



19 February 2015

Australian Energy Markets Commission  
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Dear Richard Owen,

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

United Energy (UE) welcomes the opportunity to make this submission to the Australian Energy Market Commission's (AEMC) consultation paper on the Demand Management Incentive Scheme rule change. We draw your attention to the submission from the Energy Networks Association (ENA) which provides detailed responses to a number of the specific questions raised for comment in the Consultation Paper.

UE welcome 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 for consideration by the Commission as part of this rule change process.

**Incentive Framework Gaps**

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 and demand management agreements and non-network solution development with third-party providers.

Based on our experience, one of the key contributors to the perceived regulatory gap discouraging businesses from adopting demand management is related to 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. Our view is this will change over time and we encourage the Commission to look at mechanisms which may help to bridge the gap between trial and commercial viability for demand management options, including the proposed access to upstream benefits.

**Incentive Mechanisms**

To complement the proposed changes to the Demand Management Incentive Scheme, we support the introduction of further financial incentives for demand management more broadly that extend further than the simple OPEX cost pass-through. We encourage the Commission to look at the costs associated with the establishment of demand management schemes and consider approaches that provide greater incentives in the early years to cover these initial establishment and customer education costs.



We look forward to continuing to engage with the AEMC as it progresses the rule change. 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.

Kind Regards,

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