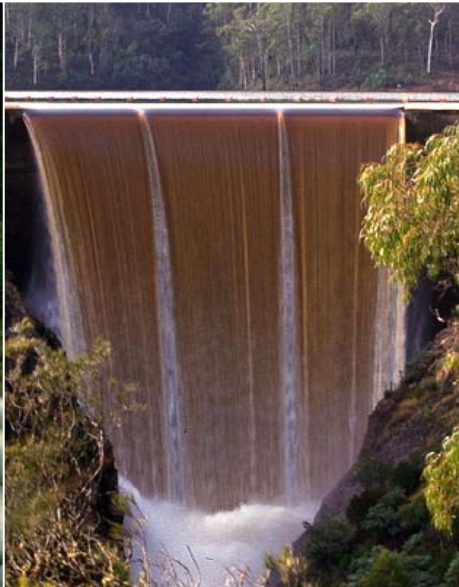




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ACCC Service Standard Guidelines 15th July Public Forum Hydro Tasmania's Response



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Negotiated Commercial Incentives



Regulated Market Based Incentives



Regulated Technical Surrogates



Key Messages:

(1) Current Proposal for Availability is flawed

- Availability does not provide an incentive to drive assets harder.
 - An asset could be down-rated to 5% of normal ratings. If still in service, availability would be unaffected.
- Current targets/measures are inappropriate.
 - Risk of outages only being taken in peak periods to reduce O & M costs.
 - All circuits do not have equal impact



(2) Development of Market impact PI is complex, urgent and essential

- Need to identify fundamental design objective
- Detailed process required
 - To separate TNSP elements (what is provided) from NEMMCO elements (how it is used)
 - To separate out different TNSPs
- Recognise that this potentially creates a substantial workload for the Commission, but must be done.



(3) Some initial thoughts on Market impact PI Design

- Market impact incentives should relate to market costs not % of MAR.
- Market based incentives do not require unique attribution of ‘cause’ or ‘fault’
 - Rather, who is best placed to manage risk and impact?
 - Incentive will drive systems and procedures to manage risks
- Targets should be forward-looking
 - Period of market based scheme will probably have to be shorter than main revenue controls
 - Could establish a shadow scheme to allow all parties to understand effects
 - Allows a focus on NEMMCO and TNSP performance
- Recognise that market is dynamic
 - Once a Scheme is in place, TNSPs will react ‘predictably’ to market impacts
 - Means that participants can take positions knowing how the TNSP will behave
 - Broad market movements dealt with in target setting, caps and collars



(4) Need to clarify Code arrangements for Negotiated access

- Preferable if market participants could negotiate their own preferred enhanced arrangements, with regulated PI scheme as fall back
- However, the Code as it stands is unclear in how this would actually work
- Need for the Commission to develop guidelines (analogous with that for negotiating framework) to clarify arrangements for TNSPs and Market Participants



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Conclusion

- Proposal for availability is flawed and should move to a more focused measure as a first step. (eg: peak times, key circuits)
- Development of market performance measures is complex but urgent and essential.
 - ESAA/NGF proposals are a good start for the development work.
- There is a need to clarify the Code arrangements for negotiating enhanced access

