

Transmission Frameworks Review

Public Forum: First Interim Report

Commissioners:

Pierce
Henderson
Spalding

AEMC



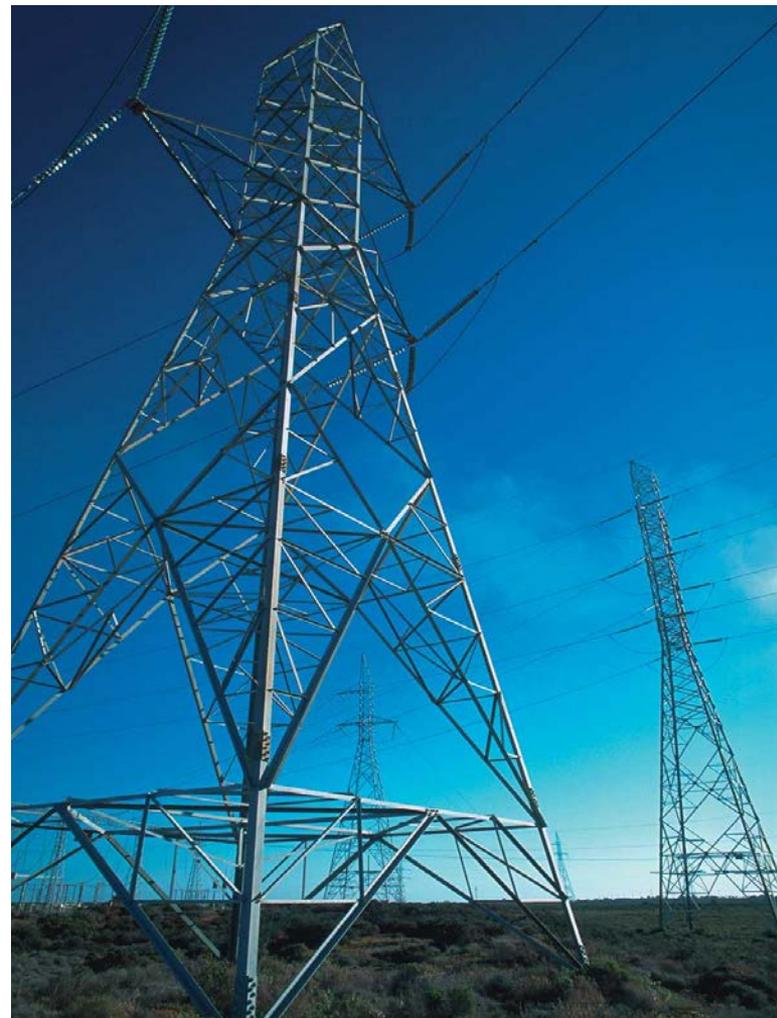
Introduction and context

Chris Spangaro
Senior Director

AEMC

Purpose of this review

- MCE directed review
 - followed on from earlier Climate Change Review
- Seeks to ensure that transmission arrangements:
 - are workably efficient
 - promote the minimisation of expected total system costs



Is there a case for reform?

- Future changes to the generation mix may test transmission arrangements
- Views on the efficacy of existing frameworks are mixed
- There is greater consensus on the need to improve connection arrangements
- Further work and evidence is required



This phase of the review

- Five internally consistent policy packages
- A spectrum from minimal change to approaches adopted in other countries
- Connections and planning are separable to some degree
- Feedback is sought on the packages as well as options for connections and planning



Next phase of the review

- First Interim Report is a key opportunity for stakeholder views
- Options will be assessed against the NEO and purpose of review
- It is difficult to quantify the materiality of some issues
- The Commission will consider:
 - Whether alternative arrangements would deliver better outcomes
 - Whether those outcomes are likely to exceed implementation costs



