

20 March 2018

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Response to Consultation Paper on National Electricity Amendment (Implementation of Demand Management Incentive Scheme) Rule 2018

Dear Mr Pierce,

Energy Networks Australia would like to provide this submission to the Australian Energy Market Commission (AEMC) relating to its Consultation Paper on the *National Electricity Amendment (Implementation of Demand Management Incentive Scheme) Rule 2018*.

Energy Networks Australia strongly supports the Australian Energy Regulator's (AER) proposal for early implementation of the Demand Management Incentive Scheme and its rationale for the change. We also concur with the AEMC that the rule change request should be subject to the expedited rule making process under s.96 of the *National Electricity Law*.

While electricity networks are already introducing initiatives in demand management, the delays in the introduction of the revised Demand Management Incentive Scheme have been a matter of concern. Providing the best environment to promote efficient demand management solutions to the benefit of customers is a crucial priority. Where networks wish to be voluntary 'early adopters' of the Demand Management Incentive Scheme, there should be scope and flexibility for this to occur.

Early implementation will avoid a three-year delay in some cases (e.g. in Victoria), which is significant in terms of potential benefits that can be realised to customers through providing them access to efficient demand management projects on an earlier timetable.

Overall, the new measures will play a crucial role in preparing networks and the market for a future in which non-network options will become increasingly important as new technology and better affordability make them suitable substitutes for network solutions. We also see this as the start of a rollout of new arrangements where customers with distributed energy resources are able to receive incentives for providing network support services that improve the system's efficiency across the market.

The ENA-CSIRO Electricity Network Transformation Roadmap demonstrates how networks could buy grid support from millions of customers with solar, storage, smart homes or in demand response programs, with annual payments worth \$1.1 billion

within 10 years. Through these measures, up to \$16 billion in network infrastructure investment could be avoided by orchestration of distributed energy resources 2050.¹

Finally, we note that the AER's proposal addresses concerns raised by the AEMC in its final determination National Electricity Amendment (Demand Management Incentive Scheme) Rule 2015. This because the AER has designed the scheme in a way that does not require any amendments to the distribution determinations of businesses that wish to become early adopters of the scheme.

Please do not hesitate to contact Garth Crawford, General Manager Economic Regulation (02) 6272 1515 if you would like to discuss this submission further.

Yours sincerely,

A handwritten signature in blue ink that reads "A. Dillon".

Andrew Dillon
Chief Executive Officer

¹ CSIRO and the Energy Networks Association, Electricity Network Transformation Roadmap, Final Report, p.12-13.