

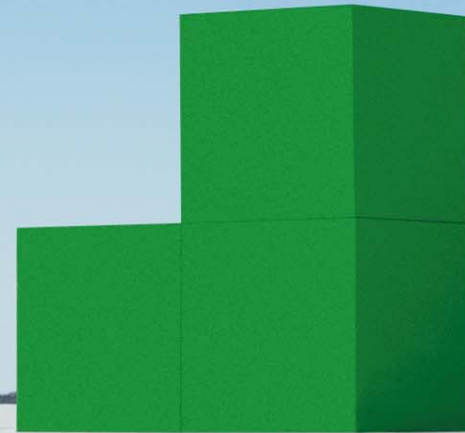
AEMC Power of Choice

Consumer Participation



Phillip Watts

Group Procurement Manager – Energy



There is a lot happening in electricity



Electricity Prices in Australia: An International Comparison - 21 Mar 12

It is commonly considered that Australia's electricity prices are low in comparison to those in other developed countries. However, household electricity prices in Australia have risen by more than 40% since 2007, and are projected to rise by another 30% by 2013/14. [This report](#) was commissioned to assess how contemporary Australian electricity prices compare internationally.

NSW merges major electricity companies - 18 Mar 12

The New South Wales Government has announced a major shake-up to the state's electricity sector which it says will save \$400 million and reduce household bills.

Consumer support for clean energy declines - 8 Mar 12

