

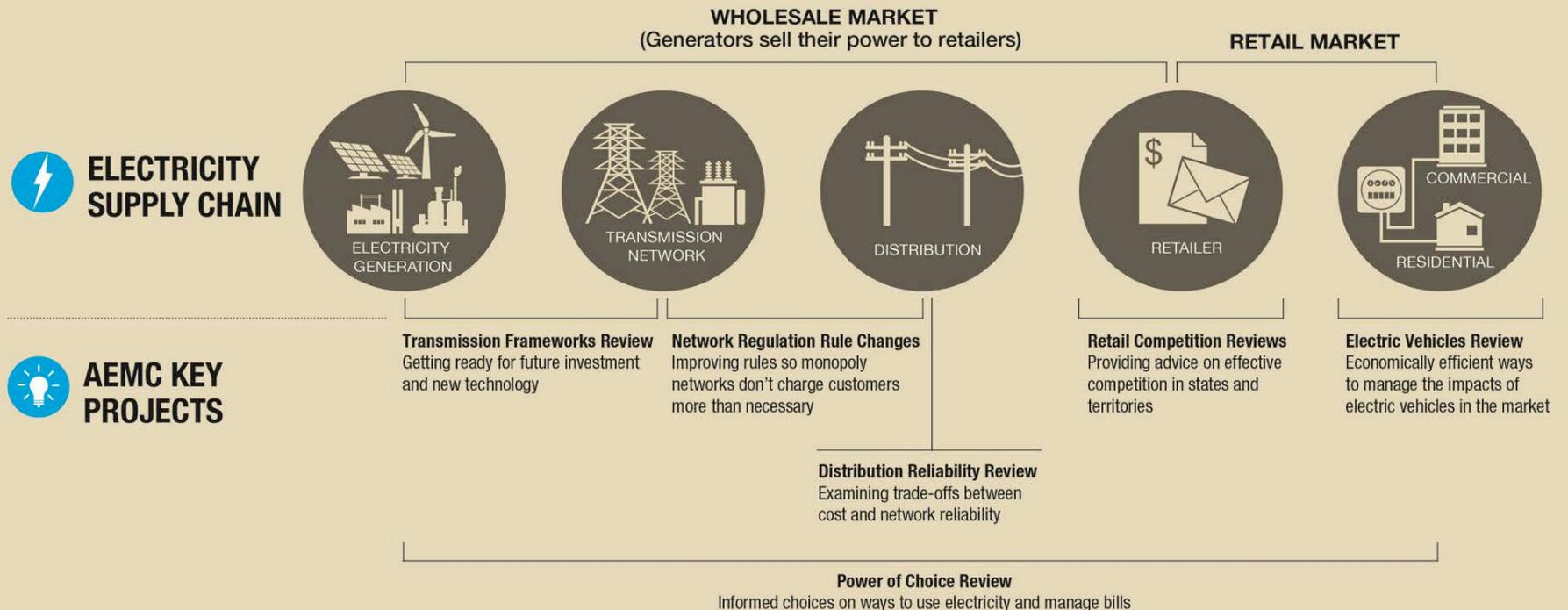
Transmission Frameworks Review: Public Forum

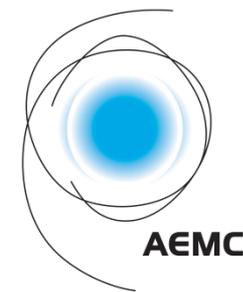
Sydney, 17 September 2012



AUSTRALIAN ENERGY MARKET COMMISSION

AEMC: KEY ELEMENTS OF WORK PROGRAM





TFR Public Forum: Transmission Access



STUART SLACK
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OPTION 1: NON-FIRM ACCESS

- Effectively we already have a non-firm access transmission regime
- Provisions in rules allow generators to negotiate firm access
 - in practice these arrangements are unworkable
- Non-firm access model will clarify that there is no such right



OPTION 2: OPTIONAL FIRM ACCESS

- Generators can choose to be firm or non-firm
- Firm generators that are not dispatched will receive compensation for lost margin
- The compensation is funded by non-firm generators if they are dispatched ahead of firm generators
- Access pricing will reflect the cost of providing access
- “Firm Access Standard” requires TNSPs to plan and operate their networks to underpin firm rights
- TNSPs will be incentivised to deliver capacity by exposing them to a proportion of any compensation shortfall

