AER Public Forum Demand Management

Customer Led Transformation

Presented by
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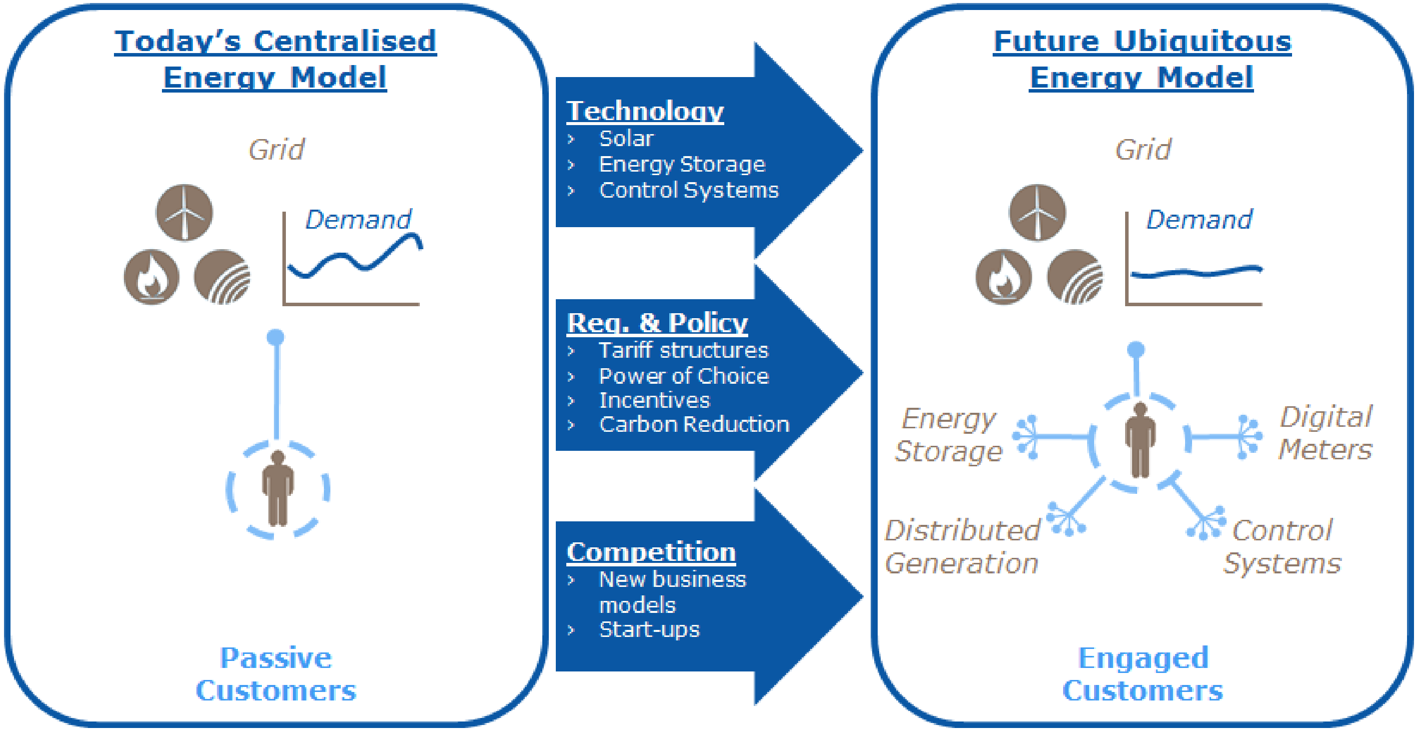
Agenda.

