



31 January 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Dr Tamblyn,

Re: TEC Rule Change Proposal on Demand Management

I am writing in support of Total Environment Centre's Rule Change proposal on demand management and transmission networks, dated 6 November 2007. Next Energy concurs with the analyses presented by Total Environment Centre generally, and with each of the specific Rule change proposals in particular. Furthermore, while the proposals relate to transmission networks only, we give in principle support to their tailored application to distribution networks as well.

Next Energy is a Sydney-based project manager, and adviser to government, industry and environmental organisations on energy policy and strategy. We have advised a wide range of parties on energy market issues generally and demand management specifically over more than a decade. Our clients have included government, energy retailers, DNSPs, generators and a wide range of private-sector participants in energy projects.

To date, DM has played a small role in the National Electricity Market. However, analyses of Australian DM opportunities and many years of extensive experience in several jurisdictions internationally strongly suggest that energy efficiency and demand side response can deliver very large reliability, security, economic efficiency, and environmental benefits in the National Electricity Market.

Next Energy sees no reason to expect that current arrangements in the NEM would deliver more than a small fraction of the available opportunity. As noted by the Total Environment Centre, there are numerous barriers to DM, some of which result from the National Electricity Rules. We recognise that there are several other NEM processes ongoing to address and enhance DM. While potentially highly useful, they would be, of themselves, insufficient to address the existing barriers.

The proposals put forward by the Total Environment Centre would, in our view, make a significant contribution to enabling DM to play the much larger positive role that is consistent with the underlying technical and economic opportunity. Further, we are

particularly supportive of the proposals that not only remove existing barriers, but also prioritise DM ahead of building new supply infrastructure, as is found in some international jurisdictions. These changes can significantly redress the historical underdevelopment of DM in Australia, with great potential economic, financial, environmental and reliability benefits.

We look forward to significant progress on demand management as a result of these important Rule change proposals.

Yours sincerely,

Robin Roy, Ph.D.
Director