DSP3
Stakeholder Reference Group

Distributors' initial perspectives on an effective DSP framework

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8th June 2011

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Contents

- Why DSP is important for distributors
- Some emerging challenges
- Reaching the mass market
- Incentives not rules
- Broad participation
- Impact of AMI

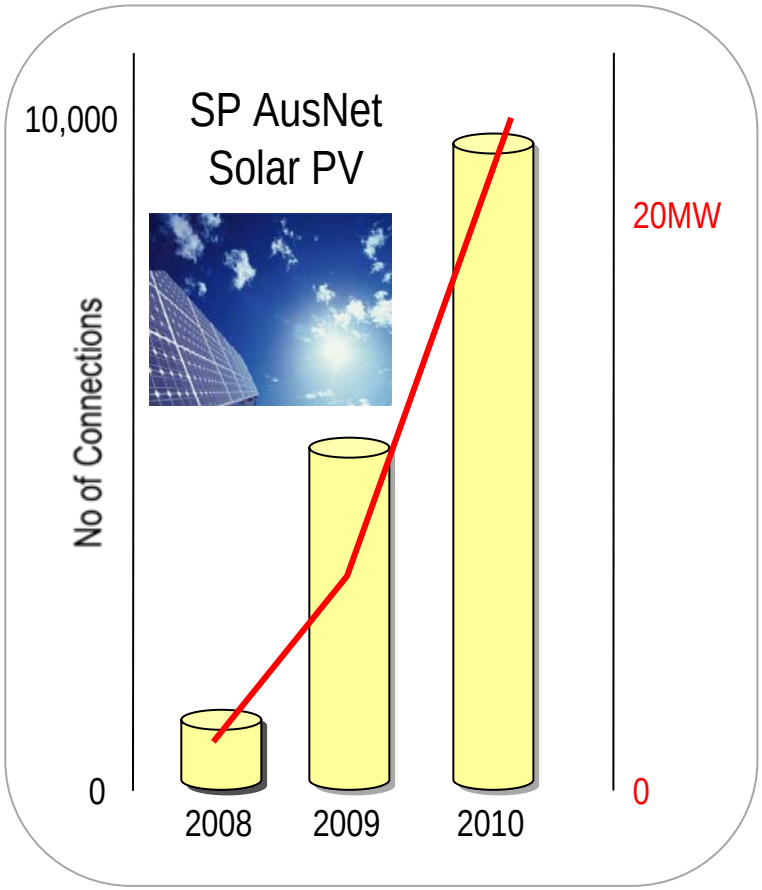
An effective DSP framework is important for distributors

- The right DSP is vital to meet peak demand/ energy price challenge
- Distributors benefit from the right DSP by avoiding inefficient augmentation investment within a regulatory period
  - In particular, avoids peaky investments
- The right DSP allows a more flexible response to network constraints
- In some circumstances, the right DSP helps prolong asset life

An effective framework must address some challenges

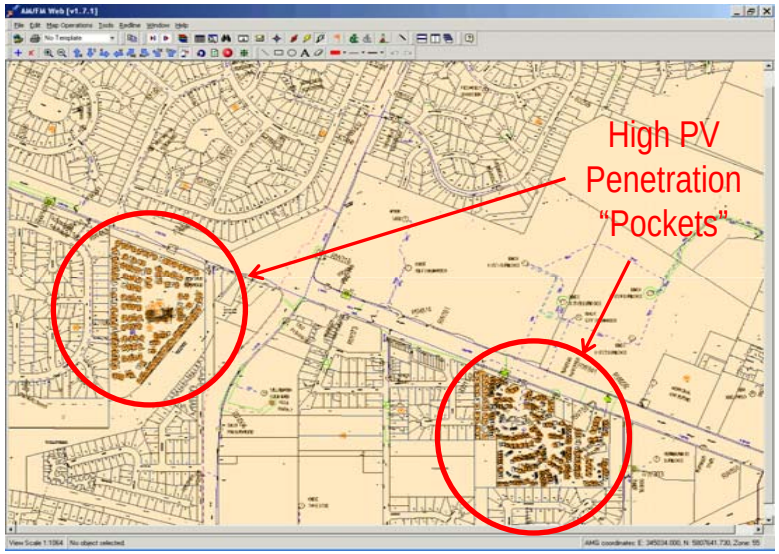
- DSP, especially demand management, not as easy to procure for a distribution constraint as for transmission
- Allocation of risk of STPIS penalties for non-performance
- DSP has significant network impacts
  - Management of fault levels in some areas
  - Voltage levels in ‘hot spots’
  - Two-way power flows more generally

