# Power of Choice Review Public Forum

## Supply chain interactions

www.ergon.com.au

**James Bondio**
**Business Manager**
**Alternative Energy Solutions**

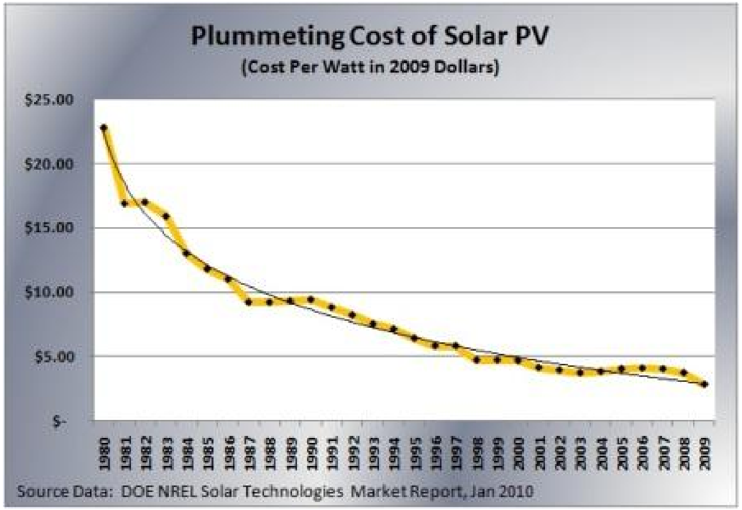
BS002300T100 Ver 1

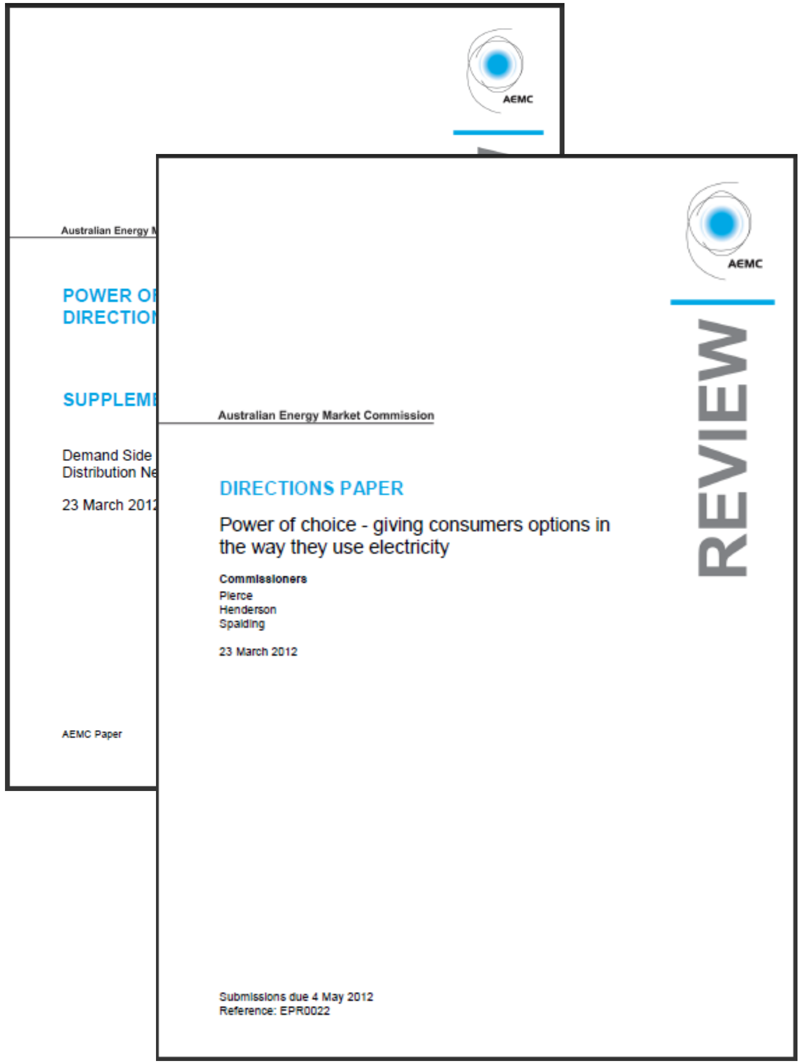
# DSP – Supply chain interactions

## Demand Side Participation

### FRAMING THOUGHTS…

- Demand management isn't just peak demand
- DSP must involve supply side participation
- Regulated supply chain will have competitors
- Critical path is the price path of storage



