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29th January 2008

Dr John Tamblyn
Chairman
AEMC
PO Box A2449
Sydney South NSW 1235

Dear Dr Tamblyn,

Re: TEC Rule change proposal – demand management and transmission networks.

We enclose our response to this proposal. In principle we are in support of these rule change proposals to the extent that the proposed changes create significant and sustainable efficiencies in the network including cost savings which ideally would be passed on to the residential users and other small end-users. We note that affordability of electricity is an increasing issue for Queensland consumers with significant price increases in the last year. This trend is likely to continue as significant upgrading of the network continues to occur; as demand increases and places pressure on the network and as more cost-reflectivity is embedded in pricing.

The Centre for Credit and Consumer Law was has the overall objective of promoting the attainment of a fairer, safer, and more efficient marketplace, particularly for low income and vulnerable small end-users. This submission is possible because of funding received by the Centre for Credit and Consumer Law from the National Consumers Electricity Advocacy Panel.

The TEC rule change proposal with its focus on demand management is also in step with the national and international context of climate change and the reduction of green house gas emissions which will have far reaching economic and social consequences.[1] Hence, we support TEC's proposal that a demand management objective be inserted in the NEL.

The TEC rule-change proposal identifies the explicit need for conservation efficiencies to be in step with the benefits of augmentation of the network and a greater balance between supply-side and demand-side efficiencies. While it is important to get the right level of augmentation for reliability purposes and security of supply there needs to be balance with demand management options. In the current framework this is not impossible.

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[1] Intergovernmental Panel on Climate Change (2007) Working Group 2 Report. *Impacts, Adaption and Vulnerability.* Contribution of Working Group 2 to the Fourth Assessment Report of the IPCC.

We also note that from a consumer perspective transmission matters are an upstream issue. However, as network costs comprise a significant part of the ultimate cost borne by the consumer any cost-savings in the transmission network and improvements in systems efficiencies is welcome.

We note that for some time now demand management strategies have been directed specifically at consumers through various energy efficiency measures. While we have concerns that low income and disadvantaged consumers can be disadvantaged by some efficiency measures[2] in principle we believe that everyone in the energy chain has a responsibility for energy conservation and this includes the transmission networks.

We support the specific Rule changes proposed by TEC as outlined under the following headings:

1. **Transmission network planning**
   This proposal enables a re-balancing so that the appropriate strategy – augmentation and/or demand management can both be engaged in transmission network planning.
2. **Annual Planning Reports**
   Transparency in transmission network planning is vital. Planning is significantly aided by the provision of robust data which enables all potential participants to be aware of constraints that may aid in the delivery of demand management options.
3. **DM Incentive for Transmission**
   Again, this is a re-balancing initiative which would enable demand management to be viable under the current structure which places significant incentives for augmentation but not for demand management options.
4. **Revenue Determinations**
   We believe there needs to be a balance between augmentation and demand management which is currently not possible. Revenue determinations will greatly assist with this process.
5. **Acknowledgement of modest DM expenditure**
   There needs to be allowance for assessment of how demand reductions, even in modest amounts, can reduce future augmentation thereby leading to savings in network costs. How these smaller DM expenditures should be defined and incorporated will requires refinement.
6. **Effective Prudency Reviews**
   Until Demand Management becomes more normative within the Transmission Network there will be an ongoing need for Prudency Reviews conducted by the relevant experts.

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[2] Gill Owen (2007) Equity and climate change – UK and EU experience, Paper, Equity in Response to Climate Change Round Table;Gavin Dufty, nd, Victorian Energy Efficiency Target Scheme. Response to the Issues Paper, St Vincent de Paul Society.

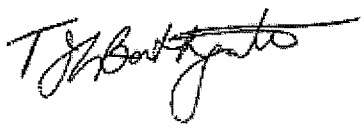
7. Regulatory Test

We would consider it prudent that demand management options be explored thoroughly before augmentation proceeds on the proviso that this does not create a bias against essential augmentation requirements.

8. Short-term and long-term price for DM

We agree in principle with the ideas behind this form of incentive but do not feel we are able to make any specific comment.

Yours sincerely,



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