

Total Factor Productivity Review Preliminary Findings

Opening remarks

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Chairman

TFP Review: Preliminary Findings Public Forum
1 February 2010
Melbourne Airport Hilton

AEMC

Today's agenda

- Overview of the AEMC's preliminary findings on TFP
- Comments from interested parties
- Way forward for the review
- Listen to stakeholders
- Answer your questions
- Lunch and close of public forum

Purpose of the Review

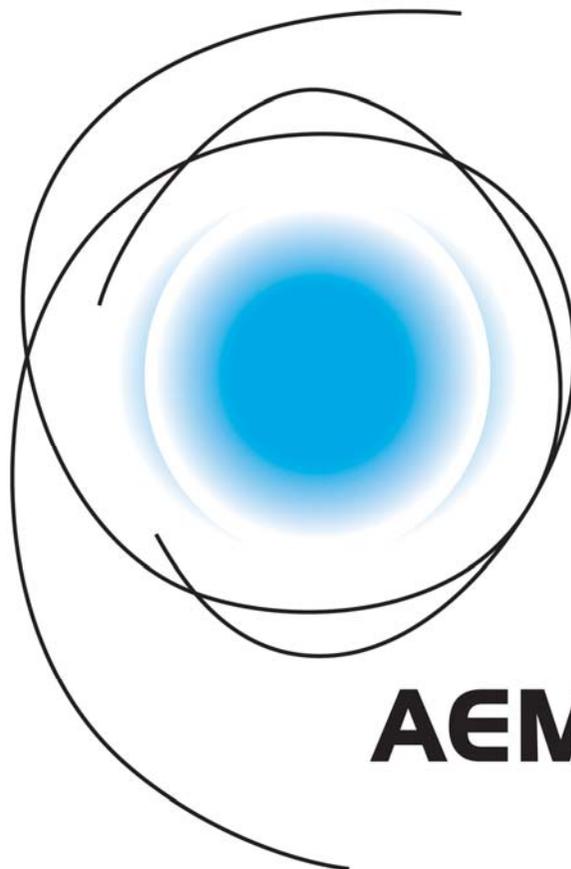
- The AEMC is to advise the MCE whether, at this stage of market development, any allowed application of TFP would contribute to either the national electricity objective and/or national gas objective
- If so, what amendments to the NER and NGR should be made to enable the use of a TFP approach and in what circumstances?
- The counterfactual is the current building block approach
 - that is, are there circumstances where a TFP methodology could better contribute to the NEO and NGO than the building block approach?

Preliminary Findings considerations

- Assuming that there are no issues with data availability and the calculation of the TFP index, what are the economic issues of a TFP methodology?
- Now removing these assumptions, what are the practical considerations of a TFP methodology?
- What are the potential merits and disadvantages of a TFP methodology?
- Do the necessary conditions needed to make a TFP methodology work currently exist or can they be established?
- Before we reach our draft recommendations, what are stakeholder views on the preliminary findings?

Timetable for the Review

- **Submissions due by 26 February 2010**
- Stage 1 Draft Report published in April 2010
- Stage 1 Final Report to MCE in July 2010
- If the Final Report finds that a TFP methodology would contribute to the NEO and/or NGO, the AEMC will then prepare and consult on draft Rules (Stage 2 of Review)



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