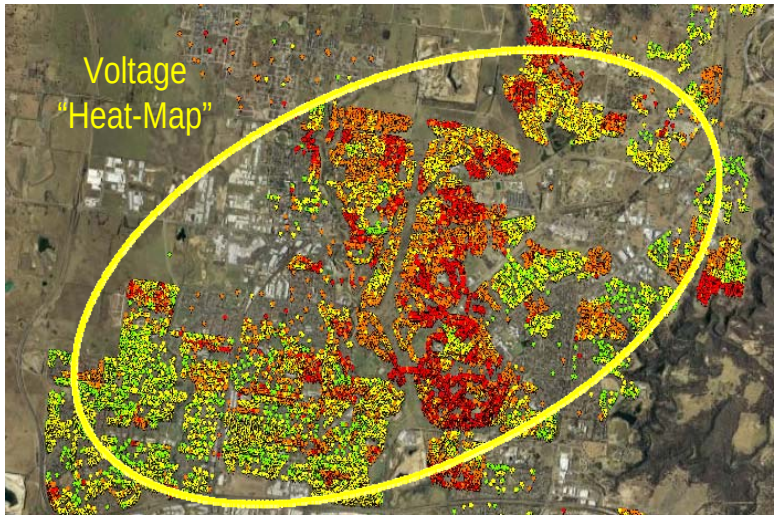
Technical example 1: Integrating Solar PV



- Rapid growth in scale driven by incentives
  - A step-change response in utility resourcing
- Require changes in utility practices
  - Planning, design, operations, maintenance
- Require appropriate standards

Technical example 1: Integrating Solar PV





- Unstructured deployment
  - lack of alignment - PV installations and network benefits
- Voltage and Power Quality issues
- Treatment of network-side impacts

