

ELECTRICITY TRANSMISSION NETWORK owners forum

28 March 2008

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Dear John

REVIEW ON DEMAND SIDE PARTICIPATION IN THE NEM

The Electricity Transmission Network Owners Forums (ETNOF) appreciates the opportunity to provide comment on the NERA Economic Consulting Draft Report on this matter.

ETNOF's submission on the Draft Report is attached.

If you have any questions or require clarification of any aspect regarding this submission, please contact me on (07) 3860-2143.

Yours sincerely,

Merryn York.

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ELECTRICITY TRANSMISSION NETWORK owners

Review on Demand Side Participation in the National Electricity Market

ETNOF Response to AEMC Consultation on NERA's Draft Report

28 March 2008



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1. Introduction and Overview-

1.1 Background

The AEMC has initiated a review of demand side participation (DSP) in the National Electricity Market (NEM). The overarching objective of the review is to identify whether there are barriers or disincentives within the Rules which inhibit efficient DSP in the NEM.

The AEMC has released two documents to commence the review:

- a Statement of Approach for the review, together with a Terms of Reference; and
- a draft report produced by NERA¹, which commences Stage 1 of the review.

ETNOF understands that Stage 1 will consider DSP in the context of the AEMC’s current work program in order to develop recommendations that can be considered in light of the relevant Rule change proposals and other reviews in progress. The relevant areas of work in progress are:

- the National Transmission Planner Review;
- the Congestion Management Review;
- the Comprehensive Reliability Review; and
- the Rule change proposal submitted by the Total Environment Centre (TEC).

The AEMC engaged NERA to undertake an assessment of DSP in the context of these various reviews having regard to the defined scope of each project. ETNOF notes that Stage 1 of this review and NERA’s Terms of Reference are limited in scope to ensuring that the reviews identified above properly consider DSP issues and that broader consideration of DSP opportunities will be considered later in Stage 2 of the AEMC review.

1.2 Overview of this Submission

This paper sets out ETNOF’s submission to the AEMC on NERA’s draft report.

At the outset, ETNOF wishes to emphasise that it supports efficient DSP and recognises that DSP has an important role to play in the NEM. ETNOF also recognises the need for the AEMC to properly take account of DSP in its deliberations as part of these reviews. However, ETNOF has a number of concerns in relation to the conclusions and recommendations contained in NERA’s draft report.

Before commenting specifically on NERA’s draft report, ETNOF’s position in relation to DSP is summarised as follows:

- The greatest potential for DSP initiatives is at the electricity distribution and retail (end-use) levels (to be considered in Stage 2 of the review). These sectors comprise the majority of the delivered price of electricity, whereas electricity

¹ NERA Economic Consulting, Review of the role of demand side participation in the National Electricity Market: Draft Report, 20 February 2008

transmission accounts for less than 10 per cent of the delivered price of electricity to most customers.

- The Rules already require TNSPs to actively consider non-network options to resolve network limitations (including DSP) and to publish information to encourage proponents of such solutions to come forward. The extensive information already published by TNSPs is a relevant and important matter for this review, which NERA has not properly recognised in its report.
- Large scale DSP at the electricity transmission level (which has the potential to defer transmission investment) will continue to be actively considered and taken into account as part of the normal transmission planning processes set out in the Rules.
- Further consideration of improvements in transmission pricing signals is futile if end use customers do not see appropriate price signals for changing their consumption behaviour. The provision of appropriate price signals to end-use customers should be the principal focus of any pricing initiatives aimed at encouraging DSP.

ETNOF’s specific comments in relation to NERA’s draft report are as follows:

- While the draft report contains some useful information and discussion, NERA does not demonstrate the materiality of the issues it raises or the costs of removing any identified barriers to DSP. The report also fails to recognise that significant small scale DSP currently takes place at the distribution level, including hot water switching activities, time of use metering and other controlled load measures.
- The draft report finds that end-use customers do not face the relevant marginal cost of network services, and that this creates an impediment to DSP. It is more relevant, however, to note that the primary pricing issues in relation to DSP arise at the distribution and retail (end-use) level. These matters could be considered in stage 2 of the review. ETNOF considers that further debate on transmission pricing is not warranted, given the AEMC’s recent review of Transmission Pricing and Revenues.
- NERA’s report does not give sufficient consideration to the particular risk issues arising from DSP, in particular:
 - TNSPs have unlimited liability if found negligent for loss of supply. Therefore, the appropriate allocation of risk to demand side participants is a threshold issue for TNSPs. In many instances, however, demand side participants will not accept appropriate liability for non-performance;
 - demand management solutions may not be sufficiently reliable or response times may be inadequate, especially in relation to demand-side reduction;
 - demand management solutions may be insufficient to address significant demand issues on transmission networks, including the expected growth in demand; and
 - large customers often find that demand side management is financially unattractive given the resulting loss of flexibility in plant operations.

