

Submission

No 7

INQUIRY INTO THE ECONOMICS OF ENERGY GENERATION

Organisation: EnerNOC Australia Pty. Ltd.

Name: Mr Ross Fraser

Position: Senior Advisor

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Jonathon O'Dea, MP
Chair, Legislative Assembly Public Accounts Committee
New South Wales Government

Ref: LAC11/321: Inquiry into the economics of energy generation in NSW

Thank you for the opportunity to make a submission on this important matter. While your letter dated 9 December 2011 was addressed to me as Chairman of Energy Response Pty Ltd, the Company was purchased by EnerNOC Inc. (listed as ENOC on NASDAQ) on 1 July 2011. However, the matters raised in the PAC's Terms of Reference are just as important and relevant to EnerNOC. This submission is authorised by EnerNOC's Mr Jeff Renaud, Director of Australia and New Zealand.

EnerNOC is a "Demand Side Aggregator" of electricity users' capability to reduce demand in response to a range of electricity market events. In many of the short term events (eg, peaks) in the National Electricity Market (NEM) Demand Response (DR) could create the required response as fast, as reliably, and more efficiently than a traditional supply side response from a generator. Examples of DR applications already used in a range of electricity markets across the world include:

1. Supplying capacity to manage the short term physical peaks in the demand,
2. Responding to extreme wholesale market price spikes,
3. Providing reserve capacity, and
4. Providing frequency control ancillary services.

All of these services are currently provided by generators in the NEM. However, with the technology now available to control short term reductions in electricity user demand there is a more efficient outcome through an aggregated DR. The aggregated DR is formed from existing (already built) capacity for electricity users to forego some electricity demand for short periods without harm to their business. Our experience is that most commercial and industrial users are willing to make these small adjustments to their demand under agreements which provide payment for their action.

In many markets around the world DR has been introduced to provide responses to short term market events by using a portfolio of existing electricity users' assets aggregated to create a reliable response. This arrangement is proving as effective, and cheaper, than building expensive supply side assets that will only be used for a few hours per year.

We would appreciate it if your Committee would take the demand response option into account as part of your Inquiry. DR is effectively an existing supply of peaking plant which can be aggregated instead of building expensive peaking generator capacity.

However, in the NEM there are barriers to this very efficient replacement due to the current NEM rules being biased to supply side solutions. There is a current Review (DSP Stage 3 – Power of Choice) being conducted by the AEMC for the SCER (formerly MCE) which is in the progress of forming recommendations for the implementation of Demand Side Participation (which includes DR) in the NEM.

EnerNOC would be pleased to provide further detailed information if that would be of assistance to your Inquiry.

Yours faithfully



*Ross S. Fraser – Senior Advisor
EnerNOC, Inc.*



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