Consumer support in the US for clean energy concepts including smart and grid technologies, has declined significantly between 2009 and 2012.

Building a smart energy future - 9 Feb 12

SGA welcome's the government's [package of energy efficiency programs](#) designed to drive smarter energy use in business, local government, households and communities for a clean energy future.

The programs include:

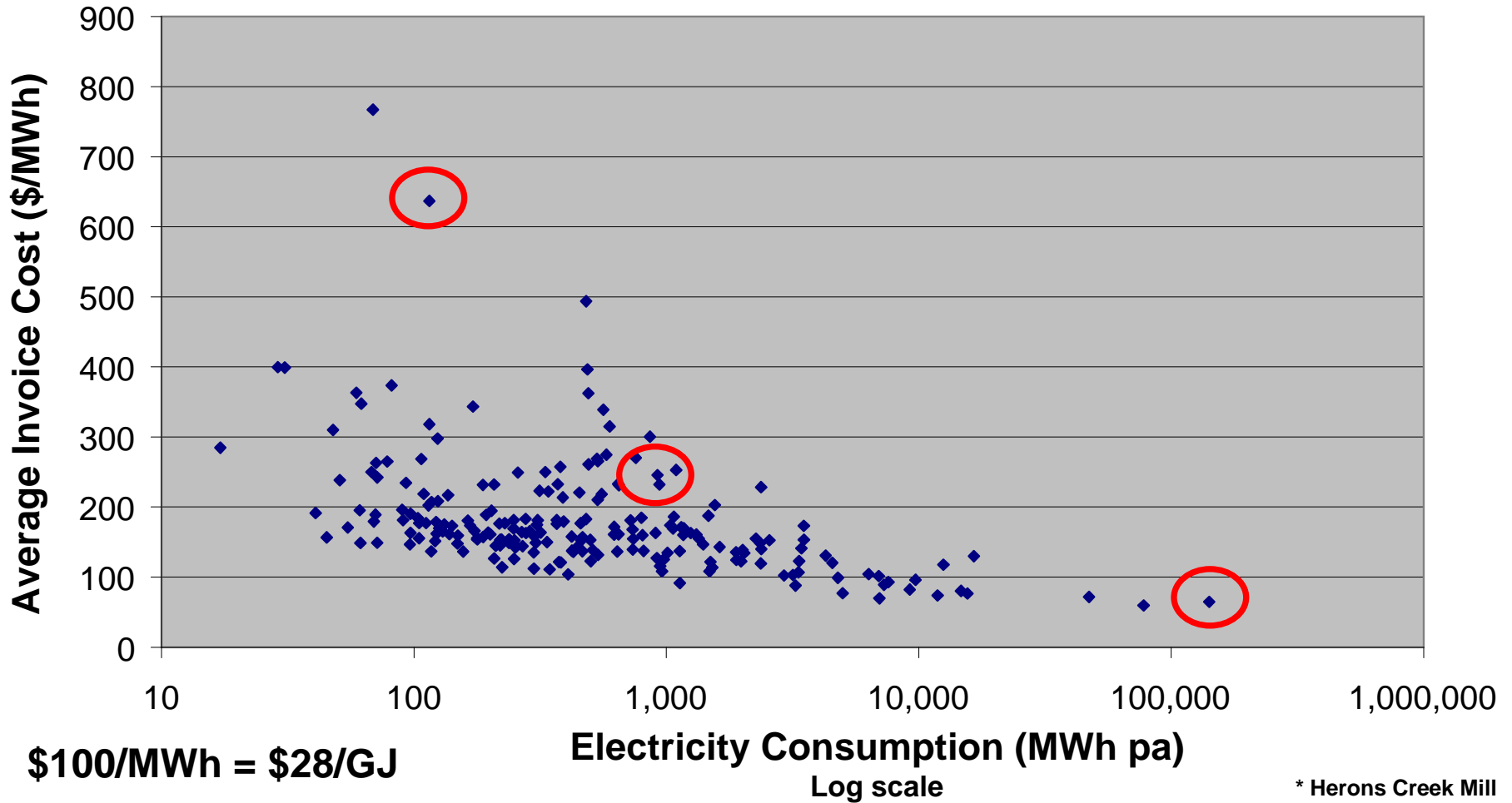
- The Community Energy Efficiency Program - \$200 million to assist local government, not-for-profit and community organisations to undertake energy efficiency upgrades to community infrastructure.
- The Low Income Energy Efficiency Program - \$100 million to support groups of service providers to demonstrate smarter energy use in low income households across Australia.
- The Energy Efficiency Information Grants program - \$40 million to support small and medium sized businesses and community groups by providing information and advice to make smarter energy choices.

