



Assessment and implementation



AUSTRALIAN ENERGY MARKET COMMISSION
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Proposed assessment process

One of the key parts of this review is to determine whether the implementation of OFA would contribute to the National Electricity Objective

Our First Interim Report set out our proposed assessment process:

1. Identify potential categories of impact that optional firm access would have on investment in, operation of and use of, transmission and generation
2. Analyse the impacts – both positive and negative – within these categories against the counterfactual of the current arrangements continuing
 - Attempt to quantify – but not always possible
3. Assess impacts across a range of scenarios
 - Ideally, OFA would be robust in the face of future changes

Proposed categories of impact

1. Financial certainty for generation
2. Effective inter-regional hedging
3. Incentives on TNSPs to operate the network more efficiently
4. Efficient dispatch of generation
5. Efficient incentives on TNSPs to manage trade-offs between operation and investment
6. Efficient investment in new network capacity
7. Efficient investment in new generation capacity, including locational signals on where to build plants
8. Efficient allocation of risk
9. The level of transaction costs

Proposed categories of impact - continued

- We recognise that there are significant linkages between these different categories
- The overall impact of optional firm access may be greater than the sum of these individual impacts
- The full benefits of Optional Firm Access can only be realised when all core elements have been implemented in all jurisdictions
- The sooner such benefits are realised, the quicker customers would benefit
- The way optional firm access is implemented impacts on how successful it will be, and how soon the benefits would be realised

Implementation

- The need for an implementation approach depends on a positive assessment of the model
- Under the terms of reference we are required to develop a set of options for how optional firm access could be implemented
- There are many elements of optional firm access, which can be introduced at different times, and in different regions to each other
- The First Interim Report sets out three possible options for implementing OFA – which focus on the implementation of the core elements of the full model

Implementation options

1. Option 1: Simultaneous implementation
 - OFA would apply NEM-wide on a set date and all elements would commence on that date
2. Option 2: Temporal staging
 - Different core elements of OFA would be introduced progressively
3. Option 3: Geographic staging
 - Jurisdictions could choose when to take part in OFA
 - There are a number of challenges associated with this option