

17 December 2012

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Economic Regulation Authority Received	
17 DEC 2012	
File	EMA10059
Document No	
Action Officer	WANA YANG

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Dear Ms Wang,

**Re: Discussion Paper: 2012 Wholesale Electricity Market Report to the Minister for Energy**

We appreciate the opportunity to provide a submission to the ERA's draft report on the Wholesale Electricity Market (WEM).

As small, medium and large enterprises spanning multiple industry sectors, we have a keen interest in electricity market developments and their prospective impact on our business operations. Also, as participants in providing DSM capacity to the WEM, we believe our comments can provide the ERA with a clear understanding of the impact of DSM in WA.

Within our local operations, the revenue available through DSM participation has helped partially mitigate rising electricity costs. All forms of cost reduction help maintain the competitiveness of our businesses, particularly those of us exposed to export markets. Importantly, our exposure to DSM programs has assisted our respective facilities in various other ways including gaining an improved understanding of the constituent parts of our electricity bills, and obtaining detailed, real-time views of our consumption that has, in many cases, led to further energy efficiencies which would not have otherwise been secured.

We also support and recognise the potential benefits from DSM's widespread application across WA's grid network. Through effective peak demand management, all WA electricity consumers can benefit from reduced network costs and the avoidance of the generation capital investments that would otherwise be necessary to support demand that exists for only short periods during any one year.

The structure of current DSM payments supports our ongoing participation. We could not look to continue our engagement were "dispatch-only" payments made for DSM. For many of us, we have made substantial investments in process engineering, equipment retrofits, and other site preparations required to support continued DSM participation.

As DSM providers, we believe the service we provide to the WA market and community is equivalent to that provided by traditional peaking generation. Not only are we available during extreme demand peaks, but, unlike some peaking generation in the WA system, our performance is not impacted by gas supply shortages. In exchange for providing an effective and reliable service, the same capacity returns available to other forms of generation should be made available to DSM. This is how DSM is treated in other markets around the globe, and it is consistent with the stated objective of the Market to "avoid discrimination against particular energy options and technologies".

In addition, we argue that DSM provides additional system support not provided by traditional peaking generation sources. DSM participants, through their active load curtailment, help avoid line losses incurred when servicing our sites with energy. For example, a 1MW curtailment in metropolitan Perth, or remote Kalgoorlie, in effect helps avoid 5-20% (or more during extreme demand peaks) of generation that would otherwise be needed to service our respective loads. We understand that Demand Side Program operators are not currently compensated for this "additional line loss" capacity provided by the respective customers when under curtailment.

Moreover, capacity revenue generated through DSM is reinvested by many of us to gain further energy efficiencies, helping reduce average and peak demands across the entire system. No other form of capacity distributes its returns across local industry and end-users. Further, when DSM is dispatched, our capacity alleviates existing network constraints, helping ensure the lights stay on at least cost.

There are other significant system-wide and market benefits gained from using DSM as a capacity resource compared to traditional peaking generation. We urge the ERA to present the full context of these DSM benefits in its final report and not limit its discussion to raising concerns enunciated by other vested interests.

We are proud of our participation in DSM, benefitting the entire WA community by ensuring the lights stay on at even the most extreme times, while putting downward pressure on long-term electricity prices. As a representative contingent of the hundreds of WA businesses engaged in DSM, we strongly urge the ERA to promote the equitable treatment of DSM within the WA market, as well as pursue the other system-wide efficiencies DSM can deliver for all West Australian consumers.

*Richard FARRIS  
DIRECTOR COLWEST INDUSTRIES*