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Our Reference: AS SU 01

Australian Energy Market Commission
AEMC Submissions
PO Box A2449
Sydney South NSW 1235

AEMC Review of Energy Market Frameworks in light of Climate Change Policies, 1st interim report

E-mail: submissions@aemc.gov.au

United Energy Distribution (UED) and Multinet (the businesses) welcome the opportunity to comment on the AEMC's 1st Interim Report on the Review of Energy Market Frameworks in light of Climate Change.

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

In relation to networks, the 1st Interim Report states in its Key Findings:

> 'Networks: to support the market by providing incentives that promote investments to connect new network users and to handle changing patterns of network use that are planned effectively and delivered at efficient cost. The frameworks should also appropriately allocate the costs and risks associated with network investment.'[1]

To meet the challenges ahead the businesses consider that an environment that encourages investment and innovation for distributors is required. The development of an innovative culture and expertise to meet these challenges will provide a better solution overall than intervention in the market with central command and control or more regulation.

The businesses consider that climate change and a carbon constrained world will underpin a very different future for the distribution sector than the past that we all know. The challenges this future will present to us are, at this time, very difficult to predict, and are likely to deliver us many surprises as they evolve.

[1] AEMC 1st Interim Report- Review of Energy Market Frameworks in light of Climate Change Policies, 23 Dec 2008, p iv

Not only will distribution networks be dealing with the direct impacts of climate change itself through more severe and less predictable weather events, we will also be dealing with the management of increasing demand volatility and increasing levels of generation at the distribution level. This is likely to cause significant technical impacts on the distribution networks.

We are expecting the networks to deal with intermittent and variable quality of generation being introduced onto the distribution level networks which were built with one way flow and passive loads in mind and traditionally based on low technologies. The basic design of these networks has not changed for decades.

The increasing levels of embedded generation will lead to peakier local load profiles. This will generate significant challenges for control, protection and design and operation of the distribution network. Given our network was not designed with 2 way flow, meshed operation in mind, smart meters, or plug in cars this may lead to a major renewal program for the network.

New thinking, new skills and the development of innovative solutions will be required to meet these challenges. The creation of new regulatory obligations on distribution networks will not resolve these challenges, nor the need to encourage investment and innovation.

If you have any further questions regarding this response please feel free to phone Verity Watson (03) 8544 9447.

Yours sincerely

Hugh Gleeson
Chief Executive Officer