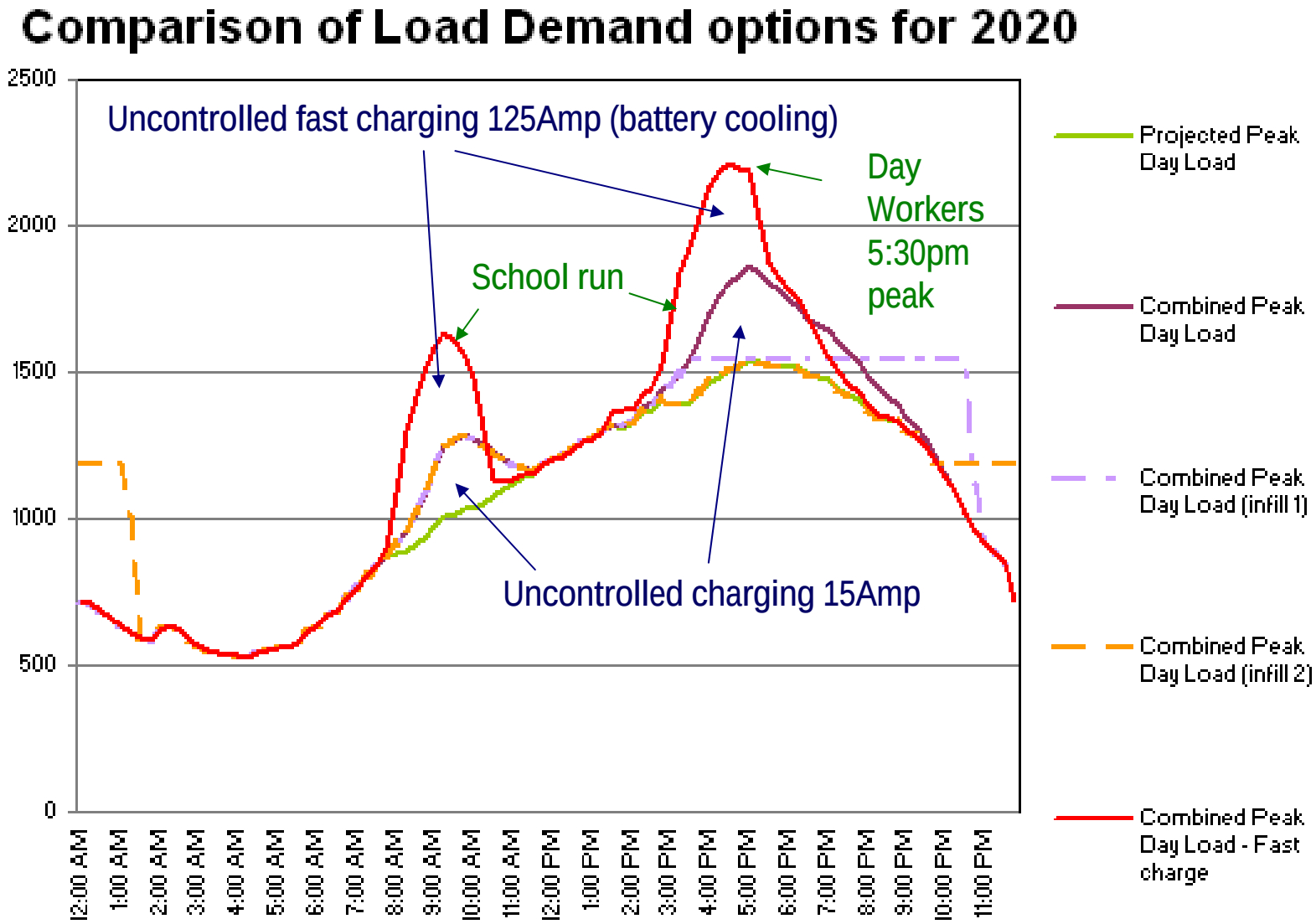
An effective framework must reach the mass market

- Existing and emerging technology will enable consumer participation in network support but the current rules are unwieldy
- Network support arrangements barely functional at a B2B level
- They are highly unlikely to be effective when dealing with consumers
  - Need ability to develop standard offers
- While aggregation is one solution, rules should not constrain this to be the only approach

An effective framework will be incentive based

- Current arrangements established to provide distributor with a commercial incentive to price efficiently and dynamically
  - This incentive is even more important with DSP
  - Current peak periods may not be peak, with widespread DSP
- A functional network support process allows targeting of the right areas (and perhaps cost impacts)
- Dynamic Time of Use tariffs offer the prospect of stimulating DSP and energy efficiency
  - Any further refinements to the regulatory framework should focus on incentives and not obligations
- Equally, community concern about impact on vulnerable consumers
  - Requires oversight

Technical example 2:
EV charging and dynamic pricing



An effective framework will enable broad participation

- A rapidly changing, highly competitive and immature landscape
- At this stage, the widest possible participation is desirable, including DNSPs beyond the meter
- Recognise NSP obligations to provide equal access through existing ring-fencing obligations and enforcement
- Given the benefits of mass participation, must use commercial incentives to motivate as many players as possible and so stimulate innovation

An effective framework will need to consider AMI

- The review will need to consider the likely technology changes in AMI meters
- Meter specifications and delivery of services will need to be flexible to cater for technology changes/innovations
- Network benefits relating to network management and outage management are more likely to occur where metering infrastructure is stable
  - Compared to where AMI is subject to churn

Distributors' initial perspectives on an effective DSP framework

Any questions?