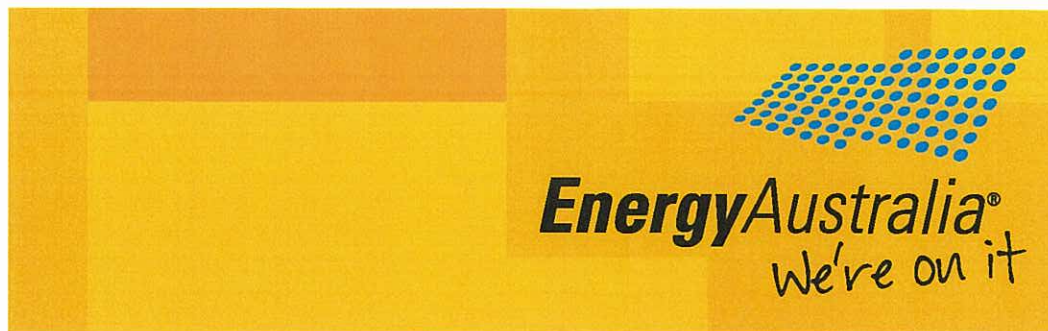


570 George Street  
Sydney NSW 2000

Address all mail to  
GPO Box 4009 Sydney  
NSW 2001 Australia

[www.energy.com.au](http://www.energy.com.au)



13 March 2009

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Email to: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn,

**EnergyAustralia's submission on AEMC's draft decision for demand management Rule change**

EnergyAustralia generally supports the draft Rule changes made by the AEMC in response to the Total Environment Centre's (TEC) rule change proposal relating to demand management. In particular, EnergyAustralia supports the AEMC's finding that the current Rule requirements ensure that both network and non-network alternatives are considered when addressing constraints on the system. We agree with the AEMC that the TEC's proposed Rule change requires NSPs to consider demand management solutions before planning network augmentations and that this would introduce an actual bias to the regulatory framework.

EnergyAustralia supports the principle of providing stakeholders with relevant information on forthcoming constraints and actively seeks to provide such information through public reporting. For instance, as part of our Annual Electricity Development Review, EnergyAustralia provides information on existing and future capacity, loading and duration of constraints on our major transmission and distribution substations.

While EnergyAustralia is supportive of the AEMC's draft Rule changes, we have two concerns with the new requirements relating to the Annual Planning Report publication. Firstly, we consider that the new information requirement to forecast the magnitude of "overload" on individual network elements may be misleading to proponents of demand management. This information, derived through sophisticated load flow analysis, is based on assumptions which change from year to year and therefore the value of the information to stakeholders will be time limited.

Secondly, we are concerned that information on the frequency and duration of constraints on the transmission network will be difficult to forecast with accuracy. Forecasts of the magnitude and duration of constraints on substations and radial networks can be reasonably determined with relative ease. However, many of EnergyAustralia's transmission feeders are located within a meshed network. In such cases, power flows occur through multiple parallel paths and the load reduction required to defer augmentation is much larger than the magnitude of constraint in any individual element. Further, in such

situations it is difficult to provide information on the duration and frequency of constraints. Consequently, data concerning the duration of constraints within meshed networks may not be accurate.

EnergyAustralia also has concerns with introducing the new term 'overload' into the Rules. Planning of EnergyAustralia's network (both distribution and transmission) is carried out in compliance with Schedule 1 of the Design, Reliability and Performance licence conditions promulgated by the NSW Minister for Energy. This document provides that some feeders and substations should be operated above firm capacity for up to 1 per cent of the time. Information on loading in excess of 'firm' capacity, as proposed in the draft rule change, would not necessarily be consistent with a trigger for investment and therefore may be misleading.

To address this issue, rather than adopting the proposed 'over-load' reporting requirement, we consider that the Rule change should require reporting of the magnitude of a 'constraint'. It should be noted that 'constraint' is a more appropriate term and is defined in the Rules.

We note that this issue, together with our central concerns on new information requirements for a TNSP's Annual Planning Report, have been raised by GridAustralia as part of this consultation process. We refer the AEMC to both GridAustralia and ENA's submissions.

On a final matter, we are concerned that if the Rule change commenced before 30 June 2009, we would be required to include additional information on the extent, duration and frequency of network constraints as part of our 2009 Annual Planning Report. EnergyAustralia is well progressed in the preparation of the 2009 report and is not in a position to provide the additional information within the required timeframe. We request clarification from the AEMC on this issue.

Should you have any questions in relation to this submission please contact me on (02) 9269 4171.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Catherine O'Neill', written in a cursive style.

**Catherine O'Neill**  
Executive Manager  
Network Pricing and Regulation