

8 May 2015

Ms. Anne Pearson
Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

By email: anne.pearson@aemc.gov.au

RE: Draft Report on Optional Firm Access, Design, and Testing

Dear Anne Pearson,

Thank you for the opportunity to comment on the AEMC's Draft Report on Optional Firm Access, Design, and Testing (OFA Draft Report) and the material presented to the Optional Firm Access Advisory Panel.

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences and needs of energy and water consumers.

As expressed in previous submissions, CUAC supports the OFA framework's goal to increase the National Energy Market's (NEM's) resilience and sustainability, to better coordinate investment in transmission networks and generation, and to decrease the downside risks for consumers. We support consumers facing less risk of inefficient transmission investment decisions, and generators facing less volume and price uncertainty.

However, as the implementation of OFA would involve fundamental changes to the structure of the National Energy Market (NEM) and considerable effort, its potential benefits should be clear and material before the AEMC recommends proceeding. In light of the OFA Draft Report's assessment of the costs and benefits of OFA in the current environment, CUAC supports not currently proceeding with implementation.

CUAC notes that market conditions and the policy environment have changed since the OFA project (and its predecessors, the Transmission Frameworks Review and the Review of Energy Market Frameworks in Light of Climate Change Policies) began, contributing to the current situation in which

OFA is not clearly beneficial. Markets and policy will change again. It is prudent that changes to the market and policy environment be monitored to determine whether the concerns that spawned the OFA (and previous) work return.

Importantly, the focus of any monitoring should be not strictly on whether the conditions are right to implement OFA. OFA was the response to a broader problem of transmission planning and network congestion. To the extent that these problems arise in future, it may also be the case that OFA is no longer the best response. Therefore, monitoring should focus on the indicators that prompted the development of OFA in preference to the factors that currently prevent OFA implementation.

To the extent that the barriers to OFA implementation are monitored, it would also be prudent to monitor the factors that made OFA preferable to alternative solutions.

In relation to which organisation is best placed to monitor the relevant conditions, CUAC notes that the AEMC has now conducted extensive work on transmission planning and network congestion, and is likely best placed to establish a relevant monitoring regime. The AEMC's suggestion that in-house monitoring could draw on other, existing programs of work also supports assigning monitoring to the AEMC to reduce the costs to consumers.

Finally, CUAC notes that, as the implementation of OFA (or its alternatives) would require several years, monitoring should be conducted frequently enough that implementation could occur before the problems it seems to address are able to develop so far as to make implementation ineffective.

Yours sincerely,

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