In practice, services provided by demand side participants must be capable of delivering reliability outcomes that are consistent with the mandated reliability standards and service obligations that apply to TNSPs.

- NERA also asserts that there is an information failure. However it does not provide any evidence to demonstrate that one exists. Nor does NERA describe the exact nature of the supposed failure or demonstrate its materiality. Contrary to NERA’s approach, any proposal to increase the information provision and disclosure obligations on TNSPs should be based on a robust assessment of:
 - the efficacy of the existing requirements in facilitating DSP;
 - the optimal information requirements to facilitate DSP; and
 - the costs and expected benefits of imposing additional requirements.
- In relation to the international case studies in section 4 of the draft report, ETNOF agrees with NERA’s conclusion that these case studies have limited relevance to Australia.

In light of the above observations, ETNOF draws the following conclusions:

- NERA’s draft report has not fully described the exact nature of its concerns with the existing arrangements nor considered the costs of the proposed changes set out in the draft report. Therefore, NERA’s report does not provide a sound basis for the AEMC to separately consider DSP issues arising in each of its current reviews.
- It would be more appropriate for each of the AEMC’s current reviews to be reminded that DSP should be given due consideration in the formation of their particular recommendations. This approach would ensure a more balanced consideration of DSP alongside the other matters that are pertinent to those reviews.
- Stage 2 of the review appears to offer the greatest potential for development of DSP, provided that the focus of this stage is on electricity distribution and retail matters, particularly in relation to signalling prices to end-users. Consequently, the review should not commit resources to transmission pricing issues, given its relatively small contribution (less than 10 per cent) to the delivered energy price and given that the AEMC has only recently completed a detailed review in this area. In any event, this would be futile if end users do not see transmission price signals.

ETNOF also notes that it has previously submitted a response to the TEC Rule change proposal which strongly argues that the proposed Rule change should not proceed. In light of the strong linkages between the AEMC’s DSP review and the TEC Rule change proposal, ETNOF requests the AEMC to provide further detail on how it intends to consider the TEC Rule change proposal alongside its DSP review.

1.3 Structure of this Submission

This submission is structured, as far as is possible, along similar lines to the NERA draft report. Accordingly, this submission is set out as follows:

- section 2 provides ETNOF’s comments on the National Electricity Objective and the AEMC’s proposed approach to the review;
- section 3 sets out comments on NERA’s analysis of the economics of DSP in the National Electricity Market;
- section 4 provides comments on NERA’s examination of international experience with DSP;
- section 5 provides comments on DSP in the network planning and investment framework;
- section 6 sets out comments in relation to DSP and the Congestion Management Review;
- section 7 provides comments on DSP and the Comprehensive Review of Reliability; and
- section 8 sets out the conclusions of this submission.

2. The National Electricity Objective and the AEMC’s Approach to the Review

The AEMC’s Statement of Approach explains the relationship between DSP and the National Electricity Objective in the following terms:

“To the extent that there are barriers to efficient DSP in the Rules, they are likely to inhibit efficient investment in, and efficient use of, electricity services for the long-term interests of consumers. Where such barriers can be reduced or removed, efficiency in the market will be enhanced, thereby promoting the National Electricity Objective.”

ETNOF broadly agrees with this proposition. It is also noteworthy that in relation to NERA’s draft report, the Terms of Reference for the review state:

“Upon receiving NERA’s report, and having considered public submissions on their recommendations, the Commission will consider the recommendations in the context of each Review. The Commission’s role in this regard will be to consider, within the scope and objective of each project and guided by the NEO, whether the recommendations by NERA are likely to deliver more efficient outcomes. Recognising that there will be a number of other important considerations and inputs relevant to the decisions on each of these projects, the Commission’s response to the recommendations will be focused on ensuring an outcome that contributes best to the National Electricity Objective.”

