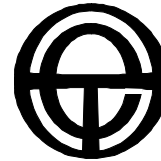


TOTAL ENVIRONMENT CENTRE INC.
LEVEL 4, 78 LIVERPOOL STREET, SYDNEY, NSW 2000
PO BOX A176, SYDNEY SOUTH 1235
Ph 02 9261 3437 Fax 02 9261 3990
www.tec.org.au



GREEN ENERGY CONSUMER COMMITTEE

Information Sheet No 5

July 2007

Dear Green Energy Consumer Committee Member,

TEC has received further funding from the National Electricity Consumers' Advocacy Panel to continue working on the National Energy Market (NEM). We now have certainty for continuing until the end of 2007. We will be applying again later in the year for support until mid 2008, since the Advocacy Panel is currently reviewing its application procedures and so will not commit to funding beyond December.

We are continually improving TEC's website, and you can now access most of our submissions and reports on the NEM through www.tec.org.au – just follow the links through “Energy” then “National Electricity”.

NEMnews

The overhaul of regulation and administration of the NEM is still under way, with numerous issues papers being released by the national bodies such as the Australian Energy Market Commission (AEMC), the Council of Australian Governments (COAG) and the Ministerial Council on Energy (MCE).

The most promising of these movements is that COAG and the MCE are further investigating demand management and distributed generation. The “Energy Market Reform Bulletin No. 84” of 13 April 2007 states:

The MCE and the Council of Australian Governments (COAG) have also made commitments to reduce barriers for distributed generation and demand-side responses. Accordingly, in developing a national distribution framework NERA was commissioned to review the initial [distribution] Rules and provide recommendations to improve incentives to efficiently deploy these network alternatives.

They have released various papers by the economic consulting group, NERA, which included a particularly interesting paper on incentives for “demand side response and distributed generation” in response to potential changes in the Rules for distribution. TEC put together a joint response to this paper with the Alternative Technology Association and the Ethnic Communities Council of NSW.

The MCE's Retail Policy Working Group has also been issuing papers with proposals for details of the national regulation of electricity retail businesses from 2009, some of which also relate to distribution network businesses. This process of paper + consultation leading to refinement of a final position will go on for some time, with six papers having been released so far. We have been responding to relevant issues within the papers, such as on metering, and the intersection between distributors and embedded generation, and have also participated in preparing a joint submission to a composite paper with other non-government organisations.

The Commonwealth Department of Industry, Tourism and Resources (DITR) – which hosts the MCE – has put together a national stakeholder group on “smart” metering, on which we are represented. They have held a number of meetings, with representatives from distribution businesses, retailers, regulators, data management companies and consumer groups (including TEC) and produced a paper outlining common ground. At its April meeting, COAG restated its commitment to the rollout of smart meters, which is good news, but the rollout is still subject to cost-benefit analysis (CBA) in each state. Since then, DITR has continued consultation with the stakeholder group about the terms of reference of the CBA, and consultants have now been appointed to undertake the CBA from different points of view (such as consumers). A first report from the consultants is due in September, with a draft CBA planned for December.

COAG has also decided to establish an arena for national planning for transmission and an extensive consultation process with issues papers and public forums will begin from August. The details at this stage are sketchy, but it is possible that new national bodies will appear to deal with this area.

Update on NEM/Green Energy advocacy

Other activities by Glyn Mather, NEM Advocate, and Jane Castle, Energy Campaigner, since the last newsletter include:

1. *Green Electricity Watch 2006*: As we noted in the last newsletter, TEC and other groups completed the third Green Electricity Watch (GEW). It has generated a lot of interest, with Channel 7's “Sunrise” program and a multitude of print outlets covering the report, and many phone calls to TEC from people interested in finding out more. GEW has been very successful at driving change in the GreenPower sector, with retailers improving their products and fiercely competing to achieve a high ranking. Reports are available at www.greenelectricitywatch.org.au. We have also started on the next GEW, due for completion by October 2007.

2. *Amendments to the National Electricity Law*: The MCE has held public consultation on the proposed amendments to the National Electricity Law in anticipation of national regulation of distribution networks. TEC has sent in submissions and attended a public forum, promoting the need for environmental and social objectives in the NEM; better application of demand management principles; and addressing details about the form of regulation required to maximise opportunities for DM and renewable energy.

3. *Environmental Interface Project*: We have continued to push for the inclusion of environmental and social objectives in the National Electricity Law, as opposed to the shedding of these state-based objectives as regulation shifts from the states to the

new national bodies. To promote this, a coalition of business, social and environment groups released the 'Power for the People' declaration (available at www.tec.org.au), and we will continue to advocate for these objectives.

4. *Rule change project:* We are finalising a series of proposals for changes to the National Electricity Rules, based on the findings of the research project. The target is wide-ranging changes to remove barriers to demand management for transmission networks (which would flow onto distribution networks when they too are nationally regulated). We consider that DM has been neglected within the Rules and needs to be given first priority before networks consider investing in new, expensive and unnecessary infrastructure.

5. We continue to participate in the national network of NGOs with a consumer and social welfare focus – the NEM Consumers Roundtable – and Glyn Mather attended several Roundtable meetings in March and June. Some member groups of the network are assisting us with the Environmental Interface Project.

Interval meter research project

A final report from a research project on interval meters is now out. It was commissioned by TEC with funding from the Advocacy Panel. The consultancy Energy Futures Australia produced the report. Advanced metering is another mechanism we have endorsed to assist reduction of greenhouse gas emissions, as long as the meters have the potential for remote communication, in-house displays, load management, and are aligned with time-of-use tariffs. The report gives a good background to the metering issue, in terms of potential benefits, necessary technology and an overview of Australian trials and international case studies. A particular focus of the project was to properly assess exactly what greenhouse benefits may be possible in Australia from the use of interval meters, plus appropriate tariffs. Energy Futures predict that a reduction of 4 to 10% is likely, which represents a reduction of greenhouse gas emissions between 7.8 to 19.4 Mt CO₂-e, or 3% of Australia's total greenhouse emissions.

New research project

We have another new research project on the go with funding from the Advocacy Panel. We are assessing the 'D-factor' in NSW and the consultant for this project is the Institute for Sustainable Futures. The D-factor was set up by the NSW Independent Pricing and Regulatory Tribunal to promote demand management. Essentially it means that distribution network businesses are able to recover the costs of the investigation and implementation of demand management solutions, that is, they are able to pass the costs on to consumers. It appears to be the best technique currently in use in Australia, but there has been no real assessment as to how – and even whether – it is working. The project aims to investigate what DM techniques have been promoted by the D-factor and how successful they have been. We have been promoting the D-factor as a useful mechanism, so the project is a reality check on whether it is effective.

Work ahead

1. Continuing advocacy and other action on the findings from the Environmental Interface Project, the Rule Change Project and the Interval Meter Project.
2. Participate in and keep track of the MCE assessment of demand management and distributed generation – this holds the promise of a shift in emphasis.
3. Continuing participation in the national smart meter assessment process.
4. Respond as appropriate to the investigation of national transmission planning. This could represent a good opportunity to get demand management considered seriously at a transmission level.
5. There will be further activity on retail policy, which we will continue to engage with.
6. Project management of the research by consultants on the D-factor.

Please email Glyn Mather at glyn.mather@tec.org.au or give her a ring at TEC on 9261 3437 if there is anything you would like to know more about, or if you'd like any reports or submissions to be emailed to you.

Thank you for keeping up the interest in the NEM,



Jeff Angel
Executive Director