



TransGrid

OFA First Interim Report

Initial views on assessment
framework and implementation



caring



enterprising



committed



collaborative

Overall (1)

- TransGrid's views but also...
- OFA a positive development if:
 - benefits can be *demonstrated* to exceed the costs
 - confidence that the arrangements can be practically implemented
- proposed changes to the Firm Access Standard and incentive mechanism improve workability
 - normal versus abnormal operating conditions were somewhat arbitrary, 'specific conditions' better
 - need more detail on some key aspects eg LRIC pricing model, nature of agreement between generator and TNSP under OFA

Assessment framework (1)

- NEO and three ‘efficiency’ limbs a must
- support assessment across ‘range of scenarios’
- cost/benefit analysis must be positive and shouldn’t be purely qualitative
- generally support assessment categories but:
 - effective inter-regional hedging – slow interconnector development risk
 - incentives on TNSPs to operate network efficiently – need to be careful of what factors can and can’t be controlled by TNSPs

Assessment framework (2)

- manage trade-offs between operation and investment and efficient investment in new network capacity – agree interaction w/reliability standards/frameworks important
- efficient allocation of risks – relative LRIC accuracy critical
- efficient dispatch and locational signals – note that AEMO finding the history difficult to model, especially delineating generator behaviours

Implementation options (1)

- still working through staged options
- attractiveness of OFA may vary between jurisdictions if geographic staging eg generator forum shopping
- What methodology will the AEMC adopt in assessing staged implementation?

Implementation options (2)

- changes of varying magnitude will need to be assessed incl. timing of the **RIT-T**, planning reports and analysis, pricing modelling and assumptions, **historical information for establishing incentive parameters** and **impact on revenue regulation arrangements**
- appears complicated to adjust AEMO's access settlement arrangements to embrace OFA.