ETNOF notes that in seeking to deliver outcomes that contribute best to the National Electricity Objective (NEO), it will be important for the AEMC to recognise that the NEO would not be met if:

- the costs of reducing barriers to DSP outweighed any benefits; or
- if the benefits of reducing the barriers were immaterial.

Therefore, it is important that the AEMC’s analysis extends beyond identifying *potential* barriers to DSP, to encompass a consideration of the likely costs and benefits of any proposed change.

As noted in further detail in this submission in some instances, the NERA draft report suggests that the proposed approach is focused on removing *any potential* barrier to DSP on the grounds that to do so would be consistent with the National Electricity Objective. ETNOF observes that this approach is flawed because it erroneously assumes that removing any potential barrier will deliver an efficiency gain. As noted above, a gain will be delivered only if there is a material benefit in removing an actual barrier and these benefits outweigh the associated costs. In a number of instances, ETNOF’s view is that NERA has failed to identify any actual deficiencies in the existing arrangements.

It is equally important to acknowledge that demand side options are not necessarily more efficient than network solutions. It follows that the absence of DSP does not therefore indicate market failure or a deficiency in the existing arrangements. ETNOF notes, for example, that there are significant challenges to demand side participants in terms of delivering appropriate reliability outcomes and managing risk associated with non-performance. These challenges provide a practical and legitimate constraint on the optimal level of DSP.

The AEMC’s Statement of Approach notes that TEC has proposed Rule changes in relation to DSP. The AEMC states that it “intends to co-ordinate its assessment of the issues which are relevant to the review and the Rule proposal to ensure analysis and outcomes are considered in an integrated manner.” The practical implications of this statement are not clear. Given that the matters under consideration are closely related, ETNOF’s view is that the AEMC should provide further details of its intended approach to progress the DSP review alongside its consideration of TEC’s Rule change proposal.

3. The Economics of Demand Side Participation in the National Electricity Market

3.1 Marginal Cost Signals and Network Pricing

In chapter 2 of its draft report NERA presents a wide-ranging overview of how, in its opinion, the current NEM arrangements may create potential impediments to DSP. In this context, NERA argues that marginal cost pricing of network services and wholesale energy can be expected to give rise to optimal DSP.

NERA further comments (on pages 7 and 15 of the draft report) that postage-stamp network prices have been a predominant form of network pricing for some time, particularly within distribution networks. As a result, NERA explains that most customers are not currently presented with the marginal cost for the provision of network services in their particular location. Rather, they face prices that are

averaged over a wide geographic area. NERA concludes that the relative absence of location-based prices for distribution network services results in end-use customers not responding optimally to the costs associated with the provision of network services in that location. In NERA’s view, this in turn leads to sub-optimal DSP.

NERA also notes (on page 11 of the draft report) that recent developments in metering technology and the COAG’s commitment to a rollout of smart metering technology will facilitate the introduction of new tariff products to small end users, including those that pass through some or all wholesale price fluctuations to customers.

ETNOF agrees with NERA that the rollout of smart metering is a very important development that should enhance the prospects of DSP, and possibly lead to an enhancement of the control or “firmness” offered by demand side options².

However, ETNOF has the following concerns regarding the network pricing issues raised by NERA:

- NERA’s assertion that network pricing leads to sub-optimal DSP is untested and unproven;
- abandoning postage stamp pricing may create serious practical difficulties, especially at the distribution level;
- postage stamp pricing of network charges can be an appropriate component of an efficient pricing regime for network infrastructure (as it is for transmission pricing) and may not be a problem per se;
- any impediments to DSP are most likely to arise from pricing issues at the distribution and retail (end-use) level, which on average comprise more than 90% of the price paid by most end-users; and
- a further debate on transmission pricing would not be productive given its relatively small (less than 10 per cent) contribution to the delivered energy price of most customers. ETNOF notes that not only is this issue outside NERA’s purview for DSP, the AEMC has only recently completed a detailed review of transmission pricing arrangements, which carefully considered the issue of providing appropriate price signals at the transmission level.

In light of these comments, ETNOF considers that Stage 2 of the review should focus on electricity distribution and retail (end-use) matters, particularly in relation to signalling prices to end-users.

