

19 March 2015

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

Lodged online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear John

### **National Electricity Amendment (Demand Management Incentive Scheme) Rule 2015**

Grid Australia welcomes the opportunity to provide this response to the AEMC's consultation paper on National Electricity Amendment (Demand Management Incentive Scheme) Rule 2015 (AEMC reference: ERC0177).

The proposals submitted by the Total Environment Centre and the Council of Australian Governments' Energy Council focus on the application of the demand management and embedded generation connection incentive scheme to distribution network service providers (DNSPs). Grid Australia is not in a position to provide a detailed response regarding the implementation of any changes to this scheme as it applies to DNSPs.

Rather, the purpose of this submission is to propose that the AEMC take this opportunity to also consider the potential for demand management by transmission network service providers (TNSPs) to ensure alignment between the incentives and regulatory treatment of demand management activities by network businesses across the National Electricity Market (NEM).

#### ***Grid Australia supports efficient demand management which is in the long term interests of consumers***

Grid Australia recognises the importance of customers (both large users and residential) making informed choices about their electricity use and considers that an appropriately framed demand management regime has the potential to allow network businesses to facilitate those choices.

While the nature of demand management may differ between the transmission and distribution network levels, it is important that the National Electricity Rules support measures that encourage efficient demand management across both the transmission and distribution networks, consistent with the National Electricity Objective.

As identified by the AEMC, demand management is a relatively new concept and the demand management market is in its infancy in Australia. Appropriate incentives for innovation by network businesses will help develop this market. In this regard, it is proposed that the AEMC consider the need for an allowance to be made available to transmission businesses, to undertake demand management innovation activities, which is similar in its purpose (and agreed outcomes) to the demand management innovation allowance available to distribution businesses.

Grid Australia also seeks greater clarity on how the AEMC sees TNSPs participating in the demand management market. Previous work by the AEMC, including the Power of Choice review, has tended to focus on demand side participation at the distribution network level. As Australia's electricity market continues to evolve, it is important for the regulatory framework to facilitate consistent treatment of demand management activities across the electricity supply chain.

***Grid Australia supports further engagement by the AEMC on demand management issues***

Grid Australia supports further engagement by the AEMC on this rule change process and issues regarding the uptake of demand management in the NEM more broadly by undertaking stakeholder workshops or other measures.

Please do not hesitate to contact Caroline Taylor on (02) 9284 3715 or [caroline.taylor@transgrid.com.au](mailto:caroline.taylor@transgrid.com.au) if you wish to discuss any matter raised in this submission.

Yours sincerely



Rainer Korte  
**Chairman**  
**Grid Australia Regulatory Managers Group**