

Draft Decision

AusNet Services electricity transmission determination 2027 to 2032

(1 April 2027 to 31 March 2032)

Attachment 8 Demand management innovation allowance mechanism

June 2026

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8 Demand management innovation allowance mechanism

The purpose of the demand management innovation allowance mechanism (DMIAM) is to encourage TNSPs to expand and share their knowledge and understanding of innovative demand management projects that may reduce long-term network costs and consequently, drive lower prices for customers.

Under clause 6A.4.2(6A) of the National Electricity Rules, our regulatory determination must specify how any transmission DMIAM is to apply in the next regulatory control period.

This attachment sets out how we will apply the DMIAM to AusNet Services (AusNet) for the 2027–32 regulatory control period (period).

8.1 Draft Decision

In accordance with our Framework and Approach (F&A), our draft decision is to apply the DMIAM to AusNet for the 2027–32 period.¹ The DMIAM comprises of:

- **The allowance itself:** a fixed allowance of \$200,000 for the costs of independent assessment as at 30 June 2021, adjusted by the AER for inflation using the actual consumer price index (CPI), plus 0.1% of the total unsmoothed annual building block revenue requirement (ABBRR) for the regulatory control period, as set out in our Post-Tax Revenue Model (PTRM) for AusNet. In our Final Decision, we will determine the amount of the DMIAM allowance for AusNet for the 2027–32 period, based on the final PTRM.
- **Project eligibility requirements:** these are the necessary project criteria to be met in order for a TNSP to use the allowance to fund the project. The requirements aim to ensure that DMIAM funded projects deliver value for money to electricity consumers.
- **Compliance reporting requirements:** the information provided under these requirements will assist us in assessing compliance with the DMIAM. It will also allow industry and consumers to understand, share and potentially also apply the research outcomes and knowledge gained from DMIAM projects. Furthermore, it will provide transparency regarding the efficiency and effectiveness of the DMIAM allowance as used by the TNSP.²

¹ AER, [Final Framework and Approach – AusNet Services transmission determination 2027–32](#), April 2025, p. 5.

² AER, [Demand management innovation allowance mechanism, Electricity transmission network service providers](#), January 2026.

8.2 AusNet’s proposal

In its proposal AusNet supported the application of the DMIAM for the 2027–32 period.³ AusNet has estimated a DMIAM expenditure amount of \$5.8 million (or \$1.7 million allowing for its proposed adjustment) for the 2027–32 regulatory control period.

The DMIAM first applied to AusNet in the 2022–27 regulatory control period. AusNet has not claimed any DMIAM expenditure for the 2022–27 regulatory control period. In its proposal AusNet has sought to apply a carryover amount of \$4.1 million in the second year (2028-29) of the next regulatory control period. AusNet has reduced its proposed DMIAM allowance in 2028-29 to account for this.

8.3 Assessment approach

We are required to decide how the DMIAM will apply to AusNet for the 2022–27 regulatory control period.

We outlined our proposed approach to, and reasons for, the application of the DMIAM in our F&A for AusNet.

Our draft decision adopts the position in our F&A.⁴ In arriving at our draft decision we have considered the materials submitted to us by AusNet. We also sought stakeholder views, but we did not receive any submissions from stakeholders on the application of the DMIAM.

8.4 Reasons for draft decision

The DMIAM funds TNSPs to undertake research and development on demand management initiatives that have the potential to reduce long-term network costs. The learnings from these initiatives are to be shared across industry and with consumers.

AusNet is required to annually provide DMIAM compliance reports and supporting documents to evidence that its research and development projects and expenditures meet the requirements under the DMIAM.

Annually, we will determine the eligibility and DMIAM payments for each project according to the criteria specified in the DMIAM.⁵

Any unused funding under the DMIAM will be returned to consumers in the 2032–37 regulatory control period via a carryover adjustment.

8.4.1 Application of the carryover adjustment for the 2022–27 period

The application of carryover amounts is set out in Clause 2.5 of the DMIAM. Clause 2.5(1) states that once all relevant information (including the content of each compliance report) for a regulatory control period becomes available after the end of the regulatory control period, the AER will calculate any carryover amount. In addition, the carryover formula relies on the

³ AusNet, AusNet Transmission Revenue Reset 2027-32 Revenue Proposal, October 2025, p. 157.

⁴ AER, [Final Framework and Approach – AusNet Services transmission determination 2027–32](#), April 2025, p. 5.

⁵ AER, [Demand management innovation allowance mechanism, Electricity transmission network service providers](#), January 2026, p. 9.

use of relevant CPI adjustments based on actual CPI which will not be known until after the final determination is made.

Clause 2.5(2) provides that the amount of carryover calculated at the end of a regulatory control period is deducted from the TNSP's maximum allowed revenue (MAR) in the second year of the subsequent regulatory control period.

We have received annual compliance reports for 2022–23, 2023–24, 2024–25, and 2025–26 in respect of the 2022–27 regulatory control period.⁶ Once we have received the annual compliance report for 2026–27 we will be able to calculate any applicable carryover amount for the 2022-27 period. Any such carryover amount will be deducted from AusNet's MAR in 2028–29.

Therefore, to apply the carryover adjustment as proposed by AusNet would be inconsistent with the DMIAM.

⁶ No projects were proposed so these were effectively 'nil' reports.

Glossary

Term	Definition
ABBRR	annual building block revenue requirement
AER	Australian Energy Regulator
CPI	consumer price index
DMIAM	demand management innovation allowance mechanism
F&A	framework and approach
MAR	maximum allowed revenue
NER	national electricity rules
PTRM	post-tax revenue model
TNSP	transmission network service provider