3.2 Sharing of Risk Associated with DSP-Based Alternatives to Network Augmentation

On page 8 of its draft report, NERA recognises that DSP may not prove to be an effective substitute for network investment, noting that the risk of failure needs to be shared appropriately. NERA states:

² See pages 2, 3 and 9 of the submission of the National Generators’ Forum to the AEMC in response to the TEC Rule change proposal.

“Given the relatively high costs associated with a failure to provide contracted non-network services, where these are being relied upon to maintain system reliability standards, it is necessary to consider how the risks of failure are to be shared. This may involve NSPs seeking to provide for significant financial penalties on DSP providers within the contractual arrangements. However, this itself may give rise to an impediment to DSP since it increases the costs of providing such services. Finding mechanisms to manage these risks and to ensure the appropriate allocation and balance of risks is maintained will therefore be critical to reducing any impediments to DSP as a non-network solution to network capacity constraints.”

ETNOF concurs with NERA that there are important issues relating to the risk of failure to provide network services. As put forward in its response to the TEC Rule change proposal, ETNOF’s view in relation to the allocation and management of risks associated with DSP is that:

- TNSPs have unlimited liability if found negligent for loss of supply, so the appropriate allocation of risk to demand side participants is a threshold issue for TNSPs. In many instances, however, demand side participants will not accept appropriate liability for non-performance;
- demand management solutions may not be sufficiently reliable or response times may be inadequate, especially in relation to demand-side reduction;
- demand management solutions may be insufficient to address significant demand issues on transmission networks, including the expected growth in demand; and
- large customers often find that demand side management is financially unattractive given the resulting loss of flexibility in plant operations.

In this context, ETNOF is very concerned with NERA’s contention that imposing risks on demand side participants creates an impediment to DSP because it increases the costs of providing such services. In ETNOF’s view, the Regulatory Test requires TNSPs to consider any service performance issues associated with DSP. Such an undertaking is necessary as the most efficient option must enable the TNSP to continue to meet its mandated reliability obligations. This is a significant issue for TNSPs, as failure to do so results in real (including financial) consequences. The concern that demand side participants are reluctant to provide contractual assurances that the TNSP’s obligations will be met, was noted by VENCORP in its submission on the TEC Rule change proposal:

“It should be pointed out that VENCORP considers DM response in every regulatory test it conducts... Despite publication [of details of opportunities for DM proponents] competitive DM offers or expressions of interest of any significance are rarely received. Moreover, on the rare occasion that it does lodge an expression of interest, the proposed DM provider invariably cannot agree to the short/no notice requirement to call on the service and the quantity of service to be provided. Consequently, contracts are unable to be concluded. Anecdotal evidence suggests that this is not an uncommon experience.”

Furthermore, the Regulatory Test would identify the expected cost of non-performance by a DSP irrespective of whether the risk of non-performance is allocated to the DSP or TNSP. Importantly, however, if the risk of non-performance is not borne by the party best able to manage that risk (i.e. the DSP) the risk of non-performance will actually increase (this concept is called “moral hazard”). As a

result, reallocating risks to TNSPs would lead to a lower net market benefit from demand side solutions. In any event, TNSPs would also insist that they remain economically neutral from any reallocation of risk.

4. International Experience with Demand Side Participation

Chapter 3 of NERA’s paper is intended to identify some lessons from international experience for DSP in Australia. However, the three examples given provide little direct relevance for Australia, either because the market arrangements are different or the policies that led to the establishment of the particular examples cited by NERA address specific issues pertaining to that jurisdiction.

NERA concludes the case studies by noting (on page 28 of the draft report) that:

“The case studies provide insights into alternative approaches to addressing impediments to facilitating demand side participation, based on experiences in international jurisdictions. However, their relevance is limited to the context of the particular international jurisdiction considered.”

ETNOF concurs with NERA’s conclusions.

5. Demand Side Participation in the Network Planning and Investment Framework

5.1 Provision of Additional Information

NERA appears to have approached its task with the presumption that there are barriers to DSP that should be removed in order to further the National Electricity Objective. This approach leads NERA to identify areas where it believes that the existing arrangements could be improved. For example, NERA suggests that improving the awareness by Network Service Providers of demand side alternatives to network investment is likely to raise the probability that these alternatives will be implemented.

