Decision

2010–11 and 2011 DMIS assessment

26 November 2012

AUSTRALIAN ENERGY REGULATOR

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1 Background

The Demand Management Incentive Scheme (DMIS) is a research and development fund which aims to provide incentives for Distribution Network Service Providers (DNSPs) to conduct research and investigation into innovative techniques for managing demand. The AER published its DMIS for the non-Victorian DNSPs (in October and November 2008) and Victorian DNSPs (in April 2009) in accordance with clause 6.6.3 of the National Electricity Rules (NER).

The Demand Management Innovation Allowance (DMIA) is part A of the DMIS. DMIA is provided to a DNSP in the form of a fixed amount of additional revenue at the commencement of each year of the regulatory period. The AER has previously approved the allowances set out in table 1.1 in accordance with Part A of the DMIS.

In the second year of the next regulatory control period, when results for the five years of the current regulatory control period are known, a single adjustment will be made to return the amount of any underspends or unapproved DMIA amounts to customers. This ensures that the scheme remains neutral in terms of the expenditure profile which the DNSP adopts during the regulatory control period.

Part B of the DMIS relates to forgone revenue. It allows the DNSPs to recover foregone revenue in a regulatory control period resulting from a reduction in the quantity of energy sold directly attributable to demand management projects or programs approved under Part A of the scheme.

The AER did not apply Part B of the DMIS in current distribution determinations for ACT, NSW, Qld DNSPs. Part B of the DMIS has been applied to SA Power Networks and the Victorian DNSPs as part of their current distribution determinations. However, neither SA Power Networks nor the Victorian DNSPs have sought recovery of forgone revenue amounts in 2010-11 or 2011, respectively.

A key objective of the DMIS is to assist in enhancing industry knowledge of practical demand management projects and programs through the annual publication of DMIS reports from DNSPs. As such, the DMIS sets out annual reporting requirements for DNSPs for the regulatory control period. DNSPs are required to submit a report to the AER on their DMIS expenditure at the end of each year. The information provided in a DNSP's annual DMIS report is used in the AER's assessment of a DNSP's compliance with the DMIA criteria and entitlement to recover expenditure under the DMIA.

In July 2012 the AER published a report on the approved DMIA expenditures relating to the ACT, NSW, Qld and SA DNSPs for 2010–11. The report has now been updated to include the AER's assessment of the DMIA expenditures claimed by the Victorian DNSPs for 2011.[1] The DMIS reports from each of the DNSPs are available on the AER's website at www.aer.gov.au.

[1] The non-Victorian DNSPs report on a financial year basis whereas the Victorian businesses report on a calendar year basis.

Table 1.1 AER approved annual DMIA for DNSPs

DNSP	Regulatory control period	Approved annual DMIA allowance
ActewAGL (ACT)	2009-14	$100 000
Ausgrid (NSW)	2009-14	$1 000 000
Endeavour Energy (NSW)	2009-14	$600 000
Essential Energy (NSW)	2009-14	$600 000
Energex (Qld)	2010–15	$1 000 000
Ergon Energy (Qld)	2010–15	$1 000 000
SA Power Networks (SA)	2010–15	$600 000
CitiPower (Vic)	2011–15	$200 000
Jemena Electricity Networks (Vic)	2011–15	$200 000
Powercor (Vic)	2011–15	$600 000
SP AusNet (Vic)	2011–15	$600 000
United Energy (Vic)	2011–15	$400 000
Aurora Energy (TAS)	2012–16	$400 000

Note:
Allowances for ACT/NSW DNSPs are sourced from the ACT/NSW electricity distribution final decision (April 2009). Allowance is in June 2009 dollars
Allowances for Qld and SA DNSPs are sourced from the Qld/SA electricity distribution final decision (May 2010). Allowance is in June 2010 dollars
Allowances for Victorian DNSPs are sourced from the Victorian electricity distribution final decision (October 2010). Allowance is in December 2010 dollars.
Allowance for Aurora Energy is sourced from the Tasmanian electricity distribution final decision (April 2012). Allowance is in June 2012 dollars.

