



5 May 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged web: <http://www.aemc.gov.au/>

Optional Firm Access, Design and Testing – Draft Report

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Energy Market Commission on the Optional Firm Access, Design and Testing draft report (“the report”).

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 37 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation’s Gross Domestic Product.

The esaa supports the conclusion of the report that in the current investment environment, optional firm access (OFA) does not contribute to the achievement of the National Electricity Objective. The introduction of OFA would entail costs for generators and transmission network service providers. As such, there need to be demonstrable benefits before any change to the regulatory framework is made.

Investment in a new generation asset is unlikely, in and of itself, to be sufficient to shift the balance of the costs and benefits. There would need to be substantial new investment, focused in areas of the transmission network that are suffering from congestion. While the situation could be monitored on an ongoing basis, there would need to be some triggers before a formal assessment should commence. This should be based on some combination of generation investment and transmission capacity.

If the environment changes to such an extent that the triggers are met, it should not automatically be assumed that OFA is the answer. In part this is because it is highly likely that other facets of the National Electricity Market will have changed in this time, meaning that OFA is no longer a suitable option. Other options, such as an amended Regulatory Investment Test – Transmission, should also be examined to determine which provides the greatest net benefits. This analysis should take into account, amongst other factors, the firmness of benefits of each option and implementation risks and costs. If an assessment is triggered and any change does not produce net benefits, there should be a minimum period of time before any further assessment.

Any questions about our submission should be addressed to Fergus Pope, by email to fergus.pope@esaa.com.au or by telephone on (03) 9205 3107.

Yours sincerely

A handwritten signature in blue ink that reads "Kieran Donoghue". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Kieran Donoghue
General Manager Policy