

15th Aug 2012

Alex Fattal
Australian Energy Market Commission
www.aemc.gov.au



Dear Mr Fattal,

Consultation on draft determination: Small Generation Aggregator Framework ERC0141

As a provider of energy efficiency, consumer engagement and load profile transformation services, Energy Makeovers strongly supports the implementation of the “small generation aggregator” (SGA) framework and the supporting NER rule changes.

We believe the rule change will have the practical effect of enabling small generators to become NEM participants by lowering the barriers to entry such as the direct and indirect transaction costs identified in the rule determination. This should increase competition in peak spot price periods, reduce pool prices and decrease the costs to retailers and ultimately consumers. Though the peak spot price may not always coincide with peak load periods, we note that often these do happen simultaneously, during summer/winter seasonal spikes in demand.

We note that there is no locational signal in this rule change. We note, therefore, that it is unlikely this rule change by itself would eliminate the pressure for further investment in distribution networks to augment load-constrained infrastructure. Accordingly, we recommend that other mechanisms such as the Demand Management Incentive Scheme and the avoided TUoS and DUoS payments be strengthened through regulation. We believe this combination of measures would be a powerful driver towards the installation of small generators at known network constraint locations. Importantly, we note that the negotiations over TUoS / DUoS payments between embedded generators and networks are not regulated and it is known that these negotiations are difficult to progress given the advantaged negotiation position of large monopoly network companies. This issue is currently under consultation in the AEMC’s Power of Choice review, and we look forward to see the outcomes of the AEMC’s considerations of the issues from the review.

We believe that the introduction of the new technology neutral SGA framework will encourage “clean energy entrepreneurs”, such as ourselves, to develop innovative SGA / MSGA models that go beyond the commonly cited models that refer to cogeneration or trigeneration generators within commercial or industrial areas. For example, we believe there is significant potential for the utilisation of large-scale battery storage physically co-located at network constrained sites (e.g. substations) to discharge power during peak loads and reduce the strain on the distribution infrastructure. An SGA / MSGA could operate several such battery storage installations as generators, charged by off-peak grid electricity or intermittent renewable energy sources. This is a project concept that Energy Makeovers and its partners are actively investigating.

If you wish to discuss any of these issues further please do not hesitate to contact me on 0407 465 289 or Avi Ganesan on 0401 334 516.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Bryn Dellar', with a long horizontal flourish extending to the right.

Bryn Dellar

Managing Director

Energy Makeovers Pty Ltd

www.energymakeovers.com.au