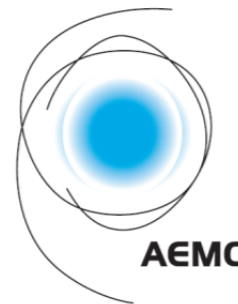


Optional Firm Access Advisory Panel

Meeting 1: 31 March 2014



The first Advisory Panel meeting was held in Sydney on 31 March 2014. The attendees of the meeting are listed below.

Member	Organisation
Brian Spalding (Chair)	Australian Energy Market Commission
Brendan Morling	Department of Industry (Commonwealth)
Alan Millis	Department of Energy and Water Supply (Queensland)
Mark Feather	Department of State Development, Business and Innovation (Victoria)
David Swift	Australian Energy Market Operator
Craig Oakeshott (substitute for Tom Leuner)	Australian Energy Regulator
Jo Benvenuti	Consumer Utilities Advocacy Centre
Phil Moody	Origin Energy
Rainer Korte	ElectraNet
Ross Bunyon	Special Adviser to the Commission and the Advisory Panel
Charles Pople	Industry Adviser to the AEMC

The following AEMC staff also attended:

Name	Position
Anne Pearson	Senior Director
Richard Khoe	Director
Stuart Slack	Senior Adviser

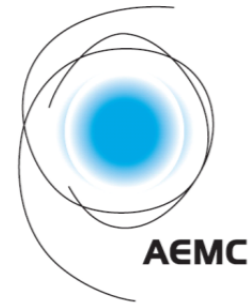
The Standing Council on Energy (SCER) has asked the Australian Energy Market Commission (AEMC) and the Australian Energy Market Operator (AEMO) to undertake detailed design, testing and assessment of the optional firm access model. The model was proposed by the AEMC as part of the Transmission Frameworks Review in April 2013. In line with SCER's terms of reference for this review, the AEMC has formed the Advisory Panel to provide strategic advice on high-level issues.

AEMC staff presented the following matters at the meeting:

- background to the optional firm access model
- a high level summary of the optional firm access model and its potential impacts
- a summary of stakeholder submissions on optional firm access that were made during the Transmission Frameworks Review
- what SCER has asked us to do
- the governance arrangements we have developed for the project and how we are working with AEMO

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- a high level project plan with proposed publication stages, timings and likely report contents
- how we intend to engage with stakeholders
- the proposed framework that we will use to assess the potential impacts of optional firm access, which will inform our recommendation to SCER whether or not the model should be implemented

During discussion of stakeholder positions, the following points were made:

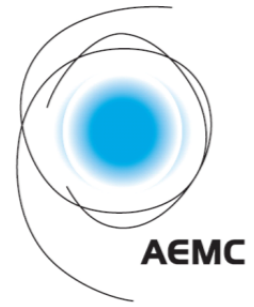
- Some generators' support for the optional firm access model may have lessened since the Transmission Frameworks Review. This may reflect an environment where congestion risk is seen to be less of an issue for existing generators than the challenge of competing with new and distributed forms of generation. In response, it was noted that it is not yet clear whether changes in the environment in which generators operate will be long term.
- Transmission businesses see the potential for optional firm access to have positive impacts but also see practical difficulties with implementing it. They are also concerned that implementing optional firm access could introduce additional risk without the potential for being rewarded accordingly.
- Consumers raised questions about:
 - any potential disadvantages of the model for smaller or renewable generators
 - effects on wholesale and retail competition, including the impacts on smaller retailers
- In discussion the point was made that OFA could help provide market signals relating to location, timing, and nature of future generation investment and that in this regard the OFA model would be particularly beneficial at times of uncertainty of future patterns of generation. OFA would help manage this uncertainty by shifting the risk of generation decision making from consumers to generators, who should be better able to manage it.

During discussion of the potential impacts of the optional firm access model and the proposed assessment framework, the following points were made:

- The AEMC should list and assess potential negative impacts of the model such as increased complexity or possible negative effects on generators' contracting behaviour.
- The AEMC should assess whether a commercially driven approach to transmission investment will deliver a net benefit to society.
- The AEMC should assess whether the model provides long term benefits in a scenario where consumers are driving technology and demand-side response.
- The AEMC should assess whether the model allows uncertainty about the future to be best managed in the interests of consumers by introducing more commercial investment decision-making.
- The AEMC should assess whether the model delivers potential benefits in terms of efficient dis-investment if the future brings power station closures.
- The AEMC should check that the assessment framework adequately captures the potential effects on competition and on the security of supply.
- When presenting the assessment framework, the AEMC should describe the categories of impact in neutral terms and explain how each category encompasses both potential benefits and costs.
- The assessment should include a "look-back" that would assess how things would be different today if optional firm access had been in place 5-10 years ago. Conversely, it was observed that this is only one possible scenario among many and that we would investigate it if we thought that the future was going to be the same as the past.

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- In general, the difficulty of modelling behaviours to conduct the assessment and the many assumptions that would have to be made was also noted, particularly where decision-making is decentralised.

During discussion of stakeholder engagement, suggestions were made on how best to engage with consumers including:

- briefing consumers at particular times
- considering a breakout of the industry working group with consumer input
- thinking about a media engagement strategy