# DSP – Supply chain interactions

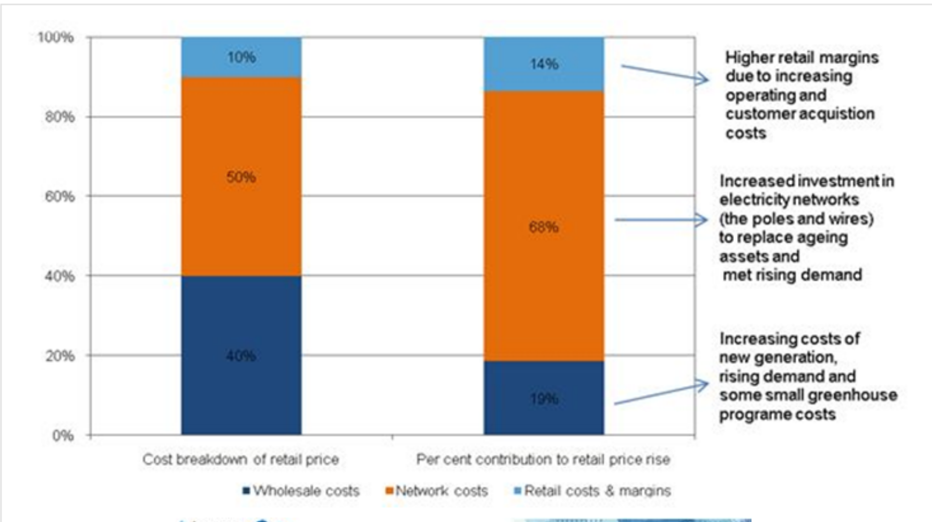
## Capturing value

### OVERCOMING BARRIERS

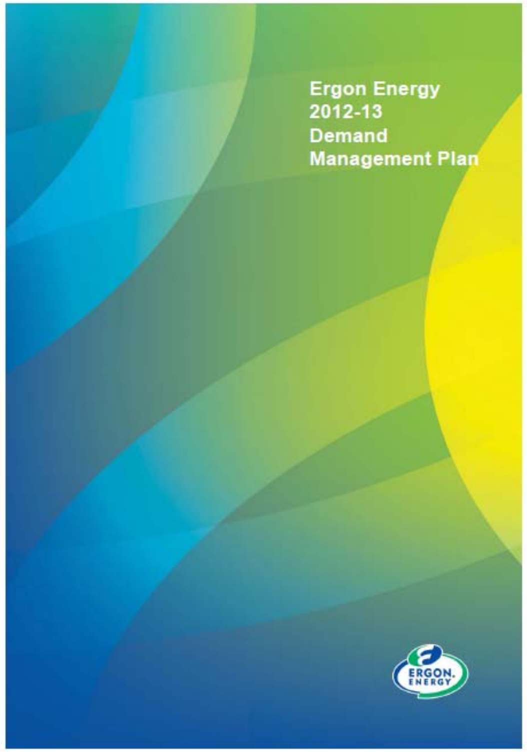
### (Split incentives and free riders)

- Industry separation – vertical separation
- Business separation – decision making separation
- If industry cannot share value, new entrants will capture value

**Figure 3: Electricity costs and their contribution to current price rises in 2010**




Source: Garnaut Climate Change Review Update 2011 — Garnaut Climate Change Review

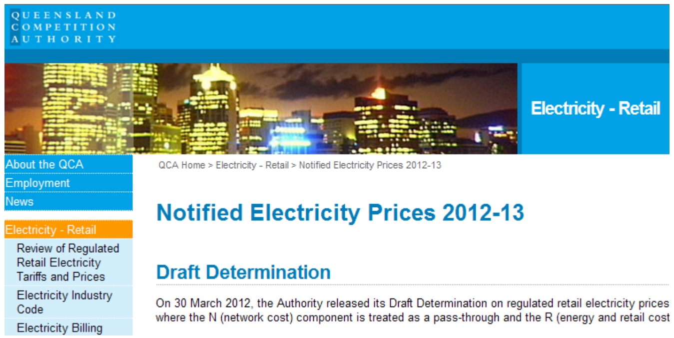


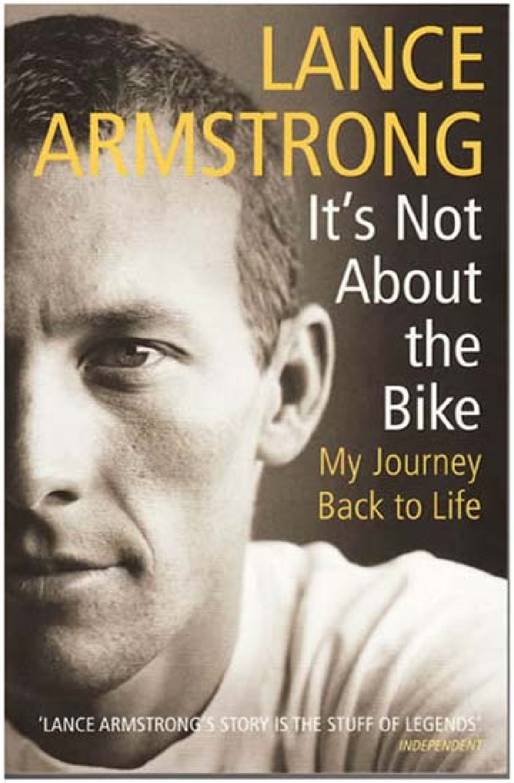
# DSP – Supply chain interactions

## Capturing value

### COST REFLECTIVE PRICING

- Its not (just) about the price: Our journey back to average demand
- Market failures – information asymmetries and public goods (free riders)
- Tariff reform – incentivising off-peak (or not)
- New market development and potential
  - Contracted demand (negotiated or mkt prices)