2 DMIA assessment

The AER conducted its 2010–11 and 2011 DMIA compliance assessments based on the DMIS reports received from the following DNSPs:

- ActewAGL
- Ausgrid
- CitiPower
- Endeavour Energy
- Energex
- Ergon Energy
- Essential Energy
- Jemena Electricity Networks
- SP AusNet.

Table 2.1 shows the amount of DMIA expenditure approved by the AER for the non-Victorian DNSPs for 2010–11 and the remaining allowance for each DNSP in the current regulatory control period. Out of the non-Victorian DNSPs, SA Power Networks (formerly ETSA Utilities) did not claim DMIA in 2010–11. To date (2009–10 and 2010–11) the non-Victorian DNSPs have claimed 5.3 per cent of the total DMIA approved for the regulatory control period.

Table 2.1 Non-Victorian DNSP DMIA claimed, approved and remaining ($ Dec 2010)

DNSP	DMIA claimed 2010-11	DMIA approved 2010-11	DMIA approved 2009-10	DMIA remaining	Proportion of approved DMIA spent (%)
ActewAGL	8 362	8 362	29 308	478 633	7.3
Ausgrid	52 963	52 963	-	5 110 074	1.0
Endeavour Energy	163 827	163 827	-	2 933 995	5.3
Energex	50 320	50 320	N/A	5 032 248	1.0
Ergon Energy	458 148	458 148	N/A	4 624 420	9.0
Essential Energy	245 000	245 000	320 187	2 532 635	18.2
SA Power Networks	-	-	N/A	3 049 541	-
TOTAL	**978 620**	**978 620**	**349 495**	**23 761 546**	**5.3**

Table 2.2 shows the amount of DMIA expenditure approved by the AER for the Victorian DNSPs for 2011 and the remaining allowance for each DNSP in the current regulatory period. Out of the Victorian DNSPs, United Energy and Powercor did not claim DMIA in 2011. In 2011, the Victorian DNSPs claimed 5.4 per cent of the total DMIA approved for the regulatory control period.

Table 2.2 Victorian DNSP DMIA claimed, approved and remaining ($ June 2011)

DNSP	DMIA claimed 2011	DMIA approved 2011	DMIA remaining	Proportion of approved DMIA spent (%)
CitiPower	73 803	73 803	943 645	7.2
Jemena Electricity Networks	467 418	467 418	550 030	45.9
Powercor	-	-	3 052 343	0.4
SP AusNet	10 715	10 715	3 041 628	-
United Energy	-	-	2 034 896	-
TOTAL	**551 936**	**551 936**	**9 622 542**	**5.4**

2.1 ActewAGL

ActewAGL claimed DMIA expenditure of $8 362 for continued development work on its Power Factor Correction (PFC) project. The PFC project aims to reduce demand for standard control services for large commercial customers who record 15 minute interval consumption data across its network. Details about this project can be found in ActewAGL's DMIS report. The AER approved ActewAGL's claimed DMIA expenditure in 2010–11 because it meets the DMIA criteria as set out in table A.1.

2.2 Ausgrid

Ausgrid claimed DMIA expenditure of $52 963 for two projects, Reliability Improvements for Large Embedded Generators (RILEG), and Dynamic Load Control of Small Hot Water Systems (DLC).

Ausgrid stated that its RILEG project involves network support from embedded generators during the peak winter period to achieve 14MVA of demand reduction. The DLC project involves implementing dynamic load control to turn off hot water systems for short periods to actively mange network demand as necessary.

Details about these projects can be found in Ausgrid's DMIS report. The AER approved Ausgrid's claimed DMIA expenditure in 2010–11 because it meets the DMIA criteria as set out in tables A.2–A.3.

2.3 CitiPower

CitiPower claimed DMIA expenditure of $73 803 for its Inner Urban Demand Management (IUDM) program. The IUDM program intends to address maximum demand on very hot days. The program involved trialling large commercial and industrial customer demand management programs in the area served by Richmond Terminal Station in order to reduce maximum demand during the 2011-12 summer period, through shifting and curtailing demand. CitiPower established the trial to target a maximum of 4MW of maximum demand if a sufficient number of customers were willing to participate and contribute to an event.

