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19th February 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5/201 Elizabeth Street
Sydney NSW 2000

Dear Dr Tamblyn,

Ctrade International would like to thank the Australian Energy Market Commission (AEMC) for the opportunity to respond to the Victorian State Government rule change;

Jurisdictional Derogation for the rollout of Advanced Metering Infrastructure.

Ctrade International is a renewable energy company formed to expand the choice and affordability of renewable energy products in a post emissions trading environment. Ctrade will be representing government, commercial and residential consumers/ generators in the Australian market. Ctrade does not support the rule change and believes this rule change is in direct conflict with current federal policy and a backwards step for technological innovation and grid efficiency.

The rollout of advanced metering infrastructure by the Victorian Government is a brilliant move towards a more efficient future. An innovative set of policies deployed to drive a promising area of technology. But this technology is in its infancy and the full potential of smart metering has not been realised. We need to consider the next phase of Advanced Metering Infrastructure and move away from our current focus on demand side. We need to consider the true advantages of a digitised structure.

A grid that knows real-time current supply and demand positions.

A grid possessing the ability to analyse and integrate into the home, business, or property.

A grid offering digital management of demand as well as the management of distributed generation.

In essence the realisation of an intelligent grid. This will be the path of a post emissions trading model. Current research at the CSIRO states

“Potential benefits from Distributed Generation (DG) are lower cost, higher service reliability, high power quality and increased energy efficiency. DG is a promising solution for the security of electricity supply, providing distributed and diverse energy source infrastructure. The use of renewable distributed generation can also provide a significant environmental benefit in terms of reducing Greenhouse Gas Emissions.”
Agent-based Simulator for Australia's National Electricity Market. Energy Transformed Flagship research program

Distributed (or embedded) generation will be essential to the national electricity system giving communities the ability to operate in a more efficient and secure environment.

“The full potential of DE could be realised with small scale renewables (wind, solar) or high efficiency clean engines, located close to consumption, coupled to energy storage and demand management with intelligence that provides 100 per cent supply reliability and sustainability and offers any surplus to support other consumers on the Grid.” CSIRO Energy transformed flagship.

<http://www.csiro.au/partnerships/CenDEP.html>

By limiting the access to the smart metering market, the future technological development towards distributed generation and an intelligent grid are compromised. Therefore the road to low emissions power production will also be compromised. A robust and competitive market is essential to drive the advancing technology in this area.

This model is not a concept. Australia has developed significant innovation in this area and is at the forefront in metering and low emissions technology. This market and technology offers Australia the opportunity to be a world leader. A new and exciting area of expertise that offers huge international potential. This infrastructural model is currently a concept in other parts of the world but Ctrade can do this now. Ctrade International is currently setting up a pilot programme to display this technology.

Not only will this decision affect the road to this type of technology but it will also have a negative effect on the business structure of Ctrade.

To protect Ctrades’ intellectual property, details of how this decision will affect our current model is contained in attachment A. The content of this attachment, is confidential and provided on a without prejudice basis. I ask that no part of this attachment may be published on the Australian Energy Market (AEMC) website or distributed in any other way, in whole or in part.

The Exclusive rights associated with such a proposal has the ability to reduce the competitive environment that has already been realised in the NEM . The Energy Reform Implementation Group supports this view.

“The increase in the level of independent, decentralised decision-making in generation and retail in the NEM, driven by an increase in the extent of competitive forces, has been the primary driver for the efficiency gains to date. The increase in the level of competitive pressures has increased the utilisation and performance of generation assets and lowered operating costs and driven real efficiency gains through the NEM-wide dispatch of generation.”

Energy Reform Implementation Group. Council of Australian Governments 2007

As a market leader in this technology any decision made at a Victorian level have a flow-on effect in the Australian market. It is essential that this framework encourages the true benefits of Advanced Metering Infrastructure and not stunt full potential. The Energy Reform Implementation Group believes the role of government is

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Technology is the key to energy where markets can be competitive.

In a low carbon world, we need to ensure that the energy system is secure and reliable.

Energy Reform Implementation Group. Energy Reform the way forward for Australia. Council of Australian Governments 2007

This view is supported by The Australian Bureau of Agricultural and Resource Economics

Energy policy should not be seen as a barrier to the development of the energy market, but rather as a catalyst for innovation and growth.

The policy should be aimed at ensuring that the energy market is open and competitive, and that the development of the energy market is not hindered by government intervention.

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Technology towards a low emissions future ABARE research project 07.16 September 2007

This exclusive rule change will inhibit the uptake of distributed generation by monopolising the new technology associated with metering. The ability to monitor incoming as well as outgoing power in a transparent structure is essential to drive the NEM to increased levels of quality and efficiency. The development of a robust open market is essential towards the technical advances required to drive a low emissions grid.

The Federal Government is currently awaiting the Garnaut report before setting a timetable towards carbon targets, emissions trading, and renewable incentives. This will have a direct effect on the structure and operation of the Australian Energy Market. I believe it would wise to await the information contained in this report and the Federal governments' response before considering law changes in this area.

1) Attachment A

Yours sincerely

Mike Watt

Managing Director

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Attachment A

Confidential information omitted in accordance with Section 108 of the National
Electricity (South Australia) Act, 1996