

Agenda

**Optional firm access: design and testing
Industry working group**

Meeting 7

Date: 7 May 2015

Time: 12pm to 4.30pm

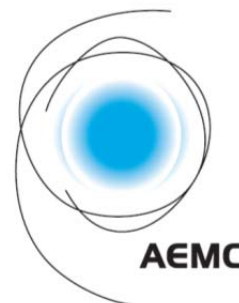
Location: Sydney Hilton, 488 George Street
Sydney NSW 2000

Lunch

- 1. Introduction and welcome**
- 2. Summary of submissions to the Draft Report**
- 3. OFA monitoring arrangements**
- 4. Alternative arrangements to OFA**
 - a. Alternatives that we propose not to consider further**
 - b. Changes to the market impact component of the STPIS**
 - c. Extension of the funded augmentation regime**
 - d. Dispatchable Interconnector Rights**
 - e. Frontier Economics to present**
 - f. Extension of RIT-T application to replacement expenditure**
- 5. Next steps**

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The seventh working group meeting was held in Sydney on 7 May 2015. The attendees of the meeting are listed below.

Member	Organisation
Anders Sangkuhl	Alinta Energy
Chris Deague	GDF Suez Australian Energy
Ralph Griffiths	EnergyAustralia
Kevin Ly	Snowy Hydro
David Bowker	Hydro Tasmania
Luke van Boeckel	Stanwell
Liam Reid	Infigen
Greg Hesse	Powerlink
Brad Harrison	ElectraNet
Craig Oakeshott (via telephone)	AER
George Huang	AER
Brian Nelson	AEMO
Ben Skinner	AEMO
Martin Jones	CUAC
Steve Reid	Origin Energy
Simon Camroux	AGL

Rajat Sood & James Allan from Frontier Economics attended for item 4e of the agenda.

Victor Petrovski (Energy Australia) was an apology for the meeting.

The AEMC's project team attended and is listed below.

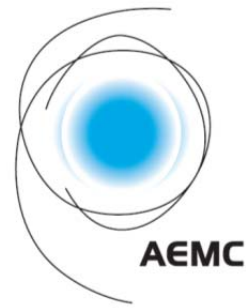
Name	Position
Anne Pearson	Senior Director
Victoria Mollard	Senior Adviser
Tom Walker	Senior Adviser
Dave Smith	Creative Energy Consulting

All enquiries on this project should be addressed to Victoria Mollard on (02) 8296 7800.

In line with the Terms of Reference for this project, the AEMC has formed the working group to provide technical advice and to help with assessing the potential impacts of the optional firm access model on industry. The working group is shared with AEMO, who will also bring matters for

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discussion. The AEMC has also formed an Advisory Panel to provide strategic advice on high-level issues.

The following items and points were discussed at the meeting:

- **Summary of submissions**

- AEMC staff provided an overview of submissions that were received to the Draft Report.
- All stakeholders (aside from the South Australian Department) agree with the Commission's draft recommendation not to implement OFA at this time. However, stakeholders disagree as to whether OFA may meet the National Electricity Objective (NEO) in the future. Submissions were also split as to whether there should be a monitoring regime.

- **Monitoring arrangements**

- AEMC staff presented on the work they have done developing the monitoring arrangements.
- The views expressed by participants were similar to those contained in their submissions.
- AEMC staff explained why the monitoring role was an appropriate function for the AEMC to undertake. It is consistent with its market development functions. Also, the monitoring would be a broader task than those currently undertaken by AEMO, the NTP or the AER.
- Some stakeholders questioned the need as to whether the AEMC requires a formal role for the monitoring. AEMC staff noted that in order to undertake the monitoring there is a preference to receive instructions from the COAG Energy Council to do so. This point was accepted by the participants.
- Stakeholders had a number of concerns about the level of cost that would be associated with the monitoring. In order to mitigate costs, stakeholders suggested undertaking the process biennially and relying heavily on existing reports that are produced.
- Stakeholders generally agreed that there should be check-in points with the COAG Energy Council throughout the monitoring process. AEMC staff noted that this would be incorporated.
- Stakeholders also questioned whether it was an OFA monitoring regime, ie, monitoring the conditions for OFA to be introduced. AEMC staff clarified that it was a monitoring regime as to when conditions in the market were changing. Part of the monitoring would involve assessing whether OFA was fit for purpose or not.

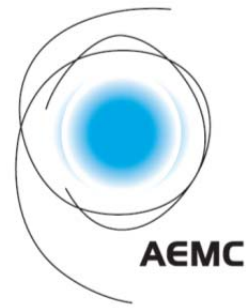
- **Alternative arrangements to OFA**

Alternatives that we do not propose to consider further

- AEMC staff presented on alternatives that the AEMC does not propose to consider further (removal of clause 5.4A, uplift charge on consumers to fund SRA payments,

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introduce OFA for interconnectors only, changing constraint formulation to option 1, and OFA-lite alternatives suggested by stakeholders in early submissions to this project).

- Stakeholders were in agreement with this proposal.

Changes to the market impact component of the STPIS

- AEMC staff presented on potential changes to the market impact component of the STPIS, which take into account learnings from the OFA process.
- Stakeholders typically agreed that any changes would be complicated in the absence of OFA, but that the AER would consider any learnings through this process of continually reviewing the STPIS regime.

Extension of Funded Augmentation regime

- AEMC staff presented on a model that would extend the existing funded augmentation regime, to award “funded access rights” to any such augmentations.
- Stakeholders considered that this may be difficult to consider how this would work with revenue regulation.
- Stakeholders concluded that while it may provide generators with something more than they currently get (ie, some funded access rights); it was ultimately not a sustainable scheme, and was likely to be costly to implement.

Dispatchable Interconnector Rights

- AEMC staff presented on a model that would introduce dispatchable interconnector rights.
- Stakeholders expressed that there may be competition concerns associated with this option.
- Stakeholders also expressed that it is unlikely that such an option would be supported.

Frontier Economics

- Frontier Economics presented some initial thinking on a potential alternative to OFA. Frontier will develop this idea further and will provide this to the AEMC in the form of a late submission. This submission will be published on the AEMC’s website. Frontier were engaged by a collective of four generators (AGL, Hydro Tasmania, Origin, Snowy Hydro) to undertake this work.

Extension of RIT-Ts to replacement expenditure

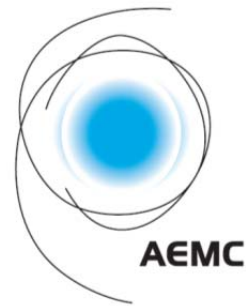
- AEMC staff briefly discussed the idea of extending the application of RIT-Ts to replacement expenditure.
- Some stakeholders noted that in other forums, generators are considering whether the RIT-T should be undertaken by an independent party.

Summary

- In summary, most stakeholders expressed their opinion that there were no feasible alternatives to OFA. Most of the alternatives involved significant implementation challenges.

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• Next Steps

- AEMC staff noted that stakeholder feedback on the monitoring & alternative ideas to OFA will be incorporated into our thinking.
- The AEMC will provide the final report to the COAG Energy Council by end-June 2015. The AEMC will publish this report on its website two weeks after provision to the Council (in accordance with the terms of reference for the OFA project).