CitiPower sought to achieve this by testing customer's level of interest in the program and trialling their ability to respond using pre-arranged agreements and a communication protocol (using SMS). Each participating customer is paid a fixed fee for participation and a fee for each demand management response.

CitiPower selected the program as a trial, and is not intended as a firm solution to a specific network requirement. The IUDM program was selected due to its scope and achievability, as well as demand management being a viable alternative to network augmentation in a specific location. CitiPower did not specify when the results of the trial will be known.

Details about this initiative can be found in CitiPower's DMIA report. The AER approved CitiPower's claimed DMIA expenditure in 2011 because it meets the DMIA criteria as set out in table B.1.

2.4 Endeavour Energy

Endeavour Energy claimed DMIA expenditure of $163 827 for its Standby Power Reporting (PowerView) project and its Rooty Hill Residential Demand Management Program.

The PowerView project was developed to inform customers of their standby power usage via a web portal enabling them to take action to reduce their standby power consumption.

The Rooty Hill Residential Demand Management Program consists of the Cool Saver program and Peak Saver Program. The programs are based on providing financial reward to customers that reduce electricity consumption rather than penalising them for electricity consumed. They are paid for the quantity of electricity not consumed. Details about these projects can be found in Endeavour Energy's DMIS report. The AER approved Endeavour Energy's claimed DMIA expenditure for 2010–11 because it meets the DMIA criteria as set out in tables A.4–A.5.

2.5 Energex

Energex claimed DMIA expenditure of $50 320 for its Network Pricing Initiatives project. The project consists of three initiatives to enable Energex to better understand network pricing drivers and how to utilise them in managing demand. The three key initiatives are: a literature review; criteria to choose between tariff and non-tariff alternative demand mechanisms; and Long Run Marginal Cost methodology. Details about the project can be found in Energex's DMIS report. The AER approved Energex's claimed DMIA expenditure in 2010–11 because it meets the DMIA criteria set out in table A.6.

2.6 Ergon Energy

Ergon Energy claimed DMIA expenditure of $458 148 for five projects:

- Residential Air Conditioning and Maintenance Trial
- Chilled Water Air Conditioning on Single Wire Earth Return Network
- Grid Utility Support System Phase 2

- Commercial Building Management Network
- Stockland North Shore Living Display Centre.

Ergon Energy's Residential Air Conditioning and Maintenance (RACCM) Trial involves it paying for the professional cleaning of residential participants' split system air-conditioners. Ergon Energy stated this will reduce network demand as more efficient air conditioners will require less electricity to operate.

The aim of the Chilled Water Air Conditioning project is to assess the demand management efficiency of small-scale Chilled Water Storage Air Conditioning systems on Single Wire Earth Return (SWER) Networks. Ergon Energy hopes to shift and reduce peak demand by using electricity overnight, in off-peak periods to chill water for use in air conditioner systems during peak, high-demand periods.

The Grid Utility Support System (GUSS) project integrates battery storage and renewable energy systems. Ergon Energy stated one of the expectations of this project is to reduce demand in specific network constrained areas.

Ergon Energy's Commercial Building Management Network or Commercial Energy Management Systems (CEMS) project involves virtually aggregating controlled load at multiple sites for three host customers to enable critical peak demand reduction.

The Stockland North Shore Living Display Centre project aims to shift and reduce demand on the network through the promotion of energy sustainability at a residential development in Townsville.

Further details about the projects can be found in Ergon Energy's DMIS report. The AER approved Ergon Energy's DMIA expenditure in 2010–11 because it meets the DMIA criteria set out in tables A.7–A.11.

2.7 Essential Energy

Essential Energy claimed DMIA expenditure of $245 000 for its Grid Interactive Inverter (GII) project. The GII project is aimed at developing an innovative enabling technology to address multiple network constraints and shortfalls in existing low voltage inverters through the inverters ability to reduce or shift peak demand on the network. Details about the project can be found in Essential Energy's DMIS report. The AER approved Essential Energy's claimed DMIA expenditure in 2010–11 because it meets the DMIA criteria set out in table A.12.