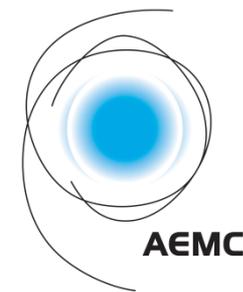


POTENTIAL BENEFITS OF ACCESS REFORM

- Generators could drive transmission investment by choosing to pay for better access to the market
- More certain financial returns for generators
- Generators would be encouraged to build in locations where the combined cost of generation and transmission is lowest
- Reduced incentives for disorderly bidding
- Improved ability to hedge against inter-regional price differences

BUT

- Significant implementation time and cost



TFR Public Forum: Transmission Planning



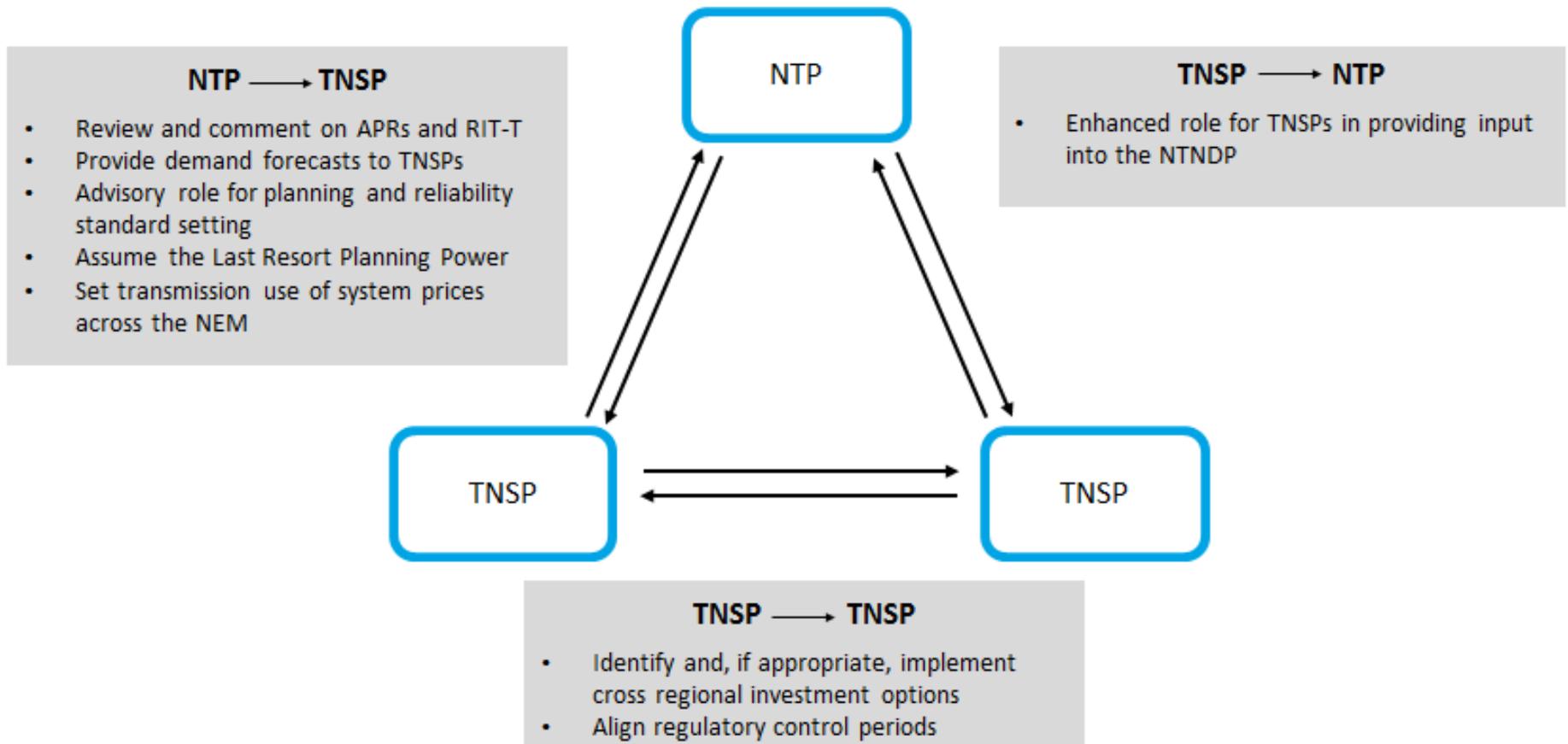
PAUL SMITH
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TRANSMISSION PLANNING – PROMOTING NATIONAL COORDINATION

- No systematic failure in interconnector investment
- But steps can be taken to further promote coordinated transmission investment across the NEM
- TNSPs should explicitly consider options in other regions to meet reliability standards within their own regions
- To drive this, we propose a greater role for the NTP
- TNSPs should also consult with each other and feed information into the NTP's long term plans

