

27 May 2005

Inquiry into Energy Efficiency
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne Vic 8003

Attention Paul Belin

Dear Mr Belin

Energy Efficiency Draft Report

TXU welcomes the opportunity to make a submission on the Draft Report and believes the Draft Report makes a significant contribution to the understanding and debate related to achieving effective improvements in the efficiency of energy use.

As an electricity and gas provider to consumers TXU is well aware of the complexity of energy use needs of consumers and fully supports the Government's policy intent for capturing efficiency improvements in energy use.

TXU endorses the comments made to the Commission in the submission made separately by the Energy Retailers Association of Australia.

In addition, TXU believes the approach to policy analysis and implementation of EE improvements should be cognizant of the following principles:

- Regulatory constraints imposed on the competitive market – specifically barriers to open competition, including regulated retail pricing - be removed;
- The requirement for mandated roll-out of interval meters be supported by a national approach and a comprehensive benefits - cost evaluation;
- Support for Government policy intent to
 - reduce greenhouse gas emissions;
 - establish funds to promote development of technology solutions for sustainable renewable energy, and
 - reduced emissions from fossil fuel generation- whilst believing more is required to overcome risks associated with the fragmented state-based solutions for emissions reduction;
- Support for a national approach to policy on climate change / emissions reduction that provides for
 - access to lowest cost reduction mechanisms first;
 - neutral approach to technologies;
 - equitable cost sharing;

- robust and stable regulatory framework for a long term price signal for carbon;
- orderly transition for removal / replacement of disparate mandatory schemes.

More specifically TXU believes:

- The analysis of EE improvement options (including ‘demand side response’) be required to show how the benefits can be identified, evaluated and realized by private and wider community beneficiaries who in turn are expected to meet the costs of securing the benefits;
- Costs required to extract EE improvement benefits should be clearly identified and met by beneficiaries;
- Market intervention through new Government policy to enhance EE improvement opportunities should be confined to areas of identified market failure (such as information on viable options, awareness programs of how improvement options have delivered net benefits and frameworks for effectively dealing with split incentives);
- Governments should review existing policies that have a focus on EE improvements that do not address market failures to improve the transparency of cause-and-effect and benefits-and-costs (and to eventually remove distortions that deny consumer choice and inhibit true market cost reflectivity);
- The assessment and promotion of EE improvement mechanisms to reduce greenhouse gas emissions should be evaluated within the wider context of GHG reduction options (including options for emissions trading) and benefits / cost analysis;

TXU particularly notes and strongly supports the draft recommendations related to

- Requirement for more rigor in evaluation of NFEE proposals (Recommendation 11.2);
- Requirement for a comprehensive benefit-cost analysis for any mandated roll-out of interval meters (Recommendation 13.1.

Please do not hesitate to contact me (phone 03 8628 1122) if you have any queries regarding this submission.

Yours sincerely

[By email]

Greg Culley
Regulatory Manager
Corporate Relations