



20 June 2008

Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

By email: submissions@aemc.gov.au

Review of Demand-Side Participation in the National Electricity Market Stage Two: Issues Paper

The Energy Supply Association of Australia (esaa) welcomes the opportunity to comment on the Stage Two Issues Paper of the Australian Energy Market Commission's (AEMC) Review of the role of Demand Side Participation (DSP) in the National Electricity Market (NEM).

esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of over 40 electricity and downstream natural gas businesses. These businesses own and operate some \$110 billion in assets, employ over 40,000 people and contribute \$14.5 billion dollars directly to the nation's Gross Domestic Product.

esaa endorses the AEMC's Issues Paper as providing an appropriate assessment of the relevant issues to inform Stage Two of the AEMC's DSP review. These include potential impediments to DSP associated with network economic regulation, planning, access and connection arrangements as well as those related to wholesale markets and financial contracting and the reliability framework.

esaa is also pleased to note the Stage Two paper encompasses many of the additional issues identified by NERA Economic Consulting as being beyond the scope of its Stage One paper and that these issues will be addressed in the forthcoming draft report.

One further issue which is of central concern to esaa members and will likely be a factor in the ability of the demand-side to participate more effectively in the NEM will be the impact of Government climate change policies. The introduction of a National Emissions Trading Scheme (NETS) and expanded Mandatory Renewable Energy Target (MRET), in addition to the plethora of state based renewable energy and energy efficiency targets as well as solar feed-in tariffs, will all lead to significant upward pressure on electricity prices. Unless consumers on regulated tariffs are exposed to such price signals any demand-side response is likely to be muted.

While the above issue is not addressed to any extent in the Issues Paper, esaa notes that the Ministerial Council for Energy, following its latest meeting on 13 June 2008, has directed the AEMC to undertake a review of the current energy market frameworks to determine whether any amendments are necessary to accommodate the introduction of the NETS and expanded MRET. The importance of consulting on these issues with energy industry was also highlighted by the MCE who requested the AEMC to establish an industry Advisory Committee to inform the review and esaa would value the opportunity to be involved in this process.

Again, esaa supports the issues identified in the Issues Paper as appropriate in informing the Stage Two draft report and looks forward to providing further commentary in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Naughton', with a large, stylized flourish at the end.

Peter Naughton
Executive General Manager