Whilst this finding might appear logical, NERA does not describe the exact nature of the supposed information failure or demonstrate its materiality. In this regard, it is instructive to revisit ETNOF’s submission in response to the TEC Rule change proposal. In particular, the Rules already require TNSPs to provide a comprehensive assessment of emerging constraints and prospective network developments in their Annual Planning Reports (APRs). Emerging network limitations are identified through the APR for 1, 3, and 5 years into the future, thereby allowing demand side participants sufficient time to develop firm proposals. Therefore, the APRs already provide demand side participants with substantial information regarding the likely need for and location of demand side options well in advance of the actual need.

In addition to the forward notice provided through the APR process, TNSPs are also required to consider potential non-network alternatives in relation to new large transmission augmentations before committing to any such investments. This process is generally undertaken some two years or so prior to when the need must be met as an appropriate construction period must be allowed for to enable TNSPs to meet their regulatory and other obligations. TNSPs publish RFI documents specifically to provide additional, detailed information on the emerging limitations, and to enlist a response from potential non-network solution providers.

ETNOF also notes the demand and energy forecasts underpinning the APR and other Regulatory Test documents include the contribution of all known or advised (including small-scale) demand side initiatives at the distribution level and the more generalised impact of price elasticity. Whilst the inclusion of these demand-side responses may not be obviously transparent, it is important to note that the overall magnitude of such initiatives is potentially very significant.

Despite the extensive information already provided by TNSPs in accordance with the existing Rules, one of the conclusions of NERA’s draft report is that there would be merit in strengthening these information requirements. In particular, NERA advocates that network service providers invite demand side proponents on an annual basis to provide information on potential non-network solutions to satisfy emerging network constraints that have been identified, say, up to ten years in advance. As noted above, TNSPs currently provide this information consistent with the 1, 3 and 5-year timeframes required under the Rules. Consequently, ETNOF disagrees with NERA’s conclusion that there is an information failure in this regard. ETNOF also considers that NERA provides no evidence that providing this additional information would have any positive impact of DSP.

Furthermore, as noted in section 5.2 below, the National Transmission Planner (NTP) can play a useful longer-term strategic role in identifying network constraints. ETNOF considers that the involvement of the NTP in identifying emerging network constraints may prove to be a more appropriate response to the issues raised by NERA.

To conclude, ETNOF considers that any proposal to increase the information provision and disclosure obligations on TNSPs should be based on a robust assessment of:

- the efficacy of the existing requirements in facilitating DSP;
- the optimal information requirements to facilitate DSP; and
- the costs and expected benefits of imposing additional requirements.

ETNOF is concerned that NERA’s observations regarding information provision are not based on a robust assessment approach.

5.2 National Transmission Planner

NERA explains that the NTP can play a role in providing information to the market on the opportunities available to DSPs, in addition to the information disclosure requirements placed on network service providers. In particular, NERA suggests that:

- at one extreme, the NTP could actively seek and invest in demand side options; and
- at the other extreme, the NTP could simply take demand side participation into consideration (assuming that the NTP will be required to develop its own forecasts of network demand).

On page 34 of its draft report NERA goes on to suggest that there is some middle ground that might involve the NTP:

- requesting information on demand side options to address identified network constraints up to, say, ten years into the future, on an annual basis;
- evaluating the viability of demand side options against a set of criteria designed to ensure that the demand side option could act as a viable substitute, including identifying any wider market benefits; and
- providing detailed information on demand side options that have been considered by network service providers for consideration within their network investment planning processes.

ETNOF agrees with NERA that the NTP may have a role to play in further facilitating DSP, consistent with the minimum 10-year strategic planning horizon mandated by COAG. In its submission to the AEMC’s National Transmission Planner review, ETNOF explained that the appropriate scope of the NTP review should be based on the existing jurisdictional planning requirements, namely:

- TNSPs will remain accountable for the delivery of transmission service obligations, including planning and investment to ensure security of supply to major load centres. The review should clearly define what are “national transmission issues” and specifically address those issues in view of these accountabilities;
- the network planning co-ordination role of TNSPs with respect to joint planning with distribution networks should remain as set out in the NER;
- all connection applications from generators or major loads should be managed by TNSPs since they are accountable for providing access to their network under the access regime established in the NER; and
- the review should be scoped such that national transmission planning arrangements provide the high-level strategic perspective, aimed at ensuring national market benefits are identified, accumulated and disseminated, to support the longer term efficient development of the power system, but must not hinder the efficacy and timeliness of TNSP service delivery obligations.

