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27th May 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
SYDNEY NSW 2000

submissions@aemc.gov.au

Dear Dr Tamblyn,

**RE: AEMC Draft Review of the Role of Demand Side Participation in the NEM.
Stage 2: Issues Paper.**

The NGF appreciates the opportunity to provide the following comments on this issues paper.

Comments

General

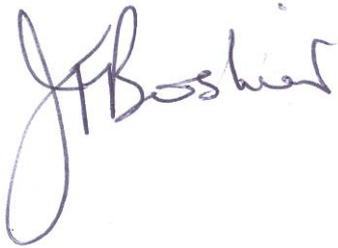
As a principle, competitive neutrality should be maintained. Specific areas to highlight include;

1. NEMMCO fees and charges should be consistent with the principles applied to fee setting for generators, and hence if demand side participants have specific administrative requirements then we suggest that a separate category for demand side proponents be defined so that NEMMCO administrative costs specific to DSPs are not spread to other market participants.
2. DSPs should have comparable information obligations to those of generators. For example price sensitive loads greater than 30MW should provide comparable information to those of generators. The aggregation of loads (such as hot water ripple control) should also provide information, perhaps along the lines of intermittent generators. Either way it is the NGF's strong view that unexpected offloading causes significant inefficiencies in dispatch and in some instances contracting (such as short and near term outage cover). Some examples of the inefficient outcomes stated above include:
 - a. The unnecessary dispatch of fast start units to cover high spot prices (only to watch the price fall due to an unforecast demand response).
 - b. Incorrect pricing of contracts (particularly day ahead outage cover) caused by high predispatch forecasts yet the outcome is lower spot prices due to demand side response that is not factored into the predispatch forecasts.

5.3.1

The Reserve Trader should not become a permanent feature of the NEM. Ideally DSPs should focus on repackaging their products so they are compatible with, and tradable with, other market participants. Coupled with an obligation to provide information to the market (for example to MTPASA) the trading of DSP products could then become integrated into the market mechanisms. It is then anticipated that over time the Reserve Trader will become redundant once depth in DSP products develops.

If you have any questions in relation to this submission, provided by the NGF please do not hesitate to call Mr Brett Gebert on (07) 3222 9354

A handwritten signature in blue ink, appearing to read 'JBoshier', with a large loop on the left side.

John Boshier

Executive Director