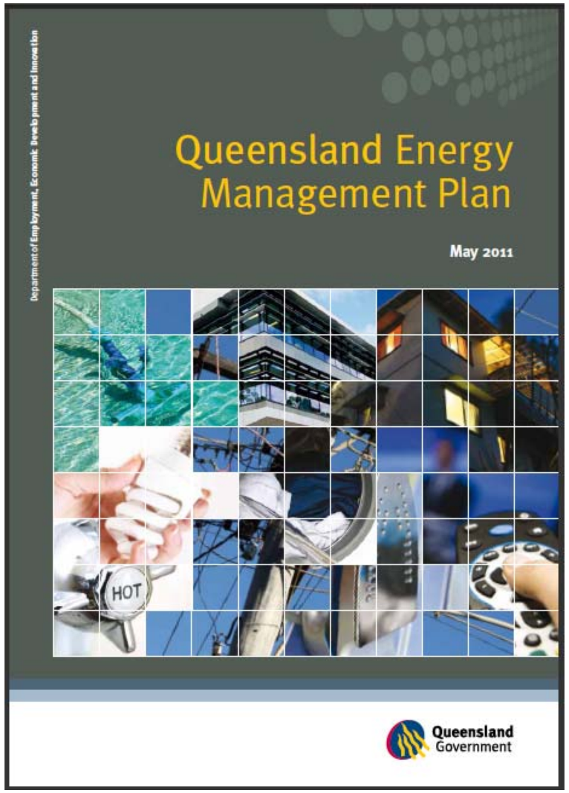



# DSP – Supply chain interactions

## Capturing value

### COORDINATION OPTIONS (QLD)

- Vertical integration (Ergon Energy: DNSP and Retailer + isolated generation assets) $110M DM Program (plus Energex DM program)
- Owner customer integration – owner funded DSP programs $120M CSHS, $60M Trial funding
- Dedicated resources – managing unfamiliar risks

# DSP – Supply chain interactions

## Capturing value

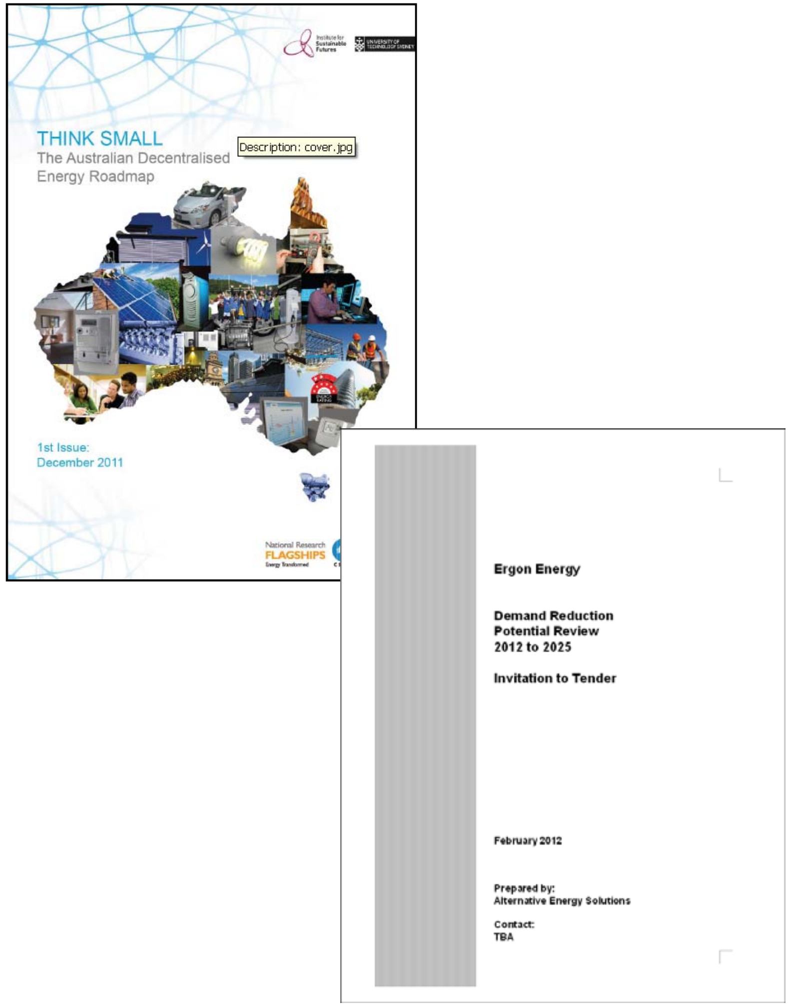
### VALUING & FORECASTING

BENEFITS

- Deferral benefits (planned & unplanned)
- Capacity benefits
- Long run aggregate/system growth benefits
- Capital availability premium?

