



TEC Demand Management Rule Change Proposal - Section 108A Report

Purpose

This Report outlines the Australian Energy Market Commission's reasoning regarding the time required to make a final Rule determination for the Total Environment Centre Inc. (TEC) Rule Change Proposal. The Commission is required under section 108A of the National Electricity Law (NEL) to publicly report on Rules not made within 12 months of public notification of requests (section 95).

Background

On 13 November 2007, the TEC submitted to the Commission a Rule Change Proposal regarding the use of demand management in the National Electricity Market (NEM), with a particular focus on its use by Transmission Network Service Providers. The Commission, on 22 November 2007, published a notice under section 95 of the NEL commencing first round consultation for this Rule Change Proposal.

The TEC Rule Change Proposal seeks to address a perceived lack of utilisation of demand management in the NEM. The proposal, whilst general in nature, particularly covers demand management issues pertaining to the processes of planning and development of networks, economic regulation of network businesses and elements of the wholesale market. More information about the Proposal can be found at www.aemc.gov.au.

Reasons for the Rule change determination not being made within 12 months

The Commission has extended the period for making a draft Rule determination under section 107 of the NEL three times since the publication of the section 95 request.

On 13 March 2008, the Commission extended the timeframe for making the draft Rule determination due to the following considerations:

- the very large and wide range of proposed amendments to the Rules and policy issues for consideration. Some of the issues raised by the TEC were quite high level and required some time to develop and address. Others issues were complex in nature and thus required detailed analysis and consideration;
- the different and varying views of stakeholders expressed in stakeholder submissions. These resulted in additional time to consider and address relevant proposals appropriately; and
- the interaction with the AEMC Review of Demand Side Participation (DSP) in the NEM.¹ This Review is identifying whether there are barriers or disincentives within the Rules which inhibit efficient DSP in the NEM. Following detailed consultation for the Review, including with the DSP Reference Group on which the TEC participates, it became evident that the issues raised for this Review were also relevant to the TEC Rule Change Proposal. Noting the common elements, the timetables of the TEC Rule Change and the DSP Review were aligned.

¹ The draft Report for Stage 2 of the DSP Review is expected to be released in early February 2009. The draft Report can be accessed at www.aemc.gov.au.

On 28 August 2008, the Commission again extended the timeframe for the making of a draft Rule determination. In July 2008, the Commission received a direction from the Ministerial Council on Energy to undertake a Review of Energy Market Frameworks in light of Climate Change Policies.² Due to the broad nature of that Review and the potential for significant interactions of policy, the Commission determined that it would be prudent to align the TEC Rule Change Proposal and DSP Reviews with this overarching work program.

On 18 December 2008, the Commission agreed to further extend the timeframe of the TEC draft Rule determination to 29 January 2009. This was due to a number of specific issues which required additional time to analyse and consider. The additional period resulted in the delay of the publication of the Draft Report for the DSP Review and consequently the TEC draft Rule determination.

Expected timing for the final Rule determination

Based on the requirements under the NEL, the Commission considers that it will make the final Rule determination for the *National Electricity Amendment (Demand Management) Rule 2009* by 23 April 2009. The final Rule, if made, is also expected to be published at this time.

² The 1st Interim Report for the AEMC Review of Energy Market Framework in light of Climate Change Policies was published on 23 December 2008. The Report can be found at www.aemc.gov.au.