

28 October 2019

John Pierce AO
Chairman
Australian Energy Market Commission

Dear Mr Pierce,

ERC0266: Response to DMIS and DMIA for TNSPs Rule Change Draft Determination

Energy Consumers Australia appreciates the opportunity to provide comments on the *National Electricity Amendment (Demand Management Incentive Scheme and Innovation Allowance for TNSPs) Draft Rule Determination* (the Draft) of 12 September 2019. The Draft addresses a rule change proposal (the Proposal) made by Energy Networks Australia to the Australian Energy Market Commission (AEMC) that seeks to extend the Demand Management Incentive Scheme (DMIS) and Demand Management Innovation Allowance (DMIA) to Transmission Network Service Providers (TNSPs).

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments Energy Council (the Energy Council) in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply through advocacy on behalf of residential and small business consumers.

We support the position in the Draft to not extend the DMIS to TNSPs. As we outlined in our submission of 15 July to the Discussion Paper no case has been made by the proponents for the payment of DMIS.

In our submission we did not separately provide a separate consideration of the extension of DMIA. We note the comment in the Energy Networks Australia submission to the issues paper that:

This rule change proposal will facilitate building up possible non-network solutions, contractual terms and vendors for consideration in a timelier manner in regulatory investment processes. This is preferred to starting from a minimal base today and expecting a contract at scale to be commercially, technically and operationally viable when needed.

The proposition is that either the DMIS or the DMIA provides the funding basis for TNSPs to in advance consider non-network solutions to demand challenges. Energy Consumers Australia can see how the DMIA, as a direct allowance for innovation expenditure, could achieve that outcome. We remain convinced that the incentive offered by DMIS is inconsistent with the requirement to consider non-network solutions in the RIT-T process.

We noted in our earlier submission that we supported the initiative of Energy Networks Australia in pursuing rule changes that would enable TNSPs to be rewarded for strategies that defer or replace the need for transmission network augmentation and hence benefit consumers by providing lower prices without compromising reliability.

In that submission we noted that other alternatives should be considered. We gave the example of a Performance Incentive Mechanism that directly rewarded asset utilisation.



We also noted the Proposal included no details of any consultation undertaken by the proponents before lodging the request. In saying that we could not support the proposed rule we noted we remained open to further consultation with Energy Networks Australia if they want to demonstrate alternatives that they considered and why they were rejected. There has been no approach to us by Energy Networks Australia in this regard.

In the absence of any alternative being proposed at this time we support the application of the DMIA to TNSPs, noting that the Australian Energy Regulator has discretion in this scheme to ensure the benefits from potential innovation justify the expense.

Yours sincerely,

Rosemary Sinclair AM
Chief Executive Officer