Is Grid connected electricity still competitively priced?



Is a 66% increase in electricity invoice costs* over 5 years sustainable?

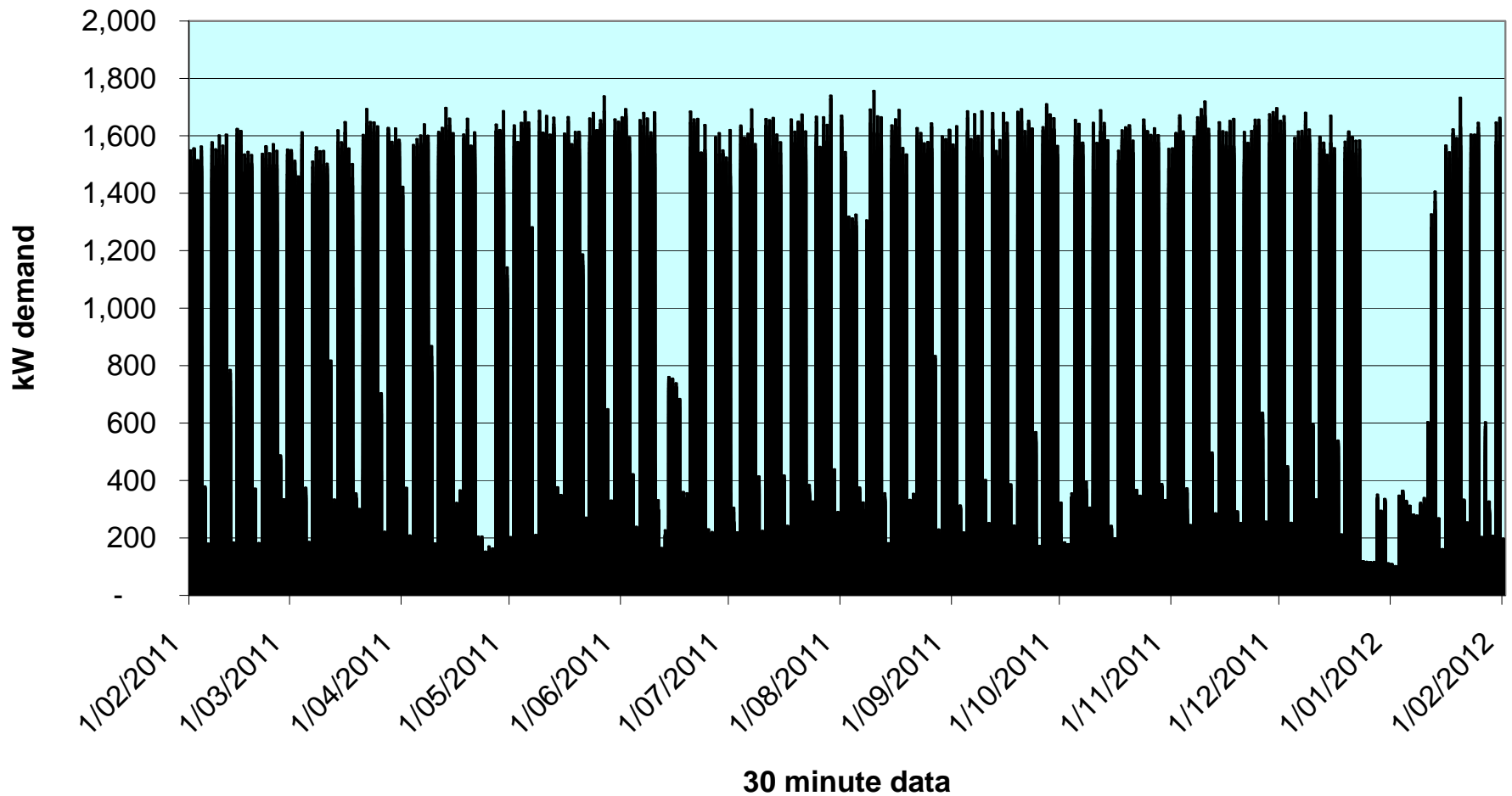
Boral NEM large sites FY11



Industrial electrical loads are not normally weather dependant - so why are there significant increases in regulated network costs from 'growing summer demand'?



Herons Creek Mill



What do consumers really want from the electricity market?