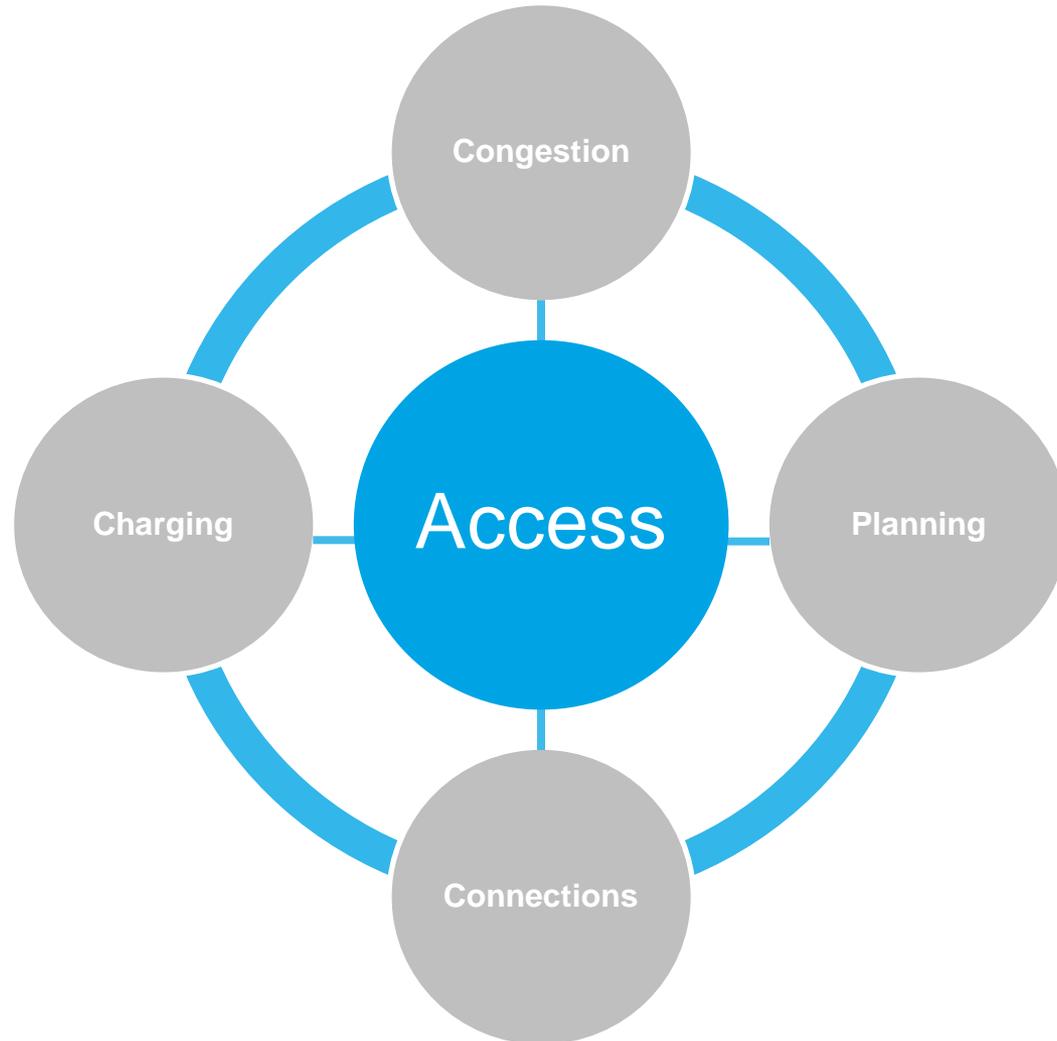


Session 1: Pathways to reform

Elisabeth Ross
Senior Adviser

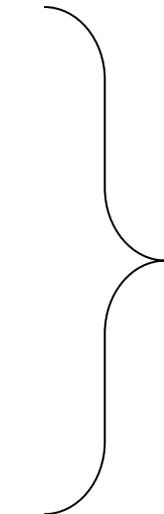
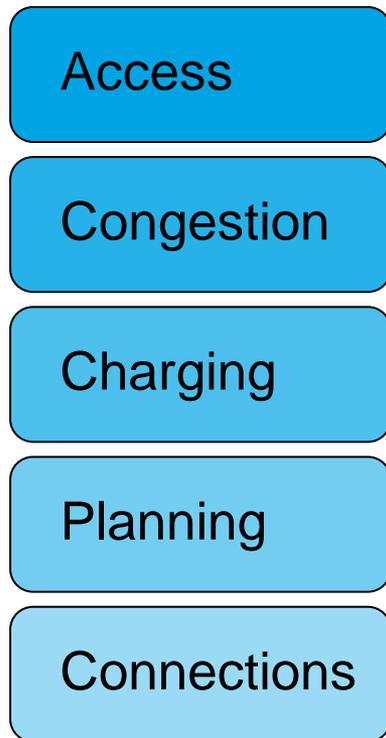
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Access has been a key focus



Five policy packages have been developed

- Five work streams have been synthesised into five internally consistent policy packages and options for improving planning and connections



Package:	1	2	3	4	5
Access / congestion					
Charging					
Planning / institutions					

Options for planning

Options for connections

Packages reflect different approaches to access

- **Package 1:** reflects the existing open access arrangements
- **Package 2:** based on open access but introduces a congestion price
- **Package 3:** applies reliability standards to generation (as for load)
- **Package 4:** financially firm access, based on existing 5.4A provisions
- **Package 5:** influenced by US and UK approaches

Overview of policy packages

Package:	1: Open access	2: Open access with congestion management	3: Generator transmission standards	4: Regional optional firm access	5: National locational marginal pricing
Access / congestion					
Charging					
Planning / institutional					

Overview of policy packages

Package:	1: Open access	2: Open access with congestion management	3: Generator transmission standards	4: Regional optional firm access	5: National locational marginal pricing
Access / congestion	No firm level of access (5.4A removed) No congestion pricing				
Charging	No generator charge for use of shared network				
Planning / institutional	No changes required (but enhancements possible)				

