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Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submitted by email to TransGridrevenuereset@aer.gov.au

6 February 2015

Dear Mr Pattas,

Submission on TransGrid 2014-19 draft decision and revised proposal

EnerNOC is grateful for this further opportunity to comment on TransGrid's revenue reset.

As we stated in our previous submission, dated 8 August 2014, we believe that TransGrid is trying to do the right thing: to pursue demand management initiatives so as to maximise net consumer benefits over the long term. This indicates that the organisation has started to move away from the traditional "just build it" culture of network businesses.

The AER's 74-page draft decision overview document does not mention demand management at all. It is mentioned in Attachment 7 to the draft decision, but only to reject all requests for demand management funding. Instead, it proposes to continue the token $1m per annum innovation allowance.

There has been much fine rhetoric over recent years from the COAG Energy Council, the Productivity Commission, the Australian Energy Market Commission, and others, about the importance of demand management. However, the message from the AER is very clear: the regulator does not consider demand management to be of any importance, so TransGrid should not put any effort into developing or maintaining its capabilities.

TransGrid, and its potential new owners, are likely to place a great deal more weight on the regulator's actions than on rhetoric. This could easily lead to the nascent culture change being reversed, and TransGrid's hard-won demand management capabilities being lost.

We would therefore recommend that the AER ensures that its final decision includes tangible, non-token measures which encourage TransGrid to continue to develop its demand management capabilities so as to further the long-term interests of consumers.

Yours sincerely,

Dr Paul Troughton
Senior Director of Regulatory Affairs