



Implementation of Demand Management Incentive Scheme

Publication of final rule and final determination

The Australian Energy Market Commission has made a final rule to allow early application of the AER's revised demand management incentive scheme.

Final Rule

The final rule amends the National Electricity Rules (Rules) to allow distribution network service providers (DNSPs) to apply to the AER for application of the Demand management incentive scheme (Scheme) during their current regulatory control periods. As a result, DNSPs no longer have to delay the application of the Scheme until the commencement of their next regulatory control periods - which in some cases is two to three years away.

Under the final rule, DNSPs can seek early application of the Scheme by submitting a proposal to the AER. The final rule requires the AER to make a decision and provides it discretion in deciding whether, how and when to apply the Scheme to DNSPs.

Commission's Reasons

The Commission considers that the Scheme promotes efficient investment in network services. It does this by providing incentives for network businesses to use alternatives to 'poles and wires' where these can address system constraints at the least cost to consumers. Earlier application of the Scheme is therefore likely promote efficient investment from an earlier timeframe. This is likely to benefit consumers by reducing total network costs which will be passed through to consumers through lower network prices. These benefits will outweigh the minor administrative costs associated with earlier application. The Commission therefore considers that the Rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).

Background

On 14 December 2017, the AER published the Scheme and at the same time submitted a rule change request to the Commission seeking to allow early application of the Scheme. Under the Rules the Scheme was due to start at the beginning of the next regulatory control period. This reflected a concern when the rule was made, that earlier commencement would require the reopening of existing distribution determinations. However, the Scheme design adopted by the AER allows for its application part way through a regulatory control period without requiring a reopening of distributor determinations.

The proposed rule change therefore sought to amend chapter 11 of the Rules to allow a DNSP to apply to the AER for application of the Scheme during its current regulatory control period so customers would benefit promptly from the Scheme.

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