



INFORMATION

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Demand management incentive scheme and innovation allowance for TNSPs

AEMC final rule to promote demand management innovation for transmission network services

The rule change request

Energy Networks Australia (ENA) submitted a rule change request proposing amendments to the National Electricity Rules that would require the Australian Energy Regulator (AER) to implement a demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIA) to apply to transmission network service providers.

The DMIS would provide for incentive payments for transmission businesses to undertake efficient expenditure on non-network options. The DMIA would provide funding for research and development (R&D) on demand management projects that have the potential to reduce long term network costs.

The Commission's final rule

The Commission's final rule determination is to make a more preferable final rule to apply the DMIA, and not the DMIS, to transmission network service providers. This will provide funding for transmission businesses to expand and share their knowledge of innovative demand management projects that have the potential to reduce long term network costs – which would ultimately flow through to consumers in the form of lower electricity bills. Such innovation may play an important role in the ongoing transformation of the energy sector.

The AER will develop a guideline to implement the scheme in time for the next round of network revenue proposals, including the process and criteria for applying the innovation allowance. It is expected that transmission businesses will need to publish reports on the results of their demand management projects – encouraging knowledge sharing of innovative non-network solutions.

The Commission is not satisfied that the benefits of applying the DMIS to transmission networks would outweigh the additional costs to consumers. This decision is supported by all stakeholder submissions to the draft determination, except for Energy Networks Australia.

If the DMIS is implemented, transmission businesses would receive more revenue for undertaking non-network options that they would already have been required to adopt under the regulatory investment test for transmission (RIT-T). Although it is accepted that networks may face upfront, transitional costs to develop their ability to utilise non-network options, we consider these mostly one-off costs can already be recognised and funded under the current regulatory framework.

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