2.8 Jemena Electricity Networks

Jemena Electricity Networks (JEN) has claimed DMIA expenditure of $467 418 for its Energy Portal project. JEN notes that the Energy Portal project is a joint project with United Energy Distribution, with an agreed cost split between the two DNSPs.

The project is a demand management initiative designed to enhance electricity consumers' demand management capability. The project intends to provide better information on

electricity usage, empowering consumers to make informed decisions about when and how much energy they consume. It uses advanced metering technology (AMI) to provide near real time electricity consumption information.[2] It also allows binding of Home Area Network appliances to the AMI meter, allowing customers to control appliances in order to shift and/or reduce electricity consumption.

The Energy Portal project has been implemented as a trial. It has two components: (i) a demand management initiative component, (ii) a customer outage notification component. JEN indicates that they have only sought approval for the demand management initiative component under the DMIA.

JEN states that it is still too early to quantify the demand side benefits that have arisen from the Energy Portal project because the Energy Portal has so far only been trialled with a small group of customers. However, it notes that it has received feedback from some customers that, with the information provided by the portal, they have been able to consider ways to reduce their electricity bills.

Details about the project can be found in JEN's DMIS report. The AER approved JEN's claimed DMIA expenditure in 2011 because it meets the DMIA criteria set out in table B.2.

2.9 SP AusNet

SP AusNet claimed DMIA expenditure of $10 715 to manage hot water peak demand and associated network constraints at Mallacoota. SP AusNet indicates that this area of its network has been experiencing supply interruptions and customers have expressed concern about service reliability. SP AusNet's objective for this project is to address service reliability and involuntary load curtailment problems in that area of its network.

The broader project being undertaken by SP AusNet at Mallacoota ranges from initiating measures to improve reliability of supply, improving customer information and shifting hot water peak demand to outside the hours of 12 to 5am. However, SP AusNet have categorised DMIA expenditures for this project only as those related to the hot water unit time clock adjustments to reduce the hot water peak demand. Specifically, these include resources to engage customers, and investigate and analyse data, customer communications, and the labour costs associated with implementing time clock adjustments for hot water units in the field. The implementation of this project involves SP AusNet rolling out a program to switch approximately 300 hot water time clocks to manage hot water peak demand.

Details about the project can be found in SP AusNet's DMIS report. The AER approved SP AusNet's claimed DMIA expenditure in 2011 because it meets the DMIA criteria set out in table B.3

2.10 Conclusion

The AER conducted the 2010–11 and 2011 DMIA compliance assessments based on the annual DMIS reports it received from the DNSPs. The ACT, NSW, and Qld DNSPs sought

[2] JEN has not received funding for its web portal project as part of its advanced metering infrastructure project.

approval of 12 DMIA projects totalling $978 620, in 2010-11. SA Power Networks did not claim any DMIA expenditure in 2010–11. The Victorian DNSPs (Citipower, SP AusNet and JEN) sought approval of 3 DMIA projects totalling $551 936 in 2011. Powercor and United Energy did not claim any DMIA expenditure in 2011. The AER has approved the DMIA expenditure claimed by the DNSPs as the expenditure complies with the DMIA criteria.

The DNSPs implemented a variety of projects aimed at managing demand for which they have claimed against the DMIA. Projects range from research projects to projects targeting service reliability and customer's responses to pricing signals. Despite the number of projects undertaken in 2010–11 and 2011, the DNSPs have utilised only a small proportion of the total DMIA allowance available to them (around 5 per cent). It is noted, however, that the DMIS provides DNSPs with considerable flexibility as to the profile of the expenditure over the regulatory period as long as the expenditure meets the criteria and does not exceed the original allowance.

Appendix A

Table A.1 AER assessment of ActewAGL's DMIA expenditure 2010–11

Project: Power Factor Correction Equipment

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	ActewAGL's PFC project is consistent with this criterion because it is a measure undertaken by ActewAGL to meet customer demand by reducing peak demand on commercial feeders through non-network alternatives ActewAGL's PFC project aims to reduce demand for standard control services by identifying customers for whom suitable power correction equipment may be installed.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	ActewAGL's PFC project is consistent with this criterion because it is a broad based demand management project targeting large commercial customers.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	ActewAGL's PFC project is consistent with this criterion because it will explore potentially efficient demand management mechanisms in terms of power factor correction equipment installation in existing premises.
Recoverable projects and programs may be tariff or non-tariff based.	ActewAGL's PFC project is tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	ActewAGL's DMIA report for the PFC project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	ActewAGL has claimed expenditure for the PFC project as opex.

