

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

Power of Choice – PGG response

The generators listed in the side-bar write to you to raise two specific matters.

First, to endorse the consultation paper: *Economic implications of the proposed Demand Response Mechanism*, prepared by SFS Economic (the Consultant's Report) on behalf of the Energy Supply Association of Australia and the National Generators Forum (attached to this letter).

The generators listed in the side-bar, comprised of significant publicly listed and privately owned generation and vertically integrated entities, endorse the Consultant's Report and agree with the issues and concerns raised in the report. To that end, the points made build upon the matters expressed by a number of the listed generators in their own individual corporate submissions.

Second, the Consultant's Report highlights an issue which requires explicit acknowledgement. This being that there is no market failure that has been identified which the proposed demand response mechanism is trying to resolve.

The National Electricity Market already values demand response and hence there exists incentives for demand side response and a range of options for large customers who wish to engage in the market.

- Demand response is available, and is valued by retailers, in contracts with commercial and industrial customers.
- Customers with embedded generation have the opportunity to use that embedded generation to offset demand at times of high prices.
- Sophisticated customers can, and have, had direct access to the spot market price and can curtail generation at times of high prices, or more simplistically, commercial customers can contract directly with generators instead of retailers.
- It is feasible for large customers to offer network support or act as a physical cap against high prices in return for payments from a market participant, either a retailer or generator; to curtail consumption at specified times.
- And at the most basic level, customers can reduce consumption and pay lower bills.

Demand response is valued by the National Electricity Market and there is an absence of market failure that requires redress. Nevertheless, noting benign wholesale prices it is not surprising that actual demand side participation has been muted given the opportunity costs involved.

Alinta Energy

Energy Brix

Intergen

International Power
GDF SUEZ

NRG Gladstone

Origin Energy

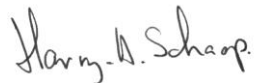
EnergyAustralia

PO Box 5003
Alphington
Victoria 3078

The generators listed in the side-bar encourage the Australian Energy Market Commission to consider the findings of the Consultant's Report and the matters raised above.

Should you have any enquiries regarding this submission, please do not hesitate to contact either myself on 03 9499 4249, 0413 623 043, email: Harry.Schaap@tpg.com.au or Jamie Lowe on 0477 299 827, email: Jamie.Lowe@alintaenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Harry A. Schaap". The signature is written in a cursive style with a large initial 'H'.

Dr Harry Schaap
(on behalf of the listed generators)