EnergyAustralia

Optional Firm Access, Design & Testing

AEMC public forum

14 August 2014

Ralph Griffiths, Wholesale Regulatory Manager

EnergyAustralia

Summary, a lot of very good work to date

We thank the AEMC for their open and thorough design process, and diligence working through the complexities.

We have been asked for comment on the **Assessment framework** and **Implementation options**

- We support the assessment framework, within the context that the total incremental benefits need to substantively exceed the costs.
- If it is decided to implement OFA, simultaneous and timely implementation would be preferred.

However, it is difficult to identify a material benefit in proceeding.

The results indicate it may be time to stop

EnergyAustralia

The NEM has changed since OFA was conceived

For the first time in NEM history ... no new capacity is required in any NEM region to maintain supply-adequacy over the next 10 years. (ESOO 2014)

Year	NTNDP Investment (25 yr)	
	Generation	Transmission
2011	$35-120 billion	$4-9 billion
2012	$46 billion	$5 billion
2013	$25-27 billion	$5 billion
2014	Zero + RET?	?

The 'problem' of growing demand, investment and congestion has gone away

EnergyAustralia

The assessment framework is appropriate

Category	Importance	Improvement
Financial certainty for generation		?
Effective inter-regional hedging		?
Efficient operation of network		
Efficient dispatch of generation		?
Trade-off operation and investment		
Efficient investment network capacity		
Efficient investment generation		
Efficient allocation risk		
Transaction costs		X

The threshold must be a material net benefit

EnergyAustralia

Implementation options

Implementation is difficult and faces a range of challenges described in the interim report.

- Temporal staging prolongs uncertainty
  - access settlement has no stand alone benefit
  - 2022 for simultaneous implementation is a long time

- Geographic staging
  - It is a national market, this should not be a question
  - Adds increased risk and incoherence to prolonged uncertainty

EnergyAustralia

Preliminary views on the interim report

- Design and testing results suggest
  - Implementation would be complex and costly
  - Uncertainty will increase for at least a decade
  - Generation dispatch efficiency is not improved

- Design principles partial or inconsistent
  - Nodal generation market, regional market for load
  - 'Financial rights', tied to physical 'availability'
  - Generator choice but cost and service determined by central planning and incentives

It is 'probably possible' to design OFA. But the case to invest further is weak.

EnergyAustralia