



National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019 No. 10

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015 of the Northern Territory; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019 No. 10

1 Title of Rule

This Rule is the *National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019 No. 10*.

2 Commencement

This Rule commences operation on 12 December 2019.

3 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

5 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 3.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 6.6.3A Demand management innovation allowance mechanism

In clause 6.6.3A(a), after the words "*demand management innovation allowance mechanism*", insert "*for Distribution Network Service Providers*".

[2] Clause 6A.4.2 Contents of revenue determination

In clause 6A.4.2(a)(6A), omit "*or small-scale incentive scheme*" and substitute "*, small-scale incentive scheme or demand management innovation allowance mechanism*".

[3] Clause 6A.5.4 Building blocks approach

In clause 6A.5.4(a)(5), omit "*or small-scale incentive scheme*" and substitute "*, small-scale incentive scheme or demand management innovation allowance mechanism*".

[4] Clause 6A.5.4 Building blocks approach

Omit clause 6A.5.4(b)(5) and substitute:

- (5) the revenue increment or decrements referred to in subparagraph (a)(5) are those that arise as a result of the operation of any applicable *efficiency benefit sharing scheme, capital expenditure sharing scheme, service target performance incentive scheme, small-scale incentive scheme or demand management innovation allowance mechanism*, as referred to in clauses 6A.6.5, 6A.6.5A, 6A.7.4, 6A.7.5 or 6A.7.6.

[5] Clause 6A.6.6 Forecast operating expenditure

In clause 6A.6.6(e)(8), omit "*6A.7.4 or 6A.7.5;*" and substitute "*6A.7.4, 6A.7.5 or 6A.7.6;*".

[6] Clause 6A.6.7 Forecast capital expenditure

In clause 6A.6.7(e)(8), omit "*6A.7.4 or 6A.7.5;*" and substitute "*6A.7.4, 6A.7.5 or 6A.7.6;*".

[7] New clause 6A.7.6 Demand management innovation allowance mechanism

After clause 6A.7.5, insert:

6A.7.6 Demand management innovation allowance mechanism

- (a) The *AER* must develop a *demand management innovation allowance mechanism* for *Transmission Network Service Providers* consistent with the *demand management innovation allowance objective*.
- (b) The objective of the *demand management innovation allowance mechanism* is to provide *Transmission Network Service Providers* with funding for research and development in demand management projects that have the potential to reduce long term *network* costs (the *demand management innovation allowance objective*).
- (c) In developing and applying any *demand management innovation allowance mechanism*, the *AER* must take into account the following:
 - (1) the mechanism should be applied in a manner that contributes to the achievement of the *demand management innovation allowance objective*;
 - (2) demand management projects, the subject of the allowance, should:
 - (i) have the potential to manage ongoing changes in demand; and
 - (ii) be innovative and not be otherwise efficient and prudent *non-network options* that a *Transmission Network Service Provider* should have provided for in its *Revenue Proposal*;
 - (3) the level of the allowance:
 - (i) should be reasonable, considering the long term benefit to *retail customers*;
 - (ii) should only provide funding that is not available from any other source, including under a relevant *revenue determination*; and
 - (iii) may vary by *Transmission Network Service Provider* and over time;
 - (4) the allowance may fund demand management projects which occur over a period longer than a *regulatory control period*.
- (d) Any *demand management innovation allowance mechanism* developed and applied by the *AER* must require *Transmission Network Service Providers* to publish reports on the nature and results of demand management projects that are the subject of the allowance.
- (e) The *AER*:
 - (1) must develop and *publish* the *demand management innovation allowance mechanism*; and

- (2) may, from time to time, amend or replace any *demand management innovation allowance mechanism* developed and *published* under this clause,

in accordance with the *transmission consultation procedures*.

[8] Clause 6A.8.2 Amendment of revenue determination for contingent project

In clause 6A.8.2(g)(9), omit "6A.7.4 or 6A.7.5." and substitute "6A.7.4, 6A.7.5 or 6A.7.6."

[9] Clause 6A.10.1A AER's framework and approach paper

In clause 6A.10.1A(b)(5), omit "and".

[10] Clause 6A.10.1A AER's framework and approach paper

In clause 6A.10.1A(b)(6), omit "." and substitute "; and".

[11] Clause 6A.10.1A AER's framework and approach paper

After clause 6A.10.1A(b)(6), insert:

- (7) the application to the *Transmission Network Service Provider* of any *demand management innovation allowance mechanism*.

[12] Clause 6A.14.1 Contents of decisions

In clause 6A.14.1(5A), omit "or *small-scale incentive scheme*" and substitute ", *small-scale incentive scheme* or *demand management innovation allowance mechanism*".

[13] Clause 6A.17.1 Information to be provided to AER

In clause 6A.17.1(d)(4), omit "6A.7.4 or 6A.7.5;" and substitute "6A.7.4, 6A.7.5 or 6A.7.6;".

[14] Clause S6A.1.3 Additional information and matters

After clause S6A.1.3(3B), insert:

- (3C) a description, including relevant explanatory material, of how the *Transmission Network Service Provider* proposes any *demand management innovation allowance mechanism* that has been specified in a *framework and approach paper* that applies in respect of the forthcoming *revenue determination* should apply to it;

Schedule 2 Amendment to the National Electricity Rules

(Clause 4)

[1] Chapter 10 Substituted definitions

In Chapter 10, substitute the following definitions:

demand management innovation allowance mechanism

A mechanism developed and *published* by the *AER* under clause 6.6.3A or 6A.7.6, as the case may be.

demand management innovation allowance objective

Has the meaning given to it by clause 6.6.3A(b) or 6A.7.6(b), as the case may be.

Schedule 3 Savings and Transitional Amendment to the National Electricity Rules

(Clause 5)

[1] Chapter 11 Savings and Transitional Amendments to the National Electricity Rules

In Chapter 11, after Part ZZZS, insert:

Part ZZZT Demand management incentive scheme and innovation allowance for TNSPs

11.118 Rules consequential on the making of the National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019

11.118.1 Definitions

(a) In this rule 11.118:

Amending Rule means the National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019.

commencement date means the date Schedules 1, 2 and 3 of the Amending Rule commence.

new clause 6A.7.6 means clause 6A.7.6 of the *Rules* as in force immediately after the commencement date.

(b) Italicised terms used in this rule have the same meaning as under Schedule 2 of the Amending Rule.

11.118.2 AER to develop and publish the demand management innovation allowance mechanism

(a) By 31 March 2021, the *AER* must develop and *publish* the first *demand management innovation allowance mechanism* required under new clause 6A.7.6.

[END OF RULE AS MADE]
