

7 May 2009

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

By email: submissions@aemc.gov.au

ENA Response to AEMC Review of Energy Market Framework in light of climate change policies - Discuss Paper of 1st May 2009

The Energy Networks Association (ENA) welcomes this opportunity to respond to the Australian Energy Market Commission (AEMC) Public Forum Discussion Paper related to its *"Review of Energy Market Framework in the Light of Climate Change Policies"* released on 1st May 2009.

Energy network businesses deliver electricity and gas to over 13 million customer connections across Australia through approximately 800,000 kilometres of electricity distribution lines. There are also 76,000 kilometres of gas distribution pipelines. These distribution networks are valued at more than \$52 billion and each year energy network businesses undertake investment of more than \$5 billion in distribution network operation, reinforcement, expansions and greenfields extensions. Electricity transmission network owners operate over 57,000 km of high voltage transmission lines, with a value of \$15 billion and undertake \$1.6 billion in investment each year.

ENA is encouraged by the AEMC's recognition of the newly identified issue of "Electricity Distribution Networks" in the Public Forum Discussion Paper.

The crucial issue for the distribution sector is the development and implementation of Smart Networks or Intelligent Grids which will drive a shift away from the traditional centrally focused "generation-transmission-distribution" paradigm to a more customer driven interactive and distributed energy resource model

Smart Networks will enable real time interactions between all elements of an energy market from generator to end user. The outcome will facilitate rapid responses to price signals, energy supply fluctuations and demand shifts and facilitate the use of renewable energy and allow the two way flow of energy that is to accommodate energy generated by customers to flow back into the system.

Smart Networks are already being operated by network distributors in parts of the United States and Europe. The overseas experience clearly shows that distribution network service providers will play a crucial role in the way energy is produced and consumed in a carbon constrained economy.

The challenge for the Government is to ensure that the current regulatory regime is not an impediment to the adoption of new technology but facilitates the implementation of Smart Networks. However, for this to occur the framework establishing the implementation and operation of a national Smart Network infrastructure must be understood.

Until the framework is in place it will be unclear as to how the regulatory regime will need to be altered. Greater analysis needs to be done and we encourage the AEMC to be open to this. ENA considers an appropriate way forward would be the establishment of an industry-government working group to set out the parameters of a National Smart Network including the technical components, and the ring fence between the regulated and unregulated components of the network. Only when this has been established can there be an assessment of how the National Electricity Rules need to be adjusted to accommodate the step change to Smart Networks.

ENA looks forward to consultation with the AEMC on the distributor related matters raised in this letter and in its submission to the AEMC's 1st Interim Report in the near future. In the mean time please contact me should you wish to discuss our responses further.

A handwritten signature in blue ink, appearing to read 'ABlyth', with a large loop at the bottom and a horizontal line extending to the right.

Andrew Blyth
Chief Executive