



14 July 2015

Australian Energy Markets Commission  
Attention Richard Owen  
PO Box A2449  
Sydney South NSW 1235

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Dear Richard,

**RE: ERC0177 - Demand Management Incentive Scheme**

United Energy (UE) welcomes the opportunity to make this submission to the Australian Energy Market Commission's (AEMC) Draft Rule Determination on the Demand Management Incentive Scheme rule change. We draw your attention to the submission from the Energy Networks Association (ENA) which we support.

UE welcomes any opportunities for distribution network businesses to improve the access to and economic viability of non-network alternatives to managing network demand. In addition to the points raised by the ENA we would like to raise the following points.

**Demand Management Incentive Scheme**

We support the rule change approach that requests the AER develop a Demand Management Incentive Scheme to provide improved incentives for network businesses to invest in non-network demand management solutions. We support the introduction of robust and enduring financial incentives that extend beyond simple OPEX cost pass through and across regulatory control periods to provide appropriate incentives for ongoing investment in demand management.

Under the current distribution network planning and expansion framework of Chapter 5 Part B of the NER, UE is pursuing a number of demand management and other non-network projects as an efficient alternative to network augmentation investment. These include programmes directly with our customers such as our Summer Saver initiative, demand management agreements and non-network solution development with third-party providers.

Based on our experience, one of the key barriers to more wide spread adoption of demand management is the infancy in the use of demand management across the industry and the relatively few economically and technically viable opportunities to implement demand management at the present time. Projects that have progressed to date have only been marginally viable compared with traditional network investment, especially when the risks of non-traditional options are considered. We believe that the viability of these approaches will improve over time and we encourage the AER to consider incentive mechanisms that will help to both bridge the gap between trial and commercial viability for demand management options and provide enduring incentives for the ongoing investment in non-network solutions across the revenue control periods.



If you have any questions on our submission please contact me by email on [kiera.poustie@ue.com.au](mailto:kiera.poustie@ue.com.au) or on (03) 8846 9401. We look forward to working with the AER to progress the development of these important incentive mechanisms.

Kind Regards,

Kiera Poustie  
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