EnerNOC Pty Ltd
ABN 49 104 710 278
Level 18, 535 Bourke Street
Melbourne, Victoria 3000

Tel: +61-3-8643-5900
www.enernoc.com.au
info@enernoc.com

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted via www.aemc.gov.au

9 July 2015

Dear Mr Pierce,

Submission on the Demand Management Incentive Scheme (DMIS) draft rule determination (ERC0177)

EnerNOC is grateful for the opportunity to comment on this important topic. We hope that our comments will be useful to the Commission in drafting the final rule.

EnerNOC is a leading provider of Energy Intelligence Software (EIS) and services to utilities and enterprise customers. EnerNOC's EIS for utilities is a holistic solution that helps improve customer engagement, and assists utilities maximise the value of demand-side resources, including both fully-outsourced and utility-managed demand response and energy efficiency programs.

We support the introduction of the demand management incentive scheme, and believe that this specific item will complement the package of recent regulatory reforms[1], and will truly encourage network businesses to undertake, and be adequately rewarded for pursuing, efficient non-network alternatives.

Delayed introduction of the DMIS

EnerNOC is concerned with the Commission's view that the proposed DMIS should not be introduced midway through the regulatory control period. We believe that this decision will result in even further delays to these important, and long overdue reforms. Considering the broad stakeholder support for the DMIS, and the positive impact this will have on consumers, it would be a lost opportunity to postpone implementation until the 2019-2020 regulatory reset cycle.

In an environment where consumers are increasingly seeking to invest in emerging energy technologies and related services, it is important that network

[1] Distribution annual planning report, the Demand-Side engagement strategy, the RIT-D, and the distribution network pricing arrangements

companies are provided with the full spectrum of regulatory mechanisms – including the DMIS – to plan their network investments in a way that takes advantage of consumers' willingness to participate, so as to minimise the long-term costs to consumers.

In EnerNOC's opinion, the positive incentive provided by the DMIS (i.e. the ability to make profits on demand management projects) is central to motivating a network business to pursue the most efficient investment decision. These efficient investment choices will benefit consumers who are the ultimate beneficiaries of this rule change.

In the AER's final decision on Ausgrid's distribution determination,[2] the decision was made not to introduce Ausgrid's proposed Demand Management Benefit Sharing Scheme (DMBSS). The AER considered that it was inappropriate to develop an alternative scheme when the AEMC was preparing advice on a similar initiative. Further, in their draft decision for ActewAGL's distribution determination[3], the AER states:

"We intend to introduce a revised DMIS ***as soon as practicable*** *following the AEMC's rule change process. It is likely that* ***transitional rules will be required*** *to allow the revised scheme to apply within the 2015–19 regulatory control period."* [our emphasis]

EnerNOC's interpretation of these determinations is as follows:

1. The decision not to introduce the DMBSS was primarily because the AER did not want to duplicate the AEMC's efforts – effectively a timing issue
2. That the AER intended to introduce a DMIS when it was approved by the AEMC, and
3. There was recognition that transitional arrangements would be necessary to achieve speedy implementation.

In light of this, it is difficult to understand the Commission's position.

I would be happy to discuss these issues in more detail if that would be helpful.

Yours sincerely,

Mottel Gestetner
Senior Manager, Regulatory Affairs & Market Development

---

2 Page 49, Section 3.3.4, http://www.aer.gov.au/sites/default/files/AER%20-%20Final%20decision%20Ausgrid%20distribution%20determination%20-%20Overview%20-%20April%202015_0.pdf

3 Draft determination, ActewAGL, 2015-16 to 2018-19. Attachment 12: DMIS. Page 13.