

1 February 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Email: submissions@aemc.gov.au

Dear Dr Tamblyn

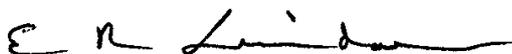
Demand Management and Transmission Networks - Rule Change Proposal

ETSA Utilities would like to comment on the issues involved in the rule changes proposed by the Total Environment Centre INC in relation to demand management and transmission networks. Whilst this particular proposal primarily concerns transmission, there are some implications (and possible precedents) for distribution. In recent years, ETSA Utilities has embarked on a variety of demand management trials in conjunction with the South Australian regulator ESCOSA.

ETSA Utilities supports the comments made by the ENA on this issue. In particular we believe that:-

- appropriately balanced incentives are the most effective way to encourage Network businesses to undertake demand management. We note that clause 6.6.3 in relation to distribution networks provides for the AER to develop a demand management scheme. We intend developing such a scheme with the AER as part of our 2010 Price Reset. If these incentives are in place, then complex reporting and approval processes proposed by the Total Environment Centre INC would be an unnecessary bureaucratic addition;
- demand management should be considered as an option and not necessarily as the superior alternative to other solutions; and
- a challenge for demand side proposals is obtaining the very high probability of demand response within a small network geographic area given the high value placed on reliability of supply by customers and regulatory obligations. If the expected demand response is not guaranteed at these critical times then the network capacity will be exceeded, resulting in customer outages.

Should you require further information in relation to this submission, please do not hesitate to contact me on (08) 8404 5694



Eric Lindner
GENERAL MANAGER, REGULATION AND COMPANY SECRETARY