

13 May 2011

Chairman John Pierce  
Australian Energy Market Commission  
Level 5, 201 Elizabeth Street  
Sydney NSW 2000

## Submission on: Strategic Priorities for Energy Market Development

Exigency was established in 2003. It is an independent energy and carbon market advisory firm, serving clients on energy and greenhouse strategy as well as providing advice and project support in the delivery of sustainable and low carbon intensity infrastructure ([www.exigency.com.au](http://www.exigency.com.au)).

Adrian Palmer and Stuart Allinson, Directors of Exigency, are members of the Coalition's Business Advisory Council on Climate Change and Exigency has made a number of submissions on energy and climate policy, both on behalf of clients and in its own right.

Our submissions have a consistent theme being that the integrity and effectiveness of energy and climate policies require the application of sound market principles, coupled with well-considered market regulation.

Exigency has formed a view that while the market challenges identified by the AEMC of: tightening demand/supply balance; climate change; and price increases are current, the activities proposed to meet the AEMC's strategic priorities will deliver only incremental change.

Instead, activities should be established that allow the competitive market to solve the challenges through: increased transparency of meter data for customers; publication of transmission and distribution network utilisation and performance data and consistent generation connection processes, agreements and fees for new generation; whilst the regulatory change required is small, the potential benefits towards energy market and greenhouse gas outcomes are substantial. In summary, our views of the activities to support the AEMC's strategic priorities and address the market's major challenges are:

1. A predictable regulatory and market environment for rewarding economically efficient investment
  - The removal of retail tariff caps will provide for the pass through of incumbent generators' inefficient and carbon intensive generation unless it is matched by the facilitation of connection for new entrant generation, particularly at the distribution network level.
  - The AEMC should support the development of explicit and consistent processes, agreements and fees for new low carbon intensity generation, as has occurred successfully in the UK and NZ.
  - AEMC should also encourage the publication of real-time network utilisation performance and quality of supply at the distribution transformer and zone substation level so that the sponsors of new generation can proactively pursue market-based solutions, rather than responding on an ad hoc basis to distributor-led options analyses.

2. Building the capability of and capturing the value of flexible demand



- Real time access to meter data allows the competitive market to provide commercial propositions to customers that may substantially meet the peak demand issues highlighted by AGL in their Stakeholder Forum Presentation. However, the default assumption in the NER is that Retailers will deliver these solutions.
- Exigency has reviewed the NEM Rules relating to customers' rights to real time meter data and is of the view that while the rules are supportive, they are dispersed through a range of commonwealth and jurisdictional instruments and consequently, the demand side is not currently responsive to supply side signals.
- The AEMC should focus on ensuring customers are able to access their meter data and act on their energy demand and price or carbon signals by recognizing the role of the end customer in supporting the National Electricity Objective and ensuring that market participants facilitate the flow of standing and consumption data to customers or their appointed agents.

3. Ensuring the transmission framework delivers efficient and timely objectives



- As highlighted in SPAusNet's Stakeholder Forum Presentation and the AEMC's Discussion Paper a jurisdictional approach to network connection results in frustrated participants (and proponents).
- As for our proposed activities to support Strategic Priority One, timely provision of utilization and performance data and consistent generation connection processes, agreements and fees as implemented in UK and NZ would support the National Electricity Objective.
- Supporting the transmission framework with increased information and price signal transparency would ensure that, while energy networks are regulated 'natural monopolies', contestable market suppliers could better identify where their services might receive network benefits.

Exigency has considerable experience in the establishment, interpretation and application of network access and energy market regulation. Our intention in our submission is not to provide a detailed discussion on the merits of our approaches but simply to urge the AEMC to develop regulation that allows a competitive market approach to meeting Australia's energy challenges.

Exigency would be pleased to address the AEMC in person if appropriate, to expand on the matters raised here.

Yours Sincerely

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