



Submission by
Alternative Technology Association

on the

AEMC Review of Energy Market Frameworks in Light of Climate Change Policies

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By Email to: submissions@aemc.gov.au

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1. Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to contribute to the Australian Energy Market Commission's (AEMC) *Review of Energy Market Frameworks in Light of Climate Change Policies*.

ATA is a not-for-profit organisation established in 1980 to empower our community to develop and share sustainable solutions for the way we live and to promote the uptake of sustainable technologies in order to protect our environment. The organisation provides service to over 4,500 members, who are actively promoting sustainability in their own homes by using good building design and implementing water conservation and renewable energy technologies.

As Australia's peak member-based organisation representing early-adopters of renewable energy systems, ATA is in a unique position to highlight the needs and concerns of this important sector of our community.

1.1 The CPRS / RET & NEM Risk

ATA is a strong supporter of the introduction of both the *Carbon Pollution Reduction Scheme* (CPRS) and the expanded national *Renewable Energy Target* (RET).

Whilst neither policy will provide the 'silver bullet' solution to Australia's climate change challenge, once implemented they will become the most significant policy drivers in this area. Each policy also offers the opportunity to further transform the national electricity and gas markets from their current inefficient state to one that maximises investment efficiency *'in the long term interest of consumers'*.

ATA has reviewed the *scoping paper* as set out by the AEMC. Much of the discussion in the scoping paper appears to be focussed on the potential 'risks' in any future transformation of the electricity network to one that includes an increasing share of renewable and low emission energy supply. These risks are framed around the issues of reliability, efficient investment and the management of a network containing increased intermittent generation.

Whilst ATA represents consumers of renewable energy technologies, technical arguments relating to the improvements in reliability and efficiency of large scale renewable energy technologies, such as wind power, is not ATA expertise. There exists a host of other organisations that ATA has previously worked with that can provide substantial technical arguments, in relation to reliability and intermittency, in favour of large scale renewable energy technologies. Indeed, ATA anticipate a number of these organisations preparing detailed submissions on such issues to this review.

From ATA's perspective however, it is the role that demand management and demand side participation can play in off-setting the risks from an increasing share of large scale renewable energy, from both an investment and reliability point of view, that is of importance to this review. It is critical that these demand-side measures are given proper consideration in future network planning, in order to both complement large scale renewable and low emission electricity generation and to achieve greater efficiency in future network investment.

1.2 The CPRS / RET and Demand Management

There are numerous demand management and demand side policy reviews and initiatives currently active within both the AEMC and at various levels of government. Equally, there are a number research studies and on-the-ground pilot projects currently being carried out by numerous organisations across Australia attempting to better understand the potential value of demand management and demand side participation to the National Electricity Market (NEM).

These include, among others:

- Review of Demand Side Participation (AEMC);
- TEC Demand Management Rule Change Proposal (AEMC);
- ACT, QLD and SA Feed-in Tariffs for embedded generation (State Govt);
- Victorian and WA proposed Feed-in Tariffs for embedded generation (State Govt);
- Senate Inquiry into the Renewable Energy Amendment (Feed-in-Tariff) Bill 2008 (Senate Standing Committee on Environment, Communications and the Arts);
- CSIRO's Intelligent Grid Cluster program;
- A host of state-based energy efficiency programs in South Australia, QLD, NSW and Victoria.

Of particular importance are the AEMC's *Review of Demand Side Participation* and the *TEC Demand Management Rule Change*. ATA has previously submitted to both of these policy initiatives and it has been disappointing to note that their finalisation has been postponed indefinitely on the basis of the commencement of this current review. In the scoping paper the AEMC state that its rationale for taking this decision was '*because the CPRS will impact on the potential costs and benefits of demand side solutions in the market*'.

Whilst such a timely assessment of the impacts of the CPRS and RET as initiated by the AEMC is to be commended, ATA maintains that such a review will not provide further quantitative evidence of specific costs and/or benefits to the NEM of demand side measures. Such evidence can only be ascertained at the network planning stage, with specific constraints identified and a thorough cost / benefit analysis of demand side response and augmentation options considered.

Given the current state of Australia's energy mix, ATA contends that it is highly likely that the impact of the introduction of the CPRS and the RET will strengthen the arguments in favour of demand side measures. However, as established by significant research into this area^{1 2}, such a comprehensive assessment of the demand side measures at network planning stage will not occur under the current bias of the NEL and revenue incentives toward network augmentation.

¹ Institute for Sustainable Futures, 2008. "*Win, Win, Win: Regulating Electricity Distribution Networks for Reliability, Consumers and the Environment - Review of the NSW D-Factor and Alternative Mechanisms to Encourage Demand Management*." Total Environment Centre, NSW.

² Headberry Partners & Bob Lim & Co, 2008. "*Does Current Electricity Network Regulation Actively Minimise Demand Side Responsiveness in the NEM?*" Total Environment Centre, NSW.

The Minister for Climate Change, Penny Wong, has stated that there will be further public consultation on the Government's CPRS *White Paper*, due for release in December 2008. ATA is therefore concerned that this will mean the finalisation of this climate change policy review, along with the TEC Rule Change and the Demand Side Participation review, will not occur until late in 2009 or potentially even later.

Given that network planning for the NSW and ACT 2009 – 2014 regulatory period is occurring now and with Victoria due to commence in 2009, there is a significant risk that the next round of regulatory phases will occur without due consideration of demand side measures, leading to significant inefficiencies in future NEM investment.

ATA therefore call on the AEMC to progress both the *Review of Demand Side Participation* and the *TEC Rule Change* proposal in order to properly assess the potential of demand-side measures in achieving greater NEM investment efficiency.

1.3. Further Contact

Feel free to contact me should you have any questions regarding the content of this submission. I am available directly on (03) 9631 5417 or via email at: damien@ata.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. H. Moyse', with a large, stylized loop at the end.

Damien Moyse
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ATA