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**RE: AEMC Review of Energy Market Frameworks in light of Climate Change Policies, 1<sup>st</sup> interim report**

Jemena Ltd (Jemena) appreciates the opportunity to comment on the Australian Energy Market Commission's 1<sup>st</sup> Interim Report on the Review of Energy Market Frameworks in light of Climate Change. This response is on behalf of our distribution networks, Jemena Electricity Networks (Vic) and Jemena Gas Networks (NSW) and our transmission gas business, Jemena Pipelines (Eastern Gas Pipeline, VicHub and Queensland Gas Pipeline).

The network businesses have been involved in the development of the Energy Networks Association (ENA) submission and endorse that response.

Jemena is supportive of the review expressed in the 1<sup>st</sup> Interim Report that the wholesale electricity and gas markets are capable of promoting efficient, reliable and secure energy supplies without any fundamental change. It is important that the market be given the opportunity to develop mechanisms to improve price signals through enhancements such as the Bulletin Board and the Short Term Trading Market (STTM) in the gas industry.

The 1<sup>st</sup> Interim Report expresses a view that there is potential for more intervention by the system operator to overcome shortfalls in the supply of generation or gas production. Any such intervention must be limited to market settings. The system operator's role must not extend to facilitating or investing in new generation or exploration or production of gas. Such an approach would be at best a conflict of interest and at worst a retrograde move back to a vertically integrated, state controlled energy company.

Jemena continue to be concerned with the demand and forecasting risks the CPRS and other environmental policy initiatives pose to our distribution businesses. Any risk in the accuracy of forecasting demand, the cost and uptake of embedded generation and the technical operational implications of increasing levels of localised generation on our networks will be at the risk to the distributor under the current framework. Intermittent, peaky localised generation on our network may pose new operational, technical, protection and control challenges in the future which may need a step change in investment on the network when the impacts are better understood.

Jemena also endorses the ENA view that the efficient operation of the energy market framework is contingent on having regulatory settings which ensure full cost recovery of efficient network costs and which enable climate change related price signals to reach right through to end users.

The businesses are in the best position to deal with these challenges and it will be important to have the flexibility to innovate both at the technical and regulatory level. Where regulatory environments are not flexible enough to cater for these risks or the necessary step changes, investment may be in jeopardy. In this context we emphasise the value of maintaining a stable regulatory environment which provides sufficient flexibility for distributors to respond to the challenges of operating in a carbon constrained environment. .

If you have any further questions regarding this response please feel free to phone me (02) 9270 4512.

Yours sincerely

A handwritten signature in black ink, reading "Sandra Gamble". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Sandra Gamble  
**Group Manager Regulatory**