In this context, whilst there is a role for the NTP in facilitating DSP, this role should be more focussed on the strategic potential of demand side options, particularly in assessing the impact of low carbon emissions scenarios on future interconnection development. This position is consistent with COAG’s agreement and direction that accountability for jurisdictional transmission investment, operation and performance should remain with TNSPs.

5.3 Review of the Regulatory Test

In relation to the AEMC’s review of the Regulatory Test, ETNOF notes that NERA recommends that the final version of the test:

- ensures that the timeframe over which DSP options are required to be presented as alternatives to a network solution is sufficient to allow these options to be considered viable;
- clearly defines how ‘wider national benefits’ should be interpreted for non-network options;

- uses risk-adjusted costs and benefits to take into account differences in risk between alternative options; and
- defines an option-value benefit associated with an investment that defers a proposed network investment.

ETNOF notes that the AEMC is currently reviewing the Regulatory Test in accordance with COAG’s request. Therefore, whilst ETNOF agrees in principle with NERA’s recommendations, ETNOF would prefer to comment on more specific proposals for incorporation of these concepts into the draft Regulatory Investment Test, once this is developed by the AEMC.

6. Congestion Management Review

NERA’s principal conclusion is that the development of measures of transmission transfer capability, as suggested in the Congestion Management Review, is warranted on the basis that it would identify opportunities for DSP as a means of managing congestion within the transmission network. Whilst this conclusion effectively supports a finding that has already been made in the Congestion Management Review, ETNOF questions NERA’s view that developing a measure of transmission transfer capability could be justified on the basis that it facilitates DSP.

On page 42 of the draft report, NERA notes that:

- the AEMC’s Congestion Management Review Draft Report identified that there may be a bias against DSP in network support and control service (NSCS) provision because of its regulatory treatment for the purposes of revenue control; and
- the implications of this are that there would also be a bias against demand side options as a substitute for network investments to manage the security and reliability of the network.

In relation to these matters, NERA concludes that:

“In principle however, we believe that there is unlikely to be a practical or material bias against NSCS³ compared with network solutions resulting from its treatment in the regulatory framework. Any biases in the regulatory framework between costs allocated to operating expenditure compared with capital expenditure are not unique to NSCS or investments in non-network solutions.”

ETNOF concurs with NERA’s conclusion on this matter.

NERA also observes (on page 43 of the draft report) that the current framework blurs responsibility for network security and reliability between TNSPs and NEMMCO. NERA explains that this is of particular concern because:

- investments by TNSPs in capacitors and static var compensators are a direct substitute for network control ancillary services; and
- by splitting the responsibility between NEMMCO and TNSPs it is unlikely that efficient investment in these alternatives will result.

³ Note that it appears that NERA has inadvertently used NSCS here, instead of DSP.

NERA therefore concludes that there is merit in considering the respective responsibilities of NEMMCO and TNSPs for network security and reliability management, to ensure that DSP is facilitated. ETNOF concurs that there may be merit in examining the present arrangements to ensure that the respective responsibilities of NEMMCO and TNSPs are clearly defined to ensure that DSP is facilitated. In this regard, ETNOF notes that NEMMCO is currently undertaking a review of this matter.

7. Demand Side Participation and the Comprehensive Review of Reliability

NERA’s analysis and conclusions in relation to DSP and the Comprehensive Review of Reliability appear to be reasonable and, from ETNOF’s perspective are uncontroversial.

8. Conclusions

NERA’s draft report contains some useful information and discussion. However ETNOF questions whether the approach adopted can lead to robust and soundly-formed recommendations. In particular, ETNOF draws the following conclusions:

- NERA’s draft report has not fully described the exact nature of its concerns with the existing arrangements nor considered the costs of the proposed changes set out in the draft report. Therefore, NERA’s report does not provide a sound basis for the AEMC to separately consider DSP issues arising in each of its current reviews;
- it would be more appropriate for each of the AEMC’s current reviews to be reminded that DSP should be given due consideration in the formation of their particular recommendations. This approach would ensure a more balanced consideration of DSP alongside the other matters that are pertinent to those reviews; and
- Stage 2 of the DSP review is potentially the most important stage, particularly if it focusses on electricity distribution and retail matters, notably in relation to signalling prices to end-users. It is equally important that the review does not commit resources to transmission pricing issues, given that the AEMC has only recently completed a detailed review.