

15 September 2014

Manager, COAG Energy Council Secretariat  
Department of Industry  
GPO Box 9839  
Canberra ACT 2601

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## **DEMAND RESPONSE MECHANISM (DRM) COST BENEFIT ANALYSIS CONSULTATION PAPER**

Dear Sir/Madam

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

The Energy Networks Association (ENA) welcomes the opportunity to make a brief submission on the consultation paper outlining the potential methodology and data sources that Oakley Greenwood will draw upon to undertake, on behalf of the Secretariat, a cost-benefit analysis of a DRM.

ENA supports in principle consideration of initiatives likely to result in increased demand side participation (DSP) in the energy market where these result in the most efficient and appropriate outcomes. However, ENA supports a thorough and robust cost benefit analysis of a Demand Response Mechanism before any policy change is made.

In this submission, the ENA does not address the detailed questions within the consultation paper, but highlights some key issues relating to the proposed approach.

- » ENA remains convinced that consideration of the broad range of recommendations and actions from the Power of Choice review, including the proposal for a DRM, need to be prioritised and coordinated to provide coherent, effective and progressive changes to the energy market system;
- » Inadequately prioritised and coordinated policy development will also result in inefficient and costly implementation of business system and procedural changes. ENA considers that priority should be given to finalising key policy issues relating to pricing reform, metering and embedded generation issues before undertaking subordinate issues such as DRM;
- » Network businesses, demand response providers and other institutional participants are still working through the application of recent policy initiatives, including implementation of the RIT-T and RIT-D, requirements for annual planning reports, and development of demand side engagement strategies as part of the recent Distribution Network Planning and Expansion Framework rule change. In addition, the industry is still awaiting action on the proposed changes to the Demand Management and Embedded Generation Incentive Scheme (DMEGIS). Latest advice from the Australian Energy Market Commission is that the DMEGIS may not commence until October 2014. The impacts of these changes would need to be considered in the 'counter-factual' within the methodology, with the CBA focussed upon the incremental benefits of the DRM;

- » Regarding the specific consultation paper, the timeframe indicated for response is not conducive to quality information provision. Where Oakley Greenwood requires specific information on potential network impacts, it is suggested that they contact networks directly to set up a discussion as this will be a more efficient way of providing the detailed context required as part of this assessment;
- » Finally, ENA considers that the assumption in the consultation paper that NEM price peaks will perfectly align with TNSP peaks<sup>1</sup> should be tested. This assumption does not always hold and, if made, will artificially inflate the TNSP benefits.

ENA welcomes the opportunity for further discussion on this matter. Please contact Susan Streeter, Director Future Networks, on (02) 6272 1555 or [sstreeter@ena.asn.au](mailto:sstreeter@ena.asn.au).

Yours sincerely



John Bradley  
Chief Executive Officer

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<sup>1</sup> Oakley Greenwood, *Cost benefit assessment of the DRM: consultation paper*, p. 45.