Table A.2 AER assessment of Ausgrid's DMIA expenditure 2010–11

Project 1: Reliability Improvements for Large Embedded Generators

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ausgrid's RILEG project involves the use of network support provided by embedded generators to manage demand in peak demand periods avoiding the need for network augmentation.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ausgrid's RILEG project is consistent with this criterion because it is a peak demand management project which aims to reduce demand on the network during the winter peak period.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ausgrid's RILEG project is consistent with this criterion because it will explore potentially efficient demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Ausgrid's RILEG project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ausgrid's DMIA report for the RILEG project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ausgrid has claimed DMIA expenditure for the RILEG project as opex.

Table A.3 AER assessment of Ausgrid's DMIA expenditure 2010–11

Project 2: Dynamic Load Control of Small Hot Water Systems

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ausgrid's DLC project is consistent with this criterion because it is a measure undertaken by Ausgrid to manage network demand by implementing dynamic load control of small and medium sized hot water systems.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ausgrid's DLC project is a broad based demand management program which aims to reduce demand for standard control services across the network.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ausgrid's DLC project is consistent with this criterion because it will explore potentially efficient demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Ausgrid's DLC project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ausgrid's DMIA report for the DLC project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ausgrid has claimed DMIA expenditure for the DLC project as opex.

Table A.4: AER assessment of Endeavour Energy's DMIA expenditure 2010–11

Project 1: Standby Power Reporting: PowerView

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Endeavour Energy's PowerView project is consistent with this criterion because it is a measure undertaken by Endeavour Energy to meet customer demand by reducing standby power consumption. Endeavour Energy's PowerView project aims to reduce demand for standard control services through non-network alternatives by informing customers of their standby power usage and allowing them to monitor their energy consumption via a web portal.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Endeavour Energy's PowerView project is consistent with this criterion because it is a broad based demand management project which aims to reduce demand for standard control services for residential customers.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Endeavour Energy's PowerView project is designed to build demand management capability and capacity by reducing standby power consumption, which can account for 12% of a households' total energy consumption.
Recoverable projects and programs may be tariff or non–tariff based.	Endeavour Energy's PowerView project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Endeavour Energy's DMIA report for the PowerView contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Endeavour Energy has claimed DMIA expenditure for the PowerView project as capex.

Table A.5: AER assessment of Endeavour Energy's DMIA expenditure 2010–11

Project 2: Rooty Hill Residential Demand Management Program

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Endeavour Energy's Rooty Hill Residential Demand Management (DM) program is consistent with this criterion because it is a measure undertaken by Endeavour Energy to meet demand by reducing peak demand from air conditioning loads. Endeavour Energy's DM program aims to reduce demand for standard control services through non-network alternatives by introducing a peak time rebate which rewards the customer for energy reduction below their calculated baseline during the peak period.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Endeavour Energy's DM program is consistent with this criterion because it is a peak demand program which aims to reduce specific network constraints by reducing demand on the network at the location and time of the constraint.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Endeavour Energy's DM program is innovative and explores potentially efficient demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Endeavour Energy's DM program is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Endeavour Energy's DMIA report for the DM program contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Endeavour Energy has claimed DMIA expenditure for the DM program as capex.

Table A.6: AER assessment of Energex's DMIA expenditure 2010–11

Project: Network Pricing Initiatives

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Energex's Network Pricing Initiatives project is consistent with this criterion because they are a measure undertaken by Energex to better understand network pricing drivers and how to utilise them in managing demand.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Energex's Network Pricing Initiatives project is consistent with this criterion because they are a broad based demand management project which aims to reduce demand for standard control services across Energex's network.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Energex's Network Pricing Initiatives project is consistent with this criterion because it is innovative and exploring potentially efficient and effective demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Energex's Network Pricing Initiatives project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Energex's DMIA report for the Network Pricing Initiatives project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Energex has claimed DMIA expenditure for the Network Pricing Initiatives project as opex.