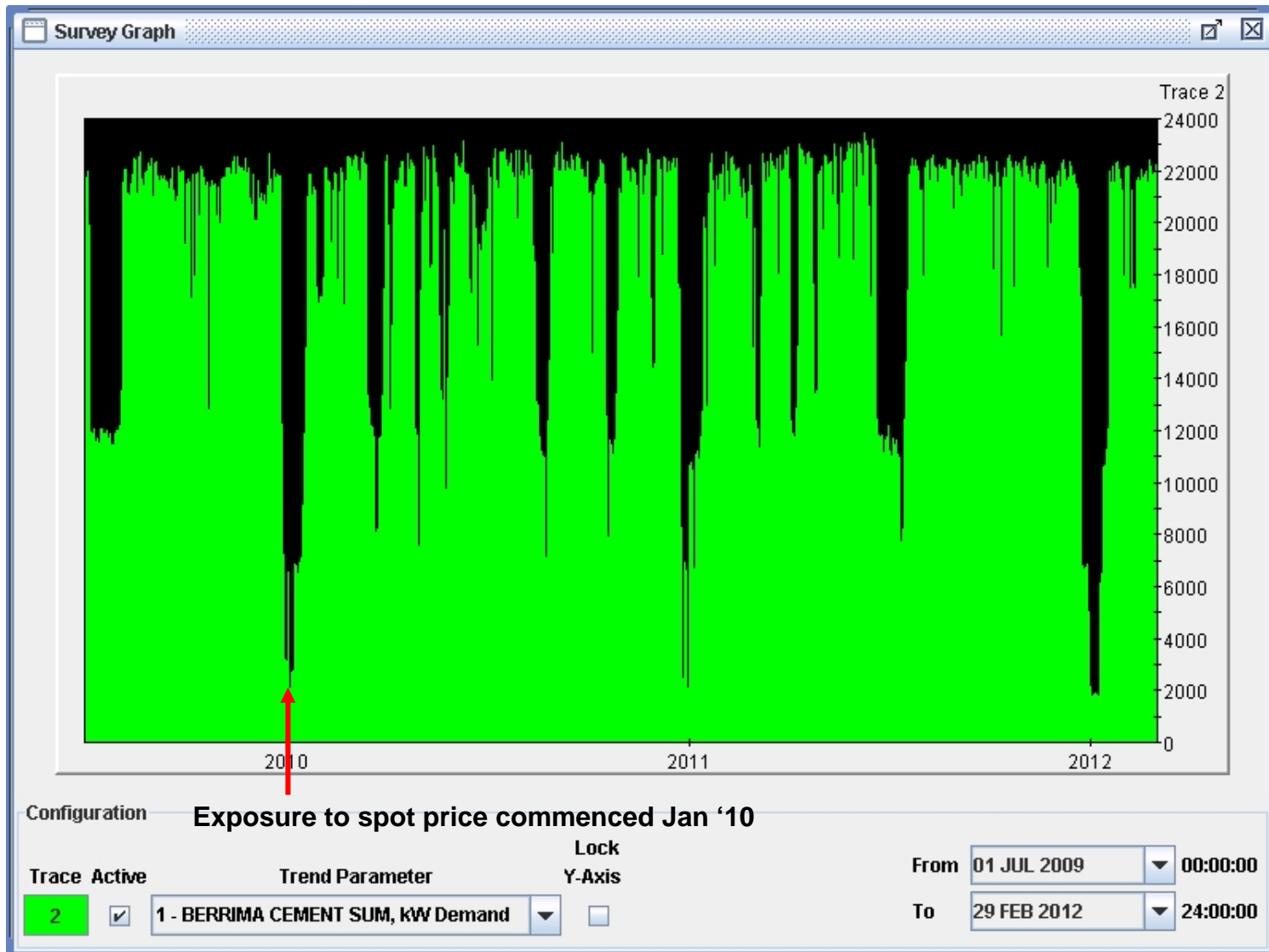


- The energy to be at site, when wanted, within specification
- Pricing to be cost reflective, understood, stable structure over time, able to respond to price signal
- Regulated and market based activities efficient and effective
- Confidence in the above (ie transparency)

How is the market performing?

