

19 July 2010

Mr. John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

ERC0104 - Submission to AEMC
Re: Draft Rule Determination - Aggregation of Ancillary Service Loads

Dear John,

Energy Response wholeheartedly supports the changes that have been proposed in the draft rule determination. We commend the Commission on its work, which we believe will advance the National Electricity Objectives.

We would like to comment on some views which were raised in section 7 "Wider Issue - Interaction between Market Customers and market loads for MAS" of the draft rule determination.

AETVP suggested that, since end-users can select their preferred Market Customer, there can be no misalignment between the commercial interests of the Market Customer and the end-user. This is not the case. When the price of FCAS services is bundled with the dominant energy price, end-users will under most circumstances choose a retailer which offers a more competitive energy price. As such, there is no competitive pressure on retailers to procure FCAS services on sensible terms.

The Commission noted in its conclusion to Section 7 that it would be beneficial to investigate FCAS arrangements for loads and small generators concurrently. Energy Response would like to draw the Commission's attention to the idea raised in AEMO's Small Generation consultation, of allowing the aggregation of loads and generators together for the provision of MAS. Our experience in the New Zealand market suggests that by combining very fast-acting load curtailment with small, not-quite-so-fast-starting generators provides a reliable and cost effective way to provide frequency raise services. We cannot see any reason to treat loads and generators separately, if they are both capable of providing the same service.

Energy Response thanks the Commission for the opportunity to comment on this important topic. We strongly support the further investigation of the points identified in the conclusion and look forward to working together with the commission on this matter.

Yours sincerely,



Michael Zammit
Managing Director
Energy Response Pty Ltd