

30th January 2015

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Lodged Electronically

Dear Mr Pierce,

RE: ERP0039 Optional Firm Access Design and Testing Review CEC Response to AEMC Request for Comment

The Clean Energy Council (CEC) welcomes the Commission's request for the perspectives of industry stakeholders on Optional Firm Access.

As the commission correctly noted the CEC recently signed and forwarded a letter to the COAG Energy Council expressing concerns with OFA. It is worth noting that the letter was co-authored by the vast majority of the NEM's operating generators – semi-scheduled and scheduled – who share concerns that the OFA model will create costs and risks far exceeding any purported benefits. Indeed, to date there has not been any demonstration that the issues which OFA is seeking to address (as repeated in the Commission's request) are significant, or that a massive market reform option like OFA would be an efficient means to address them.

The letter demonstrates that, despite the expectation of generators being a key benefactor of the financial transmission rights created by OFA, many of the NEM's generators do not believe that this is the case. The CEC's members in particular are of the view that OFA is an extremely high risk market from which the benefits are unclear.

The CEC understands that the Commission is appropriately seeking to take a long term perspective of transmission planning arrangements. The CEC's view is that current mechanisms are adequate for doing so efficiently and, although improvements are possible, no failing of the regulatory investment test for transmission or of current locational signals (i.e. connection costs, primary resource availability, loss factor, congestion) has been shown to date. Conversely, the recent RIT-T decision to invest in upgrading the Heywood Interconnector is evidence that the principles behind the RIT-T are working and have the capacity to deliver efficient outcomes for consumers in the long term.

Please do not hesitate to make contact on the details below to discuss this letter. The CEC's members would also be available to meet and discuss these matters if necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Butler', with a horizontal line extending to the right.

Tom Butler

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