Overview of policy packages

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Overview of policy packages

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Charging	No generator charge for use of shared network	No generator charge for use of shared network	All generators face a charge to reflect cost of maintaining standard		
Planning / institutional	No changes required (but enhancements possible)	No changes required (but enhancements possible)	TNSPs plan to new standard, arrangements for standard setting to be considered		

Overview of policy packages

Package:	1: Open access	2: Open access with congestion management	3: Generator transmission standards	4: Regional optional firm access	5: National locational marginal pricing
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Charging	No generator charge for use of shared network	No generator charge for use of shared network	All generators face a charge to reflect cost of maintaining standard	Firm generators pay a charge, no charge for non-firm generators but they pay compensation	
Planning / institutional	No changes required (but enhancements possible)	No changes required (but enhancements possible)	TNSPs plan to new standard, arrangements for standard setting to be considered	TNSPs use new standard for firm generators, institutional arrangements to be considered	

Overview of policy packages

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Access / congestion	No firm level of access (5.4A removed) No congestion pricing	No firm level of access Congestion is priced via SACP mechanism	Access defined by reliability standards No congestion price	Generators choose a quantity of firm access to the RRN	Generators can purchase fully firm rights to a national hub
Charging	No generator charge for use of shared network	No generator charge for use of shared network	All generators face a charge to reflect cost of maintaining standard	Firm generators pay a charge, no charge for non-firm generators but they pay compensation	Firm generators purchase rights at auction, no charge for non-firm generators
Planning / institutional	No changes required (but enhancements possible)	No changes required (but enhancements possible)	TNSPs plan to new standard, arrangements for standard setting to be considered	TNSPs use new standard for firm generators, institutional arrangements to be considered	TNSP uses new standard for firm generators, national planning and additional incentives

Advantages and disadvantages (1)

Package 1: Open access

- Similar to the status quo, which has been delivering transmission investment to date to meet reliability standards
- Some dynamic and productive inefficiencies may result but magnitude unclear

Package 2: Open access with congestion price

- Addresses disorderly bidding and so improves dispatch efficiency
- Does not resolve unpredictability or magnitude of congestion and so dynamic inefficiencies

Advantages and disadvantages (2)

Package 3: Generator reliability standards

- Provides greater certainty for generators
- No opportunity to opt for different access standard

Package 4: Regional optional firm access

- Improves certainty, generators influence transmission investment decision
- Only one “firmness” standard, potential gaming of compensation payment

Package 5: National locational marginal pricing

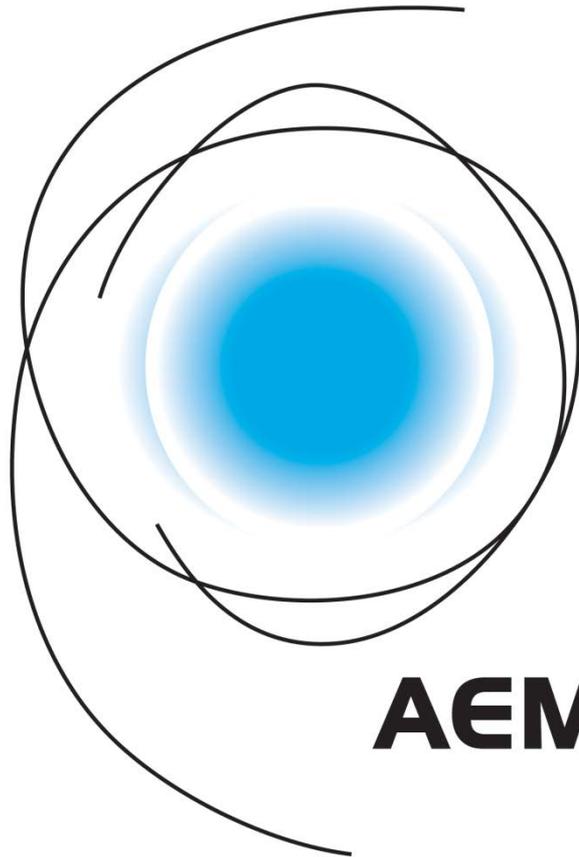
- Choice of fully firm access, national hub aims to promote liquidity and reduces any perceived inter-regional transmission issues
- Very complex, not clear that a single TNSP is feasible

Industry perspective

- [Russell Skelton](#), Chief Executive and Managing Director, Macquarie Generation
- **Steven Orr**, Strategy and Regulation Director, International Power
- [Peter McIntyre](#), Managing Director, Transgrid

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Planning / institutional	No changes <i>required</i> but improvements being considered	No changes <i>required</i> but improvements being considered	TNSPs plan to new standard, arrangements for standard setting to be considered	TNSPs use new standard for firm generators, institutional arrangements to be considered	TNSP uses new standard for firm generators, national planning and additional incentives



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