OVERVIEW OF PROPOSED PLANNING ARRANGEMENTS





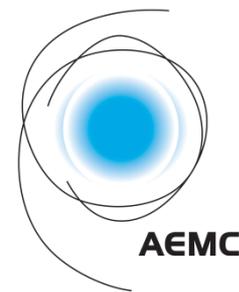
TRANSMISSION PLANNING – IMPLICATIONS OF PROPOSED ARRANGEMENTS

- The additional NTP functions would be inconsistent with AEMO's investment decision-making role in Victoria
 - It could not independently review its own decisions
 - If AEMO's Victorian role is reallocated, we propose a consistent approach across the NEM
- The arrangements would be further modified if optional firm access was implemented
 - Network development increasingly led by generators choosing to pay rather than planners' decisions

COMPARISON OF EXISTING AND PROPOSED TRANSMISSION PLANNING ARRANGEMENTS

CURRENT NEM ARRANGEMENTS	NSW	Qld	SA	Tas	Vic
Last resort planning power			AEMC		
Long-term strategic national planning			AEMO		
Demand forecasting					
Investment decision-making					
Detailed design	TRANSGRID	POWERLINK	ELECTRANET	TRANSEND	SP AUSNET (AND OTHER POSSIBLE TENDER WINNERS)
Provision of assets					
Operation and maintenance					

AEMC PROPOSALS	NSW	Qld	SA	Tas	Vic
Last resort planning power					
Long-term strategic national planning			AEMO		
Shorter-term national coordination					
Demand forecasting					
Investment decision-making					
Detailed design	TRANSGRID	POWERLINK	ELECTRANET	TRANSEND	SP AUSNET
Provision of assets					
Operation and maintenance					



TFR Public Forum: Transmission Connections



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IMPROVING CONNECTION ARRANGEMENTS

Three areas of focus:

1. Improving the negotiating framework
2. The provision of extensions
3. Clarifying the rules



IMPROVING THE NEGOTIATING FRAMEWORK

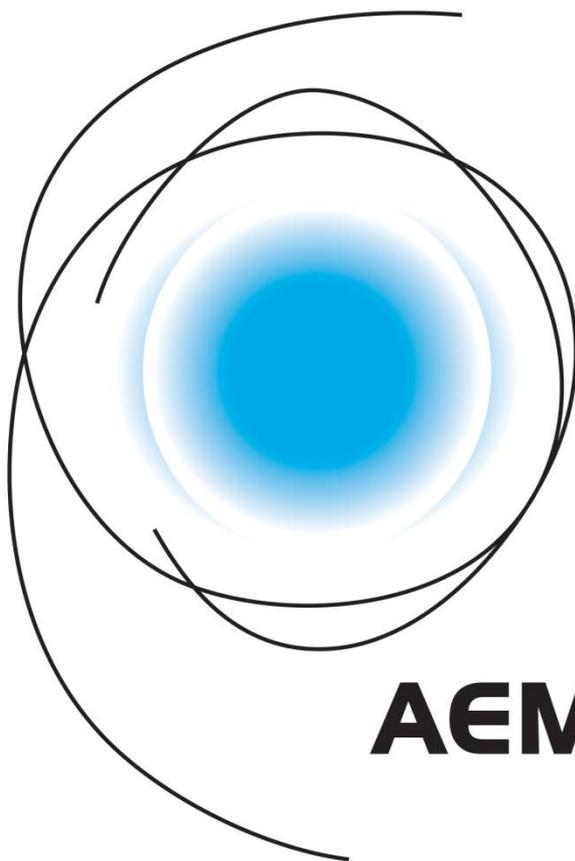
- Problems with new generators trying to negotiate with monopoly TNSPs – costs, standards and timing
- We propose potential improvements, requiring TNSPs to:
 - Publish more information, such as design standards
 - Disclose more cost information to connecting parties
- Also required to share information regarding their choice of construction contractor, and to consider connecting party's preferences
 - Better prospects for sharing benefits of contestability

THE PROVISION OF EXTENSIONS

- Although extensions are contestable, there is very little competition
- TNSPs have significant advantages in many areas
- In the Second Interim Report, we propose:
 - That TNSPs should be obliged to provide extensions as a negotiated service, if requested
 - A robust, comprehensive framework to deal with issues such as third party access and transitioning the extension to become part of the shared network

CLARIFYING THE RULES

- Although services are key, the rules can be made clearer by greater reference to the assets providing the services
- There are also some fundamental underlying difficulties:
 - Substations are part of the shared network, but generators do not pay shared network charges
 - Load and generation services are subject to very different forms of economic regulation
- Significant improvements can be made, but not clear that the rules will be able to fully address all circumstances



AEMC