

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

9 November 2015

Dear Mr Pierce

National Electricity Amendment (Demand side obligations to bid into central dispatch) Rule 2015

QGC welcomes the opportunity to provide comment on the Consultation Paper (the Paper) released by the Australian Energy Market Commission (**AEMC**) on the Snowy Hydro (**Snowy**) proposal to require the demand-side to participate in the central dispatch process (**the proposal**).

Overall, QGC believes the nature of the problem needs to be further defined before stepping into solutions. Based on our initial assessment, however, the Snowy proposal represents significant market reform, which is likely to be unnecessarily burdensome on electricity consumers relative to the materiality of the issue – the benefits are unlikely to outweigh costs. In support of this position, we make the following observations:

1. **Limited impact on the market** - obligating demand-side participation in the central dispatch process is unlikely to materially change spot market outcomes. Whether scheduled or unscheduled, price sensitive large loads will remain incentivised to adjust their demand in response to price movements. When establishing the market, it was a specific design consideration to exclude load from mandatory market participation (except pump storage) and the underlying justification remains unchanged (i.e. no identified structural change in the market).
2. **Introduces substantial costs and operational issues for loads** - Operationally, generators and loads are different. Facilities of similar size are not necessarily directly comparable in terms of operating in the NEM. While it might be appropriate for a small to medium sized generator to be scheduled, as they are normally part of a broader portfolio, this is not necessarily the case for an equivalent sized load.

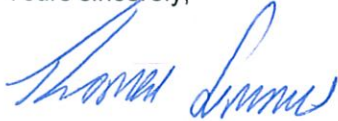
Loads are not typically set-up for this level of market participation. In order to bid in the market, they would incur substantial costs (establishment and on-going) including market interface systems, physical demand response capability, prudential requirements, risk management frameworks and compliance structures.

3. **AEMC's recent decision on rebidding is relevant** – the recent examination of the good faith provisions and late rebidding in the NEM provides relevant guidance to approaching this issue. Solutions need to be proportional to the problem. In this case, incremental amendments (i.e. strengthening of the market conduct and record-keeping provisions) were recommended recognising the quantifiable impacts.

In regard to the Snowy proposal, there is no a clear case for change and reflecting on the AEMC's earlier approach, it would seem challenging to justify major market reforms to address the issues of concern.

Notwithstanding these points, QGC would appreciate the opportunity to participate in a technical working group to explore these issues further. Please do not hesitate to contact me or Erin Bledsoe erin.bledsoe@bg-group.com or on 07 3364 2621 with any enquiries.

Yours sincerely,



Tom Summers
VP, Supply & Optimisation