**Power shift to cut household bills**

* *Exclusive by Simon Benson*
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**LARGE companies would be paid to cut energy use during peak periods - delivering potential savings of up to 9 per cent on NSW household bills - under rule changes expected to be recommended to the federal government tomorrow.**

The reforms could bring about the most significant changes to the national energy market in decades and would mean savings for households which, over time, could offset the cost of the carbon tax.

The Australian Energy Market Commission will tomorrow release its draft report into energy market reforms.

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It is understood it will recommend the Gillard government approve rule changes to the national electricity market with the aim of directly driving down soaring peak power prices.

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One of the key rule changes would allow large industrial and commercial energy users to access the wholesale electricity market for the first time, so they can compete with power generators on pricing.

The changes would allow the market to offer large incentive payments for companies and factories to shift high energy use production out of the peak periods - typically between 5pm and 8pm when the family home uses the most and when prices would be at their highest.

The easing of demand at these times should bring peak prices down.

But the bigger savings for consumers would come with the slashing of the excessive network charges passed on to consumers to pay for the billions of dollars of over-investment in peak network infrastructure "gold plating" - which would not be needed if there was a reduction in peak demand.

These charges will contribute about half of the anticipated 30 per cent increase in retail power prices over the next two years.

The reforms are based on extensive research of a similar model in the US which shows that industrial energy users were willing to shift their peak energy use, which had taken pressure off price rises.

While there would be expected to be an immediate downward pressure on wholesale prices over the next year, the bigger savings would be delivered over the next decade with the deferral of some of the $240 billion in planned network investment.

For the typical family it could mean savings of up to $300 a year on their bills.

"At the moment the networks are spending like drunken sailors to meet peak demand, and households are footing the bill," Energy Efficiency Council CEO Rob Murray Leach said.

"If the commission recommends that energy users can get paid for cutting peak demand it will be the biggest change to the market in a decade and will deliver real cost benefits to households and businesses"

A report by the economic modelling consultants Carbon and Energy Markets found the changes would have had the effect of lowering prices by up to 9 per cent had they been introduced five years ago.

"Our analysis leads to the conclusion that, if peak demand in the NEM was 3000 MW lower than it is now, average electricity prices would be about 9 per cent lower," the report concluded.