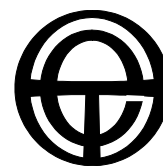


TOTAL ENVIRONMENT CENTRE INC.

LEVEL 4, 78 LIVERPOOL STREET, SYDNEY, NSW 2000

PO BOX A176, SYDNEY SOUTH 1235

Ph 02 9261 3437 Fax 02 9261 3990



29 November 2007

Dr John Tamblyn
Chair
Australian Energy Marketing Commission
PO Box H166
Australia Square 1215
Email submissions@aemc.gov.au

Dear Dr Tamblyn,

Re: Congestion management review – Draft report

Total Environment Centre (TEC) is pleased to be given the opportunity to comment on the AEMC's "Congestion Management Review – Draft Report". Some of the issues raised in that report are addressed within TEC's Rule Change proposal package¹ on demand management (DM) recently lodged with the AEMC. We refer the AEMC in particular to those rule changes proposed regarding recognition of investment in DM, and those about transmission planning. We have briefly addressed these issues in this submission since they are pertinent to congestion management.

We would also strongly recommend that a similar review be undertaken for distribution once it is regulated at a national level since the opportunities for non-network solutions to congestion are equally relevant in the distribution networks.

Short lifecycle

TEC finds the emphasis in the report on the short-lived nature of congestion disturbing in the light of the conclusions that are drawn from that assessment. The AEMC notes in the Overview (p xvii):

Most constraints appear to have a relatively short "life-cycle", in that they may cause some mispricing for one or two years before being largely addressed by investment in transmission or generation infrastructure.

This position is repeated through the document. These statements are simple acceptance of the status quo with no effort to investigate alternative solutions. Non-network solutions – whether they are DM techniques or embedded generation – can clearly represent viable and efficient alternatives to augmentation. The status quo continues in part because there are insufficient incentives for transmission networks to pursue DM and the resulting unfamiliarity has led to the perception that DM is more risky, which creates a further barrier in itself. The standard approach is often

¹ Total Environment Centre (2007) *Rule Change Package – demand management and transmission networks*. TEC, November, 2007

considered simpler than pursuing an option that, even if it may be more cost effective, is not regarded as “normal” within mainstream network management.

It is peculiar that these solutions are not referred to in this document. We understand that the AEMC may have considered this was not the appropriate forum but some reference, at the very least, to their potential should have been made. Inefficient investment in augmentation of generation and transmission networks is consequently accepted as a given.

DM investment

TEC is equally disturbed about the statements about investment in DM. For instance, it is noted that (on p xxxii), “network solutions arguably provide a TNSP with the scope to earn a greater return than non-network solutions.” This conclusion is repeated through the report.

This situation exists because there is currently no adequate mechanism for incentives for investment or implementation of non-network solutions. The lack of certainty about when and under what circumstances transmission networks can recover DM expenditure is hindering transmission networks’ propensity to properly investigate and implement DM. While there is extensive detail in the Rules on the recovery of expenditure in the transmission networks’ regulated asset base, there is scant detail on how a transmission network is to recover expenditure on demand side activities.

Again, such statements in the Draft report reflect the decision to accept the situation as it is rather than considering changing the approach. The Commission concludes that congestion is not a major problem for the national electricity system, but concedes that it does occur and does involve monetary costs (which are ultimately passed on to the consumer). This seems to be present adequate reason to investigate a suite of alternatives at the scale of the problem.

Information

We support the need for greater information on transmission network capability, which would benefit all market participants and, by extension, end users as well. There is a lack of specific requirements for the provision of information to enable DM prospecting for network deferral. The information provided as part of the consideration of DM options generally falls short of what is required in terms of timeliness and specificity, thus creating a barrier to potential investment. DM providers need comprehensive and timely information to ensure that DM proposals have a reasonable likelihood of serious consideration. We hope that this problem may be rectified to some extent by the recommendations for greater disclosure on transmission capability.

Yours faithfully,



Jeff Angel
Executive Director
Total Environment Centre