Table A.7: AER assessment of Ergon Energy's DMIA expenditure 2010–11

Project 1: Residential Air Conditioning Cleaning and Maintenance Trial

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ergon Energy's RACCM Trial is consistent with this criterion because it is a measure undertaken to reduce demand for standard control services through non-network alternatives.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ergon Energy's RACCM Trial is consistent with this criterion because it is a broad based demand management program aiming to reduce network demand, as more efficiently operating air conditioners will require less electricity.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ergon Energy's RACCM Trial is consistent with this criterion because it is exploring potentially different demand management systems.
Recoverable projects and programs may be tariff or non–tariff based.	Ergon Energy's RACCM Trial is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ergon Energy's DMIA report for the RACCM Trial contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ergon Energy has claimed DMIA expenditure for the RACCM Trial as opex.

Table A.8 AER assessment of Ergon Energy's DMIA expenditure 2010–11

Project 2: Chilled Water Air Conditioning on Single Wire Earth Return Networks

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ergon Energy's SWER Networks project is consistent with this criterion because it is a measure undertaken by Ergon Energy to meet customer demand by shifting or reducing demand by using electricity in off-peak periods to chill water for use in an air conditioner system during peak demand periods.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ergon Energy's SWER Networks project is consistent with this criterion because it is a peak demand project aiming to address specific network constraint by reducing demand on the network at the location and time of the constraint.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ergon Energy's SWER Networks project is consistent with this criterion because it is designed to explore potentially efficient demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Ergon Energy's SWER Networks project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ergon Energy's DMIA report for the SWER Networks project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ergon Energy has claimed DMIA expenditure for the SWER Networks project as opex.

Table A.9: AER assessment of Ergon Energy's DMIA expenditure 2010–11

Project 3: Grid Utility Support System - Phase 2

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ergon Energy's GUSS project is consistent with this criterion because it is a measure undertaken by Ergon Energy to meet customer demand by reducing peak demand through non-network alternatives, such as renewable energy and battery storage.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ergon Energy's GUSS project meets this criterion because it is a peak demand management project which aims to reduce the impact peak demand has on specific network constrained areas.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ergon Energy's GUSS project is designed to build demand management capability and capacity.
Recoverable projects and programs may be tariff or non–tariff based.	Ergon Energy's GUSS project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ergon Energy's DMIA report for the GUSS project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ergon Energy has claimed DMIA expenditure for the GUSS project as opex

Table A.10: AER assessment of Ergon Energy's DMIA expenditure 2010–11

Project 4: Commercial Building Management Network

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ergon Energy's CEMS project will trial technology to reduce peak demand at multiple sites of three host customers. Ergon Energy's CEMS project will enable contingency response by the customers to network events, and may also drive permanent demand reduction.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ergon Energy's CEMS project is a broad based management program because it aims to reduce demand for standard control services across Ergon Energy's network.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ergon Energy's CEMS project is consistent with this criterion because it is designed to build demand management capability and capacity.
Recoverable projects and programs may be tariff or non–tariff based.	Ergon Energy's CEMS project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ergon Energy's DMIA report for the CEMS project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ergon Energy has claimed DMIA expenditure for the CEMS project as opex.

Table A.11: AER assessment of Ergon Energy's DMIA expenditure 2010–11

Project 5: Stockland North Shore Living Display Centre

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Ergon Energy's Stockland North Shore project is a measure undertaken by Ergon Energy to shift and reduce demand for standard control services through non-network alternatives by promoting energy sustainability in a new residential development.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Ergon Energy's Stockland North Shore project is a broad based demand management program which aims to reduce demand for standard control services for residential customers by promoting energy conservation to prospective home buyers and local builders.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Ergon Energy's Stockland North Shore project is consistent with this criterion because it is designed to explore potentially efficient demand management mechanisms.
Recoverable projects and programs may be tariff or non–tariff based.	Ergon Energy's Stockland North Shore project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Ergon Energy's DMIA report for the Stockland North Shore project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Ergon Energy has claimed DMIA expenditure for the Stockland North Shore project as opex.