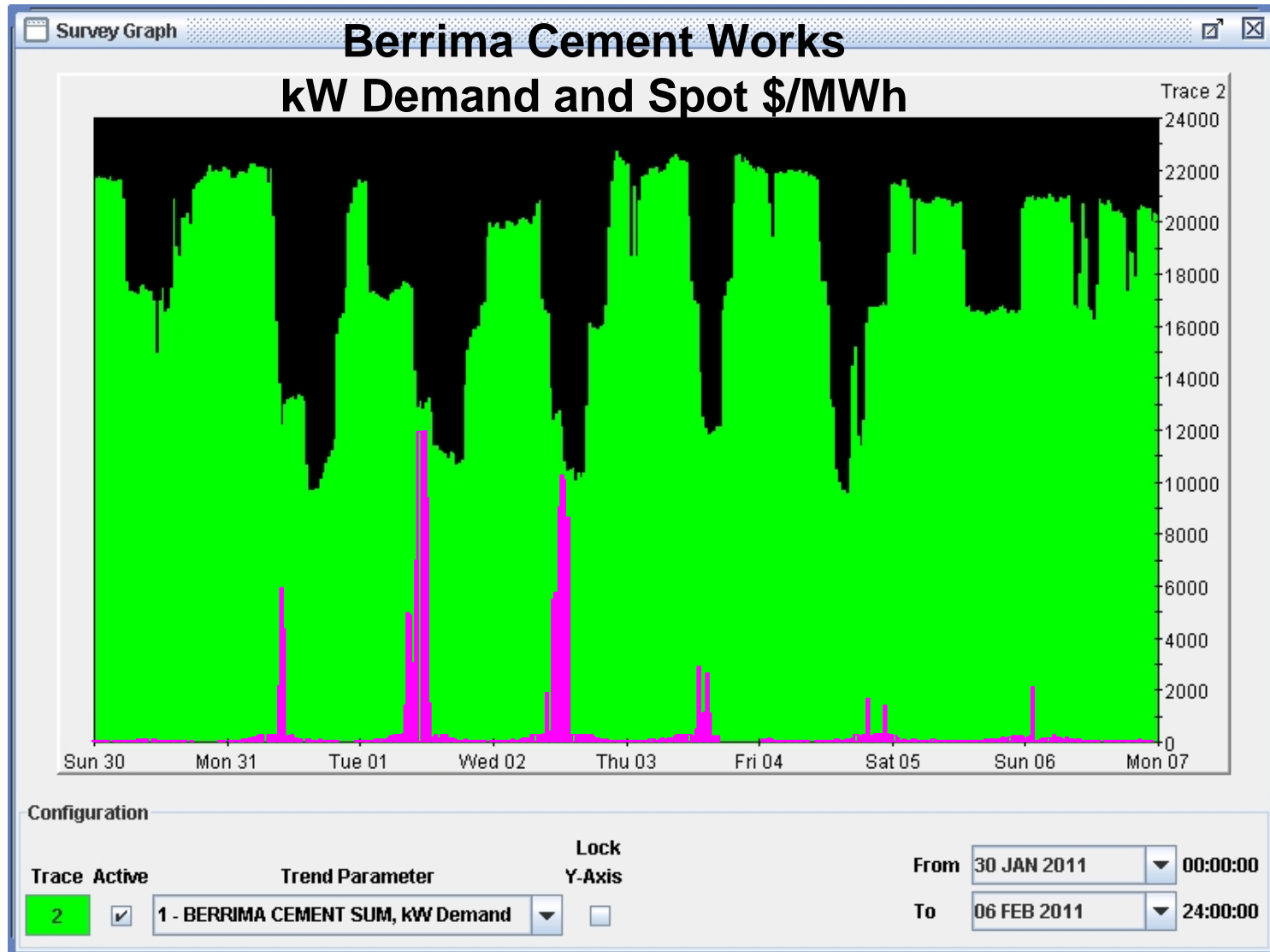
Berrima Cement Works

An opportunity for demand management



Responses to Price Signals do work

when there is Spot market and Network prices



... and if the 'right' information is available when required



■ Value = F_n {price, volume, compliance, communication}

■ Price

- Spot price data – forecast and actual
- Network price data
- Cost of alternate products

■ Volume

- Actual and forecast energy demand
- Product volume 'on hand'

■ Compliance

- The 'what's in it for me' factor and strong leadership for change

■ Communication

- Systems in place to provide data
 - Spot price – forecast and actual, real time production information
- Decision rules to turn off / on
- Delegation of authority to operators



**Most effort
required
here**



Admit that energy costs in Australia are now NOT low and that energy is moving toward world parity pricing!!

- **Energy markets**
 - Where is the efficient market promised?
 - Where are the price signals, a flat peak price for 12 months?
- **Regulated markets**
 - Cost reflectivity? - Don't mix social policy and energy charges
 - Tariff structures? - Keep it simple and stable
 - Transparency? - This will remove customer doubt
 - Return on capital? - Don't incentivise investment for investment sake
- **Metered consumption data**
 - This is owned by the customer
 - The metering provider is custodian of the data for market purposes
- **Demand management**
 - Customers need time to consume and respond

