

# **OFA First Interim Report**

Initial views on assessment framework and implementation











## Overall (1)

- TransGrid's views but also...
- OFA a positive development if:
  - benefits can be demonstrated to exceed the costs
  - confidence that the arrangements can be practically implemented
- proposed changes to the Firm Access Standard and incentive mechanism improve workability
  - normal versus abnormal operating conditions were somewhat arbitrary, 'specific conditions' better
  - need more detail on some key aspects eg LRIC pricing model, nature of agreement between generator and TNSP under OFA











#### Assessment framework (1)

- NEO and three 'efficiency' limbs a must
- support assessment across 'range of scenarios'
- cost/benefit analysis must be positive and shouldn't be purely qualitative
- generally support assessment categories but:
  - effective inter-regional hedging slow interconnector development risk
  - incentives on TNSPs to operate network efficiently need to be careful of what factors can and can't be controlled by TNSPs











#### Assessment framework (2)

- manage trade-offs between operation and investment and efficient investment in new network capacity - agree interaction w/reliability standards/frameworks important
- efficient allocation of risks relative LRIC accuracy critical
- efficient dispatch and locational signals note that AEMO finding the history difficult to model, especially delineating generator behaviours



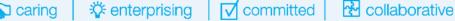






## Implementation options (1)

- still working through staged options
- attractiveness of OFA may vary between jurisdictions if geographic staging eg generator forum shopping
- What methodology will the AEMC adopt in assessing staged implementation?









### Implementation options (2)

- changes of varying magnitude will need to be assessed incl. timing of the RIT-T, planning reports and analysis, pricing modelling and assumptions, historical information for establishing incentive parameters and impact on revenue regulation arrangements
- appears complicated to adjust AEMO's access settlement arrangements to embrace OFA.





