

# Australian Air Quality Group

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March 17, 2015.

## Comments by the Australian Air Quality Group on the proposed Demand Management Incentive Scheme Rule Change

It was reported that the AEMC's research report "Power of choice review - giving consumers options in the way they use electricity" estimates the potential consumer savings for demand management at between A\$4 billion and A\$12 billion, which translates to annual household bill reductions of A\$120 to A\$500.

It is important to protect the interests of all electricity consumers, and provide the best possible incentives to encourage demand management, whenever this would be cheaper than building new poles and wires. This will not only save money, but reduce greenhouse gas emissions.

Previous rules allowed network providers base their charges to retail companies on an assumed rate of interest for the money they borrowed that was higher than the interest rates they actually paid. Consequently network companies' profits increased if they borrowed money for capital expenditure on unnecessary infrastructure - leading to a "gold plated" grid.

If this continues, it will reduce the benefits of the proposed rule change will be diminished. As part of this or another rule change, the charges that network companies are allowed to pass on (for current as well as future loans) should based on the lower of what the companies actually pay in interest, as well as the best rates available to a prudent network company.

We therefore support the rule change proposed by the Total Environment Centre together with continuous review to ensure that the rules are refined as necessary to ensure that the objectives listed above will be met.

Yours sincerely,



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