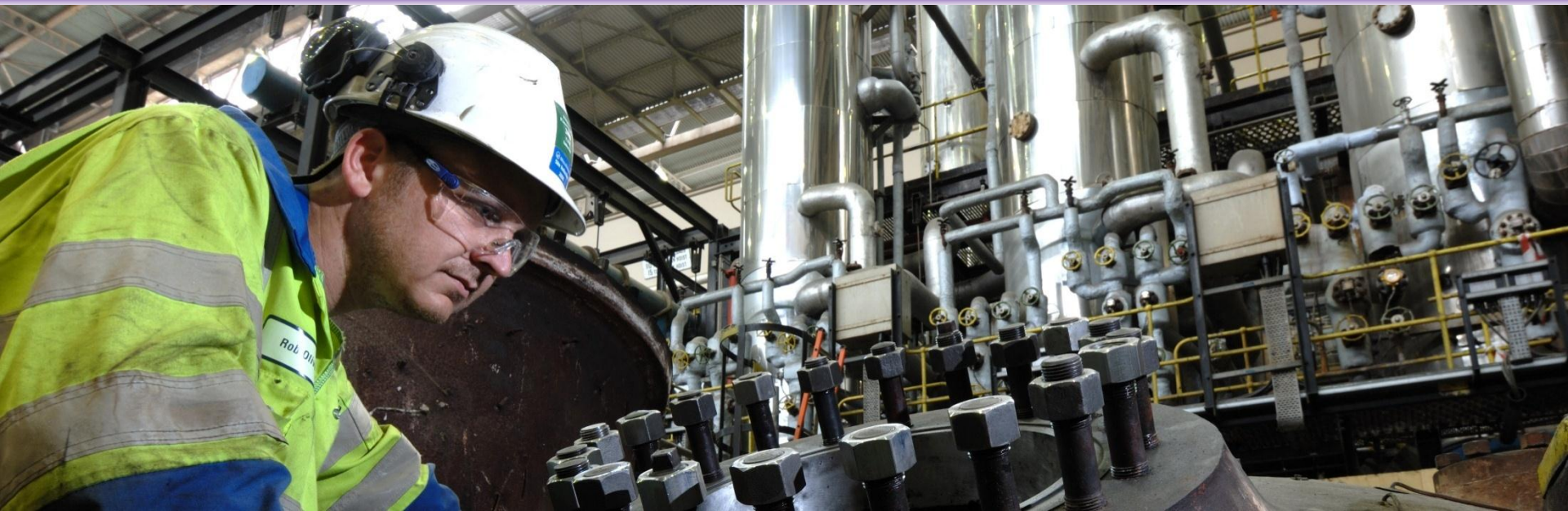


AEMC Forum Transmission Framework Review

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ACCC NEM Access Code Decision 1998

“... the code includes sufficient flexibility for generators and NSPs to negotiate access arrangements (including firm access) which is in the commercial interests of both parties. Nevertheless, if the generators’ concerns are realised, and the NSPs refuse to negotiate terms and conditions, then at that stage it may be appropriate for the Code Change Panel to consider alterations to the code which provide NSPs with additional incentives or obligations to provide firm access arrangements.”

It’s been a long time coming ...

ACCC National Electricity Market Access Code decision, 16 September 1998, page 90

Why do we need change?

- High uncertainty for investors (GFC, Carbon, RET, Energy policy)
 - Current “open access” exacerbates risks
- Generator investors cannot currently manage access risk
- Examples of access risk:
 - Congestion and limitation of Victoria-South Australia interconnection following connection of southeast SA wind farms and subsequent “upgrading”
 - Numerous access limitations in the Latrobe Valley including:
 - Jan 2009: LV congestion during high pool price – substantial cost
 - Basslink connection increased LV to Melbourne congestion

International Power GDF SUEZ strongly supports the principles of the OFA proposal

- We commend the Commission for proposing a significant reform to transmission arrangements in the NEM, and tackling a long-standing deficiency in NEM arrangements
- Consistent with intent of NEM rules and ACCC access approval
- Aligns well with IPR GDF SUEZ proposed access model
- Generators have flexibility – access is optional and tradable
- TNSP responsibilities clarified and linked to efficient outcomes
- Provides for generators to secure access and manages “disorderly bidding”

IPR GDF SUEZ suggested refinements

- Planning arrangements: Separate access planning from reliability planning
- Access pricing: Costs specific to place and time of access
- Lumpy network investment: Avoid incentives to be first / last
- Staged implementation: Realise early benefits / allow time to adapt

Conclusion

- Change is essential !
- IPR GDF SUEZ supports Optional Firm Access proposal
- Focus on refinement - emphasis on simplification
- Suggest a modular/staged implementation

- Non-firm access option (as currently proposed) is not a “do nothing” option
- It is a step backwards and inconsistent with the clear intent at market formation