Table A.12: AER assessment of Essential Energy's DMIA expenditure 2010–11

Project: Grid Interactive Inverter

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	Essential Energy's GII project is consistent with this criterion because it is a measure undertaken by Essential Energy to reduce demand for standard control services through non-network alternatives by developing enabling technology aimed at reducing demand on or providing reactive support to the network.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	Essential Energy's GII project is consistent with this criterion because it aims to address specific network constraints by reducing demand on or providing reactive support to the network at the time and location of the constraint.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	Essential Energy's GII project is consistent with this criterion because it is exploring potentially efficient demand management technology.
Recoverable projects and programs may be tariff or non–tariff based.	Essential Energy's GII project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	Essential Energy's DMIA report for the GII project contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	Essential Energy has claimed DMIA expenditure for the GII project as opex and capex.

Appendix B

Table B.1: AER assessment of CitiPower's DMIA expenditure 2011

Project: Inner Urban Demand Management (IUDM)

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	CitiPower's IUDM project is consistent with this criterion because it is a measure undertaken by CitiPower to shift and curtail demand for standard control services through pre-arranged agreements and a communication protocol using SMS.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	CitiPower's IUDM project is consistent with this criterion because it is a peak demand management project which aims to reduce specific network constraints by reducing maximum demand on the network at the location and time of the constraint.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	CitiPower's IUDM project is consistent with this criterion because it is designed to build demand management capability and capacity and explore potentially efficient demand management technology.
Recoverable projects and programs may be tariff or non–tariff based.	CitiPower's IUDM project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	CitiPower's DMIA report contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	CitiPower has claimed DMIA expenditure for the CitiPower's IUDM project as opex.

Table B.2: AER assessment of JEN's DMIA expenditure 2011

Project: Energy Portal

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	JEN's Energy Portal project is consistent with this criterion because it is a measure undertaken by JEN to reduce demand for standard control services through the provision of information to customers to allow them to respond to price signals.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	JEN's Energy Portal project is consistent with this criterion because it is broad based demand management project.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	JEN's Energy Portal project is consistent with this criterion because it builds upon JEN's AMI and explores customer's responses to smart metering information and price signals.
Recoverable projects and programs may be tariff or non–tariff based.	JEN's Energy Portal project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	JEN's DMIA report contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	JEN claimed DMIA expenditure for the Energy Portal project as capex.

Table B.3: AER assessment of SP AusNet's DMIA expenditure 2011

Project: Hot water peak demand management

DMIS Criterion	Reason for approval
Demand management projects or programs are measures undertaken by a DNSP to meet customer demand by shifting or reducing demand for standard control services through non–network alternatives or the management of demand in some other way rather than increasing supply through network augmentation.	SP AusNet's project is consistent with this criterion because it is a measure undertaken by SP AusNet to shift demand for standard control services through managing hot water peak demand.
Demand management projects or programs may be: a. broad–based demand management projects or programs—which aim to reduce demand for standard control services across a DNSP's network, rather than at a specific point on the network. These may be projects targeted at particular network users, such as residential or commercial customers, and may include energy efficiency programs, and/or b. peak demand management projects or programs—which aim to address specific network constraints by reducing demand on the network at the location and time of the constraint.	SP AusNet's project is consistent with this criterion because it aims to address specific network constraints by reducing demand at the location and time of the constraint.
Demand management projects or programs may be innovative, and designed to build demand management capability and capacity and explore potentially efficient demand management mechanisms, including but not limited to new or original concepts.	SP AusNet's project is consistent with this criterion because it is designed to build demand management capability and capacity.
Recoverable projects and programs may be tariff or non–tariff based.	SP AusNet's project is non-tariff based.
Costs recovered under this scheme: a. must not be recoverable under any other jurisdictional incentive scheme b. must not be recoverable under any other state or Australian Government scheme c. must not be included in forecast capital or operating expenditure approved in the distribution determination for the next regulatory control period, or under any other incentive scheme in that determination.	SP AusNet's DMIA report contains a statement to this effect.
Expenditure under the DMIA can be in the nature of capex or opex.	SP AusNet has claimed DMIA expenditure for the Mallacoota project as opex.