constraint equations will be progressively loaded into pre-production in August 2026 ahead of cut-over on 1 October 2026, with market outcomes use as indicative only.</li> <li>Industry Testing in August is not deemed useful as the PEC2 interconnector object will not exist in AEMO systems.</li> </ul>
	Test plans and coordination	<ul style="list-style-type: none"> <li>Industry Test Plan for Release 2 to be published mid-August 2026 with Industry Testing to commence from October 2026.</li> <li>AEMO will confirm the intended scope and approach for Release 2 in the Industry Test Strategy.</li> <li>Scoping and planning to support the agreed Industry test strategy will be developed in consultation with participants and in alignment with project schedule.</li> </ul>
<b>Participant development support</b>	Procedures	<p>The following documents will be drafted, released for feedback and final versions published (consultation required):</p> <ul style="list-style-type: none"> <li>Guide to the automation of negative residue management</li> <li>Methodology for the allocation and distribution of settlements residues</li> <li>Guide to the Settlements Residue Auction</li> <li>SO_OP_3705 Dispatch Procedure</li> <li>Spot Market Operations timetable</li> <li>Price Scaling Guide</li> </ul> <p>AEMO will look for opportunities to prioritise and/or bundle procedure consultations, including discussion of critical path consultations that may have dependencies with AEMO's and industry's development and testing.</p>
	Technical specifications	<p>To be published in time for participants to make their system changes:</p> <ul style="list-style-type: none"> <li>EMMS Data Model v5.7 (R1) with the NRM loop flag released to Production August 2026 and EMMS Data Model v5.8 (R2)</li> <li>EMMS Technical Specification (R1)</li> <li>EMMS Technical Specification (R2)</li> </ul>

Transition and go-live	Transition plans	<ul style="list-style-type: none"> <li>A transitional plan is not required for PEC-MI</li> </ul>
	Go-live criteria and plans	<ul style="list-style-type: none"> <li>Will be developed in consultation with industry to confirm AEMO deployment activities and timeframes, any participant co-ordinated activity and required notifications to industry</li> </ul> <p><b>Release One</b></p> <ul style="list-style-type: none"> <li>Go Live Criteria published 17 Feb 2026</li> <li>Draft plan to be published 9 June 2026</li> <li>Final plan to be published 1 Aug 2026</li> </ul> <p><b>Release Two</b></p> <ul style="list-style-type: none"> <li>Go Live Criteria published 1 May 2026</li> <li>Draft plan to be published 1 Oct 2026</li> <li>Final plan to be published 28 Oct 2026</li> </ul>
	Registration or accreditation plans	<ul style="list-style-type: none"> <li>Re-registration is not required for existing participants</li> <li>PEC-MI settlement changes do not introduce or trigger any additional accreditation requirements</li> </ul>

Risk & contingency management	<ul style="list-style-type: none"> <li>Will be developed in consultation with industry</li> </ul>
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Initiative readiness reporting & go-live criteria management	<ul style="list-style-type: none"> <li>Go-live criteria developed in consultation with industry</li> <li>AEMO will report to industry, progress against confirmed L1/L2 industry readiness milestones and on contingency checkpoints 6, 3 and 1 month prior to go-live:</li> </ul> <p><b>Release one</b></p> <ul style="list-style-type: none"> <li>6-month Checkpoint – 12 Feb 2026</li> <li>3-month Checkpoint – 8 May 2026</li> <li>1-month Checkpoint – 9 July 2026</li> </ul> <p><b>Release two</b></p> <ul style="list-style-type: none"> <li>6-month Checkpoint – 1 May 2026</li> <li>3-month Checkpoint – 3 Aug 2026</li> <li>1-month Checkpoint – 1 Oct 2026</li> </ul> <p><b>NOTE: AEMO will deploy constraint equations into pre-prod in August 2026 ahead of 1 October 2026 cut-over from micro slice to interconnector.</b></p>
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# Feedback

Please note that [feedback](#) on the readiness approach continues to be welcomed until 31 March 2026.

# Glossary

Term	Definition
AEMO	Australian Energy Market Operator
NRM	Negative Residue Management
SRC	Settlement Residue Committee
IRSR	Inter-regional settlements residue
HLIA	High Level Implementation Assessment
ITWG	Industry Testing Working Group
NEM	National Energy Market
NER	National Energy Rules
NSP	Network Service Provider
TI	Trading Interval
SRA	Settlement Residue Auction
PEC-MI	Project Energy Connect – Market Integration