

Our Ref: 43313
Contact Officer: Bruno Coelho
Contact Phone: 08 8213 3435

17 October 2011

Zaeen Khan
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Dear Mr Khan,

Rule change: Inclusion of embedded generation research into Demand Management Incentive Scheme

The AER welcomes the opportunity to comment on the AEMC's draft determination on changes to the AER's demand management incentive scheme (DMIS) with respect to embedded generation.

The AER supports the draft rule change which seeks to encourage distribution network service providers to pursue greater innovation in respect of the connection of embedded generators. The rule change will make it explicit that any research and development projects in this regard will be recoverable under the DMIS, which the AER already considers to be within the DMIS' scope.

Stakeholders to this rule determination have commented on whether the level of funding available under the DMIS should be altered as a result of this rule change. The AER intends to continue to monitor practical experience with the application of the scheme in considering whether this is an issue. To this end, the AER supports the AEMC's approach to permit evolution in the AER's considerations on the application of the scheme, by not being prescriptive on the issue of funding as part of this rule change.

If you would like to discuss further, please contact Mr Bruno Coelho on bruno.coelho@er.gov.au or by telephone on (08) 8213 3435

Yours sincerely



Chris Pattas
General Manager
Australian Energy Regulator