COSTS

- Trial results
- Screening test benchmarks
- Detailed cost estimates
- OPEX vs CAPEX



# DSP – Supply chain interactions

## Energy efficiency measures

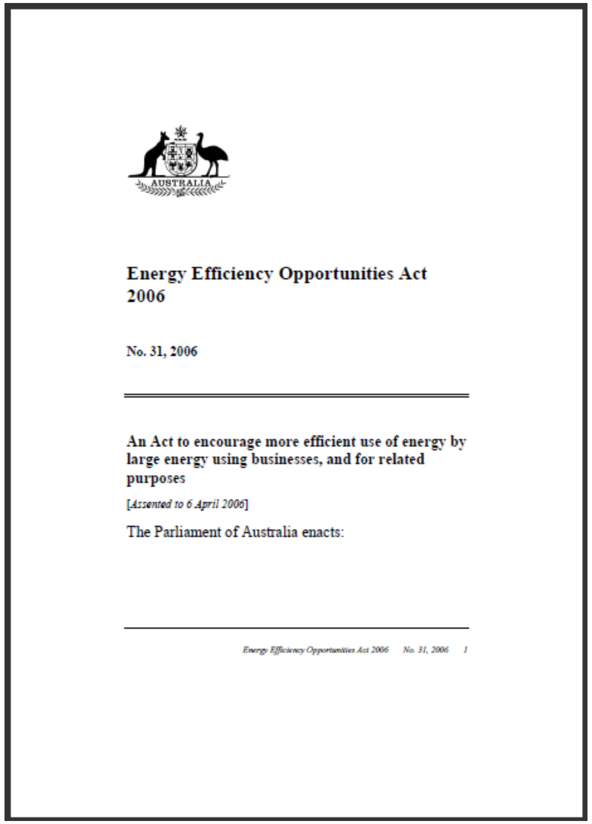
### CONSIDERING INTERACTIONS

- EE : DM ratio is key
- Multiple benefits to improve cases
- Duplication without alignment / information sharing needed
- Energy Efficiency funding and finance can be leveraged
- Joint funding opportunities

Australian Government

working together for a cleanenergyfuture

LOWCARBON AUSTRALIA



AUSTRALIA

**Energy Efficiency Opportunities Act 2006**

No. 31, 2006

An Act to encourage more efficient use of energy by large energy using businesses, and for related purposes

*[Assented to 6 April 2006]*

The Parliament of Australia enacts:

*Energy Efficiency Opportunities Act 2006    No. 31, 2006    1*

# DSP – Supply chain interactions

## Distributed generation

### ENGAGEMENT & INCENTIVES

- Its another DM option and should fit into the cost curves or solution stacks
- Development of consistent Demand Side Engagement Strategies
- Development of regulatory tests and procurement panels
- RIT-D – more time and more projects may not develop solutions
- Developing market and price signals will stimulate engagement


Ergon Energy Corporation Limited

Final Report

Proposed establishment of a new 66/11kV substation at Moranbah

INTRODUCTION AND DESCRIPTION OF PANEL

1. PANEL NUMBER AND NAME
Panel of Project Managers for Strategic Project Development
Panel No. PCP 97

2. NAME AND ADDRESS OF PURCHASER
Ergon Energy Corporation Limited or its successors at law.
109 Lake Street
P.O. Box 358
CAIRNS QLD 4870

3. SCOPE OF THE PANEL
Ergon Energy Corporation Limited is seeking submissions to identify suitably qualified Consultants to form a Panel. Members of the Panel may be selected to provide specialist resources to support Ergon Energy in the identification, development and implementation of a broad range of demand management projects or initiatives as and when the need arises.

Appointment to the Panel will be on an ongoing basis with a periodic review of Panel members.

The disciplines required are as follows:

1. Project Management Services;
2. Project Delivery Services;
3. Energy Auditing Services;
4. Economic Analysis;
5. Business Case Development; and
6. Advisory Services Requiring Subject Matter Expertise

Within each of the above disciplines the applicants may be required to provide expertise in the following areas:

1. Climate change response;
2. Sustainability;
3. Innovation;
4. Renewable energy;
5. Demand management;
6. Energy conservation
7. Generation