

# **Power of Choice Review**

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# I'll talk about:

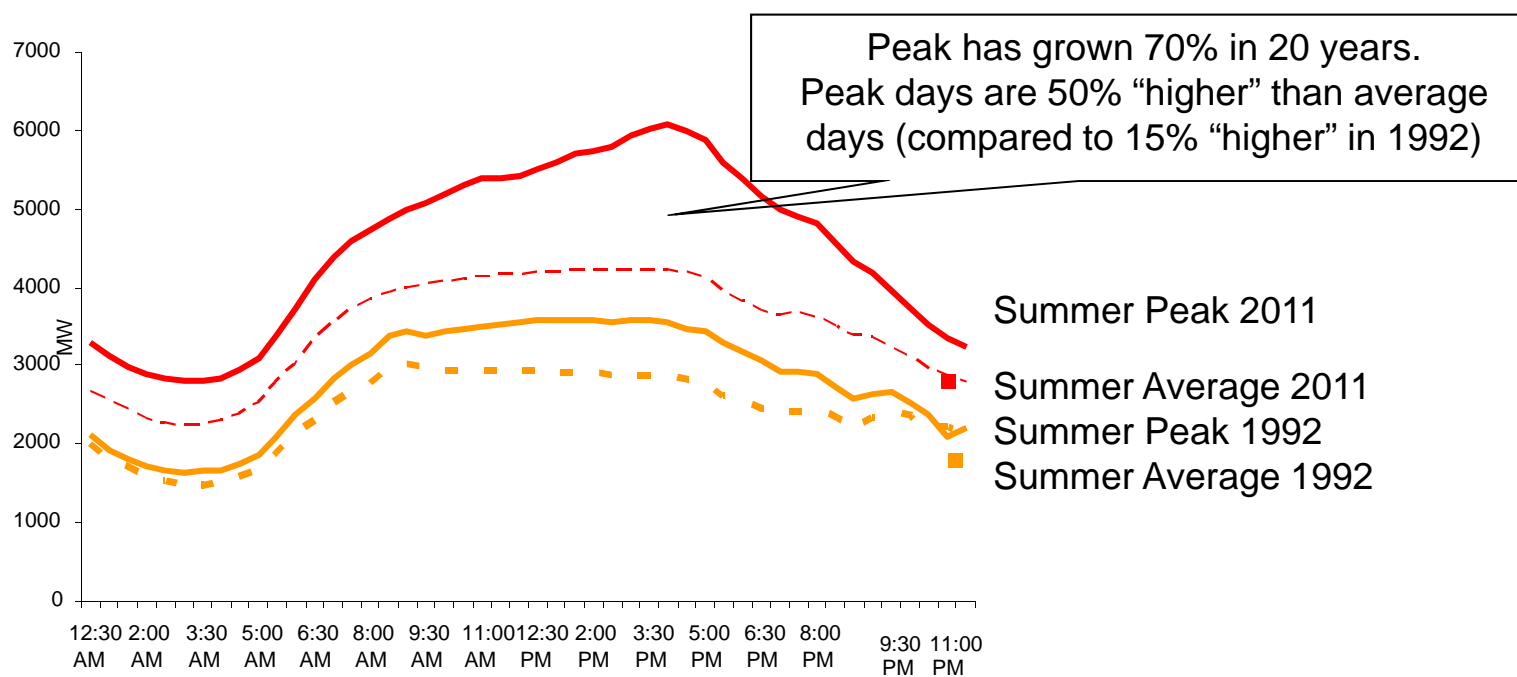
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- Two main barriers to demand management
- Incentives needed for Distribution Network Service Providers
- Role of pricing and metering
- Opportunities for demand management



# Rising peak demand, worsening load factor

## Summer Day - electricity demand Peak and Average Demand Days 1992 & 2011



# Two key barriers to demand management

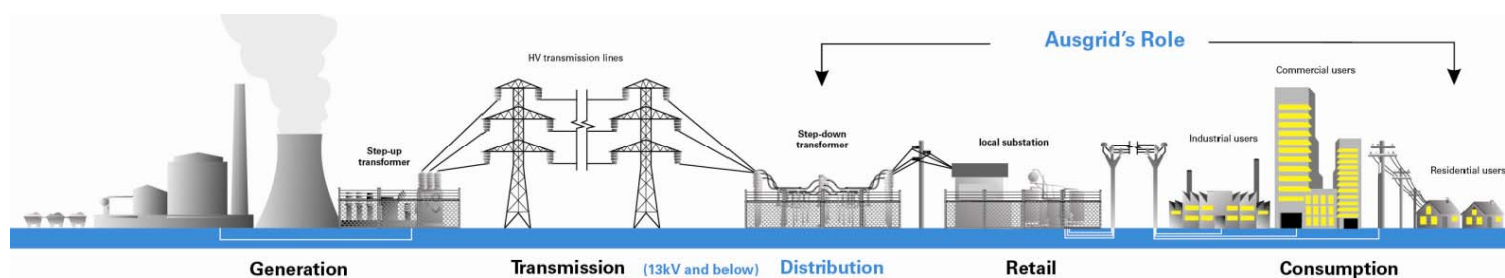
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## 1. Short term focus

- DM alternatives & supply side options developed in parallel – very complex
- Three quarters of potential benefit not being counted
- Few projects viable. Over 3 years, of 86 DM screening tests, only 10 viable.

## 2. Disaggregated market – no way of capturing benefits across value chain

- Benefits of DM being underestimated by about 8 times.
- Makes DM far less economical for networks.



# Example - Hot water load control

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- Began in 1950s, when business vertically integrated
- Reduces peak demand on Ausgrid's network by 350MW
- Without this, we would have had to invest \$350 million in infrastructure
- Program would not be approved today because can't capture:
  - long term gains and
  - whole-market benefits.



# Pricing

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- Customers respond to price signals
- Ausgrid trialed Critical Peak Pricing
- Customers reduced peak demand use by 25% during critical peak events.
- Interval meters important for customers choice and information
- Pricing part of picture, but not whole solution



# Future demand management options

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- Voluntary load control programs with customers
  - eg switching off appliances at peak times in exchange for rebates
- Automated energy management systems in homes - apps etc
- Payments to businesses who reduce energy use on request
- Mini power stations installed at homes and businesses
  - Distributed generation and battery storage



Paul and Nicole Jeffkins, with daughter Georgie, 10, have had a fuel cell fitted to their home in Wallsend. Picture: Liam Driver

# Conclusion

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- To activate more DM in the market, distributors need incentives that:
  - Respond to benefits in the whole energy supply chain
  - Capture long and short term benefits
  - Allow networks and consumers to share the financial benefits of DM







**Ausgrid**