

Total Factor Productivity Review Framework and Issues Paper

Opening Address

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TODAY'S AGENDA

- AEMC approach
- Quick explanation on TFP methodology
- Present the assessment framework and issues
- Overseas experience
- Listen to stakeholders
- Answer your questions

CONTEXT FOR REVIEW INTO TFP

- Expert Panel on Energy Access Pricing
- NGL and 2007 amendments to NEL allow for Rules permitting TFP methodology
- 23 June 2008 - Victorian Minister's Rule Change Proposal
- 21 November 2008 - AEMC initiates TFP Review
- 12 December 2008 - AEMC Framework and Issues Paper

PURPOSE OF THE REVIEW

- advise the MCE whether, at this stage of market development, any allowed application of a TFP would contribute to either the national electricity objective and/or national gas objective
- if so, what amendments to the Rules should be made to enable the use of a TFP approach and in what circumstances

KEY CONSIDERATIONS

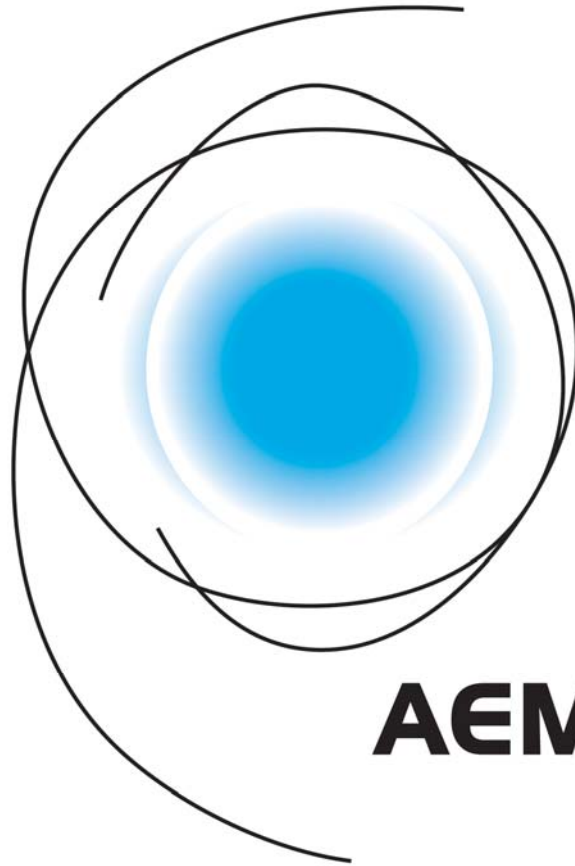
- Potential benefits to users, service providers and regulators
- Regulatory cost and burden
- Future investment needs and challenges facing the industry
- Support for a TFP methodology

KEY ISSUES

- What are the disadvantages with the current applications of the building blocks approach? Could a TFP based methodology address those disadvantages, and how?
- What are the economic and regulatory issues where two parallel forms of price setting methodology are in operation?
- What are the required data collection arrangements necessary to support the application of a TFP methodology? Are these arrangements achievable and/or desirable?

TIMETABLE FOR REVIEW

- Submissions due by 27 February 09
- Stage 1 Draft Report published by June 09
- Draft Report Public Forum
- Stage 1 Final Report to MCE by August 09
- If Final Report finds that a TFP methodology would contribute to National Objectives, the AEMC will then prepare and consult on draft Rules (Stage 2 of Review)



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