



Current arrangements compared to optional firm access

AEMC, Optional Firm Access, Design and Testing Review

The AEMC has produced a summary of the key elements of the current arrangements for the NEM transmission framework, focussing on the interrelationship between transmission and generation investment and operational decisions. This is compared to the arrangements that would apply under optional firm access.

Element	Current arrangements	Arrangements under optional firm access
Access	<p>Open access regime in which generators have a right to connect to the transmission network, but no right to the regional reference price. Limited options for generators to seek firmer transmission access rights (for example, NER clause 5.4A).</p> <p>Generators earn revenue by being dispatched. Physical dispatch of electricity determined by dispatch offers of generators and level of network congestion.</p>	<p>Optional firm access regime, giving generators the ability to purchase access rights to the regional reference price.</p> <p>Generators would pay TNSPs to obtain firm access rights.</p> <p>There would be no charge for non-firm access. Although, if there was network congestion affecting dispatch, generators with firm access rights would be financially compensated by those generators dispatched in excess of their purchased firm access amounts.</p> <p>Physical dispatch of electricity unaffected by optional firm access – generators would still earn revenue by being dispatched.</p>
Planning	<p>AEMO as National Transmission Planner undertakes long-term strategic planning. It produces a National Transmission Network Development Plan (NTNDP), in consultation with TNSPs.</p> <p>Jurisdictional planning bodies (TNSPs) are required to plan to meet reliability standards. TNSPs undertake planning more focussed on the near-term and driven by specific investment needs. They produce an Annual Planning Report (APRs), which must take into account the most recent NTNDP.</p> <p>TNSPs also undertake project specific planning through the Regulatory Investment Test for Transmission (RT-T). RT-Ts consider the benefits to generators, consumers and network businesses of a particular investment.</p> <p>The AEMC has the Last Resort Planning Power (LRPP).</p>	<p>AEMO would still produce the NTNDP.</p> <p>TNSPs would be required to plan to meet both reliability, and the firm access planning standards. These standards would work together, rather than being additional to each other.</p> <p>TNSPs would still focus on near-term planning, and produce APRs.</p> <p>TNSPs would also still undertake project specific planning through the RIT-T, where investments to meet either the firm access planning standard or reliability standard required augmenting the network.</p> <p>There would be no need for the LRPP.</p>

Element	Current arrangements	Arrangements under optional firm access
Investment decisions	<p>TNSPs are responsible for making investment decisions, in accordance with their planning activities as above.</p> <p>TNSPs must make investments in order in order to meet the jurisdictional reliability standard. They can also make other investments if the benefits are deemed to outweigh the costs (determined through the RIT-T).</p> <p>Any investments are funded from revenue received from consumers.</p>	<p>Generators would make decisions to drive some transmission investment by purchasing firm access. The firm access planning standard would be determined by the amount of firm access purchased by generators.</p> <p>TNSPs would still need to make investments in order to meet the jurisdictional reliability standard.</p>
Economic regulation of transmission	<p>TNSPs are subject to economic regulatory oversight by the AER in relation to their augmentation, replacement, operating and maintenance costs.</p> <p>The AER sets a maximum allowed revenue that a network can recover from consumers during a regulatory period. This revenue allowance is set on an ex ante basis.</p>	<p>The AER would continue to set an annual aggregate revenue requirement, but this would also take into account the cost of providing firm access.</p> <p>However, there would continue to be a maximum allowed revenue from TUOS charges. Under optional firm access, this would be equal to the annual aggregate revenue requirement less the projected firm access revenue, to avoid this revenue being recovered twice.</p>
Recovery of TNSP revenue	<p>The TNSP's revenue requirement is recovered through transmission use of system (TUOS) charges to consumers.</p>	<p>The TNSPs revenue requirement would be recovered through:</p> <ul style="list-style-type: none"> • Firm access charges paid by firm generators. • TUOS charges paid by consumers. These would not recover costs paid for by generators for firm access.
Pricing for transmission	<p>No charges are imposed on generators for using the shared transmission network.</p>	<p>Firm access charges would be paid by firm generators. This would capture the incremental transmission costs that are created by a generator's decision to locate in a particular part of the network.</p>
Connections	<p>TNSPs (AEMO in Victoria) are responsible for assessing all new generator and load connections against the Rules requirements.</p>	<p>There would be no changes to the connection arrangements.</p> <p>The procurement process for firm access would be separate to the connections process.</p>

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