



AEMC Power of consumer choice – directions paper

General backgrounder

The pattern of electricity demand in the National Electricity Market has changed. Peak demand is growing fast. This puts pressure on the power system's ability to meet demand without significant investment in more generation and network capacity – which will cost everyone more. An AEMC review, Power of choice, is exploring how to use the system more efficiently through capturing the value of demand side participation.

Directions paper published 23 March 2012

The AEMC has called for stakeholder comment on the Power of choice review's directions paper which sets out our views on the market conditions needed to facilitate uptake of efficient demand side participation by consumers and other parties. Public submissions on the direction paper's findings are being sought until 4 May 2012.

What are options for demand side participation?

Demand side participation includes options which are available to consumers (or to intermediaries acting on their behalf) to reduce or better manage their electricity use. Examples can include (but are not limited to) electricity conservation, fuel switching, energy efficiency and peak load shifting.

What's in the directions paper?

The directions paper assesses potential for greater demand side participation in the electricity market, identifies specific market conditions required for efficient demand side participation.

Issues raised for further analysis are based on feedback from stakeholder consultation, submissions received by the review to date, and evidence gathered by consultants' reports.

The paper includes commentary on potential opportunities to improve market and regulatory arrangements. This will help support market conditions which will open the way for consumers to make appropriate decisions on how they value and use electricity and for the market to support such decisions.

It considers consumer participation and each segment of the market (the wholesale market, network, retail businesses and other parties). The paper reviews the role played by each part of the supply chain in facilitating uptake of demand side participation, when it is efficient to do so.

The directions paper is accompanied by an overview paper and a series of fact sheets:

- About the review
- Electricity prices – current drivers and future options
- Household electricity use
- Commercial and industrial electricity use
- Options for demand side participation
- Technology and its role

These fact sheets, along with an overview and a full copy of the report, can be found here <http://www.aemc.gov.au/market-reviews/open/power-of-choice-update-page.html>

There is also a summary of frequently asked questions and a glossary to terms used in the report.

This review is about identifying opportunities for consumers to make informed choices about the way they use electricity.

Your submissions on our directions paper

Stakeholder feedback on the directions paper is being sought through written submissions, bilateral meetings or through other forums.

Evidence of your experiences in the market that may assist us in assessing the issues and developing potential options for change is particularly welcome.

A public forum for stakeholders to present their views and provide the AEMC with feedback on key considerations for the next stage of the review will be held in Sydney on 19 April 2012.

Submissions to the directions paper close on 4 May 2012.

We will also canvass issues raised with the review's Stakeholder Reference Group. More information about the review's stakeholder reference group can be found here <http://www.aemc.gov.au/market-reviews/open/power-of-choice-update-page/stakeholder-reference-group.html>.

Next steps

The review's next stage will deepen its investigation of issues raised by the directions paper and assess potential options for reform where necessary.

Our focus is on four areas where there are opportunities to facilitate an efficient level of demand side participation in the electricity market over the long term.

- **Consumer participation** – enabling consumers to more actively consider how to maximise the value of their electricity use through technology (e.g. metering) and access to better information.
- **Improving products and services, including price signals** – market facilitating consumer participation through providing diverse products and flexible terms to meet consumer needs (e.g. prices which reflect supply costs at different times and locations). This includes appropriate protection for vulnerable customers;
- **Distribution business incentives** – arrangements encouraging distribution businesses to maximise the potential of DSP as an alternative to network investment and support consumer choice; and
- **Supply chain interaction** – ensuring that the full value of DSP is identified and captured across the different market sectors.

We are also investigating how energy efficiency measures that impact or seek to integrate with the operation of the National Electricity Market and will provide advice on the potential of these measures to promote efficient DSP.

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