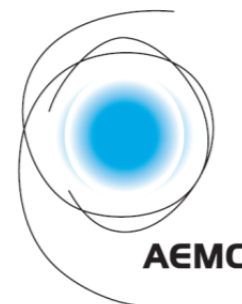


Optional Firm Access Advisory Panel

Meeting 1: 30 June 2014



The second Advisory Panel meeting was held in Sydney on 30 June 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) (via teleconference)
Mark Feather	Department of State Development, Business and Innovation (Victoria)
Vince Duffy	Department for Manufacturing, Innovation, Trade, Resources and Energy (South Australia)
David Swift	Australian Energy Market Operator (via teleconference)
Craig Oakeshott (substitute for Tom Leuner)	Australian Energy Regulator (via teleconference)
Jo Benvenuti	Consumer Utilities Advocacy Centre
Richard Wrightston	AGL
Rainer Korte	ElectraNet
Charles Pople	Industry Adviser to the AEMC

The following AEMC staff also attended:

Name	Position
Anne Pearson	Senior Director
Richard Khoe	Director
Victoria Mollard	Adviser

Ross Bunyon (Special Adviser to the Commission and the Advisory Panel) was an apology for the meeting.

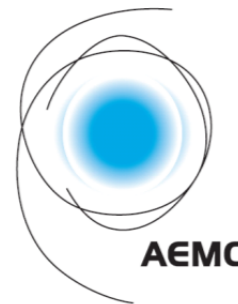
The Standing Council on Energy (SCER) has asked the Australian Energy Market Commission (AEMC) and the Australian Energy Market Operator (AEMO) to undertake detailed design, testing and assessment of the optional firm access model. The model was proposed by the AEMC as part of the Transmission Frameworks 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:

- an update on progress on the project, and stakeholder engagement
- a high level summary of the work we have done developing the optional firm access model, including:
 - the firm access standard

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- incentives
- transition
- different implementation options that we are planning to consider
- a list of potential negative impacts of the model, including increased complexity and possible negative effects on generators' contracting behaviour.

During discussion of an update on the project and stakeholder engagement, the following points were made:

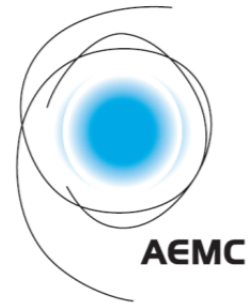
- Some participants noted it was important for consumer groups and their representatives to be kept informed on the development of this work, so that the process is inclusive for them. One possible way for this to occur would be to organise a multi-jurisdictional video conference briefing on the optional firm access model for consumer groups to attend.
- Some participants also noted that it was important to consider, and set out empirically, the level of risk that consumers would face under this model, as well as the benefits. Consumers would find it valuable to have such benefits and risks quantified. Consumers noted that this has not always occurred in previous reform processes.
- The AEMC noted that it is developing a prototype pricing model. There was a large degree of discussion around this aspect, and how a number of impacts from optional firm access depend on this model being produced.
 - Participants considered that the development of the prototype was a positive step, and crucial for the assessment of impacts.
 - There were a number of questions on what happens if there is a difference between the "price" out of the pricing model, and the TNSP's actual costs. The AEMC noted that the pricing model is only intended to be "stylized" and so not accurate to the nearest dollar.

During discussion of the work we have done in developing the optional firm access model the following points were made:

- A comment was made that the participant considered that if one generator obtained firm access, then all generators would need to obtain firm access (ie, firm access would not be optional).
- Numerous parties raised the importance of having appropriate governance over the various elements of optional firm access model, particularly in relation to the firm access planning standard and firm access operating standard. Effective governance (including enforcement, dispute resolution, and regulatory oversight) is important to achieving the effective implementation of the model.
 - A comment was raised that regulatory oversight would be important to ensure that TNSPs comply with their obligations to provide access.
 - The AEMC noted that it will be progressing governance matters further over the next few months.
- Participants noted that the setting of any incentive scheme parameters would likely be difficult, and take some time to reveal the "right" parameters.
- In relation to the transitional element of optional firm access, participants noted that large load (eg, smelters) could close unexpectedly, such that the network would no longer be compliant with the transitional firm access that has been issued to generators located near that load. Since generators have not previously signalled that they value this access (unlike firm access, transitional access would be granted to participants), it would be inefficient and

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costly to customers for the TNSP to be required to upgrade the network to provide this transitional access.

- The AEMC noted that it is considering this issue further.

During discussion of potential negative impacts of the model the following comments were made:

- Participants welcomed the preparation of such a list of negative impacts, and recognised that this was prepared in response to a suggestion made at an earlier Advisory Panel meeting.
- Participants noted that the AEMC should continue to update this, and treat the list as a living document.
- One participant noted that it is very useful for the AEMC to conduct its assessment across a range of scenarios, and that one scenario should reflect where there is a significant shift to off-grid generation.
- Another participant also noted that when the AEMC conducts its impacts assessment it is important that the costs of introducing the model do not gain undue focus because they are easier to quantify than benefits.