

Transition



AUSTRALIAN ENERGY MARKET COMMISSION
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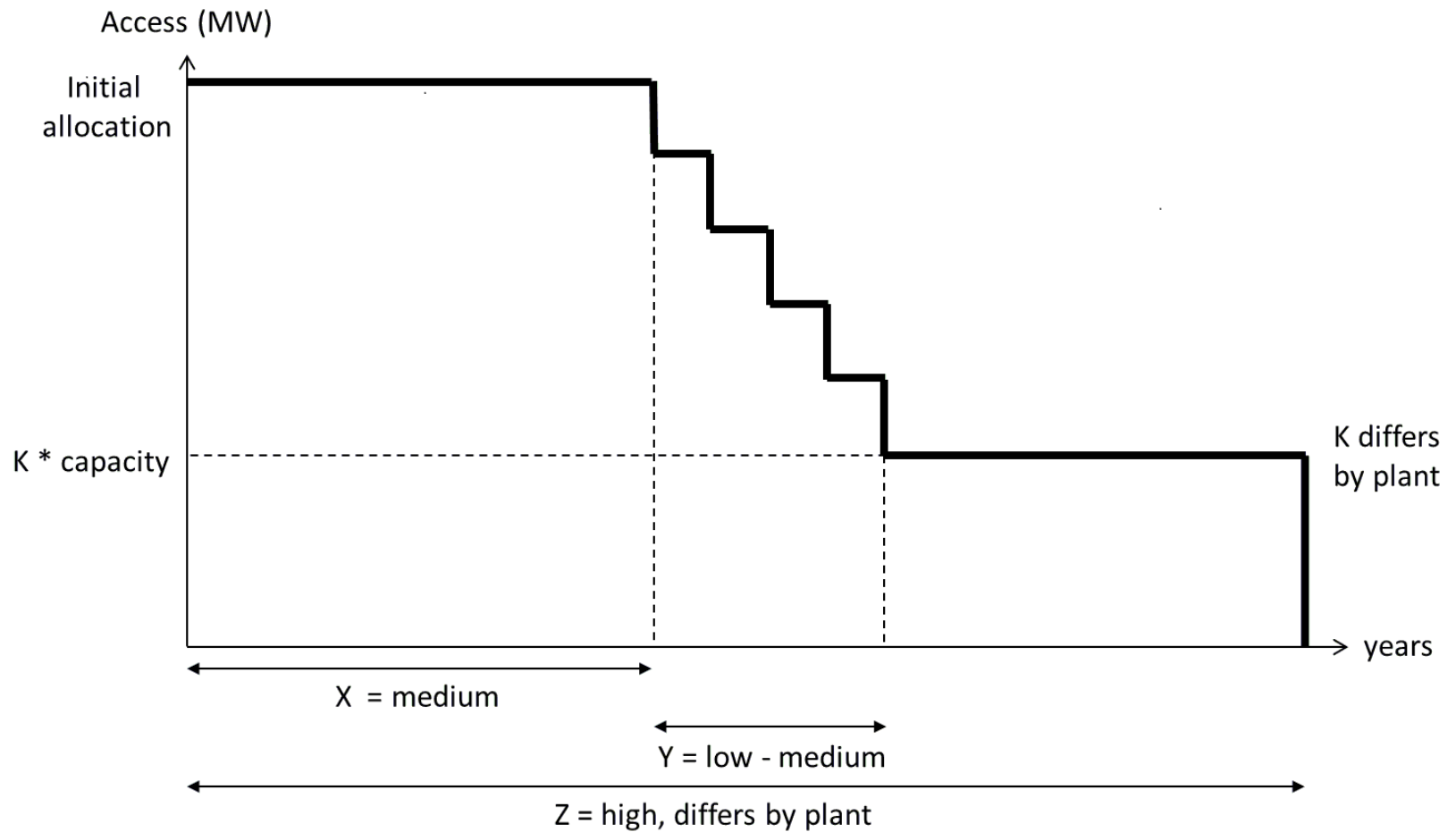
Summary

- Overall objectives of transition
 - Give time and assistance for participants to adjust to significant change
 - Not unnecessarily dilute or delay the intended benefits of the model
 - Encourage generators to acquire and hold the levels of firm access that they would choose to pay for
 - Create reasonable arrangements that enhance reform sustainability
- Two-part process
 1. Initial allocation of transitional access to existing generators
 - firm access for which they do not pay
 - approximates their implicit access at OFA commencement
 2. Sculpting away of transitional access over time
 - generators purchase the level of access they value
 - signals the efficient level of network capacity

Initial allocation – proposed methodology

- Aims to provide existing generators with firm access that approximates their implicit access at OFA commencement
- Set so that the existing network complies with the firm access standard
 - No network expansions in order to accommodate transitional access
- Allocation method based on a simultaneous feasible dispatch of generators at their historical capacity
 - Enough demand at regional reference node to require all generation
 - Bid in ten bands until constraints bind, then NEMDE tie-breaking rules applies
- Indicative results provided in First Interim Report
 - Worked with AEMO to test this method, using various assumptions
 - The allocations presented are not what generators will receive when OFA is introduced
 - The initial allocation will be performed at this time

Proposed sculpting methodology



Sculpting – considerations

- Managing the impacts on existing investors of introducing OFA
- Investment signals through access purchases
- Barriers to entry
- Secondary trading
- Workable while providing certainty
- Releases network capacity to back the purchase of firm interconnector rights