1. Overview of transformation drivers
2. AGL’s customer led DR initiatives
3. Regulatory outcomes required

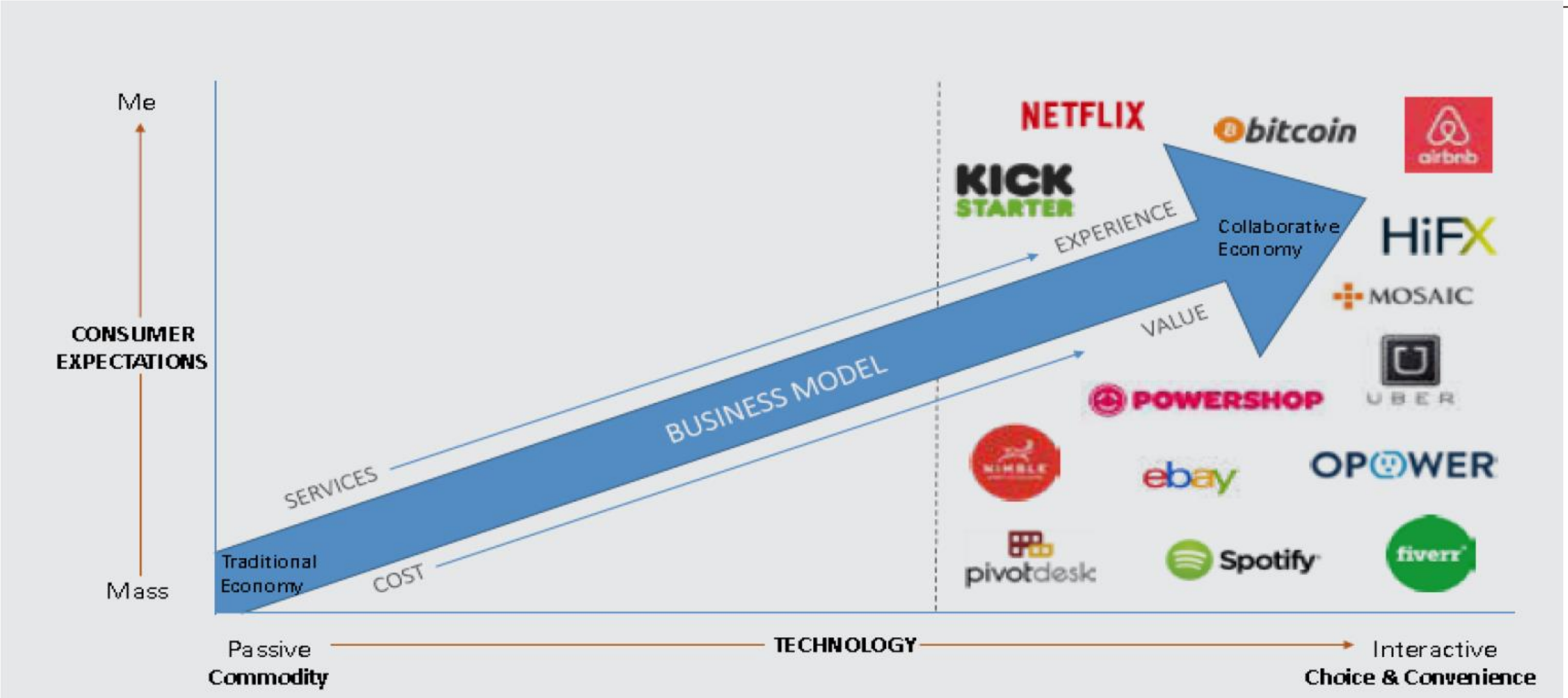
Customer led energy market

3 main factors that resulted in change in customer demand



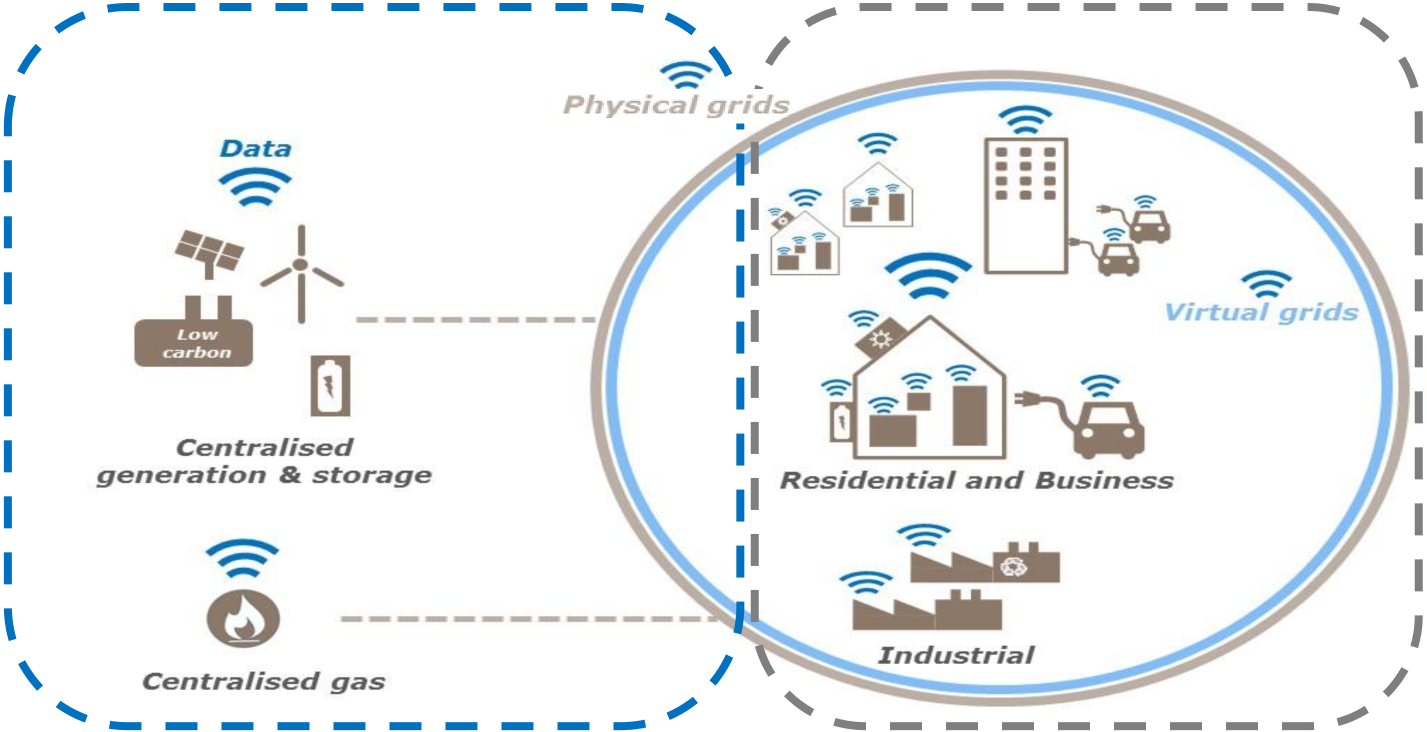
Customer preferences driving change

New forms of competition and Business models



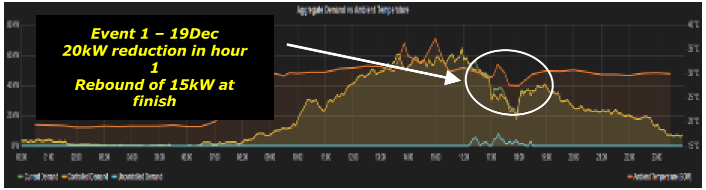
Source: Sinclair, R (Energy Consumers Australia), 2015, *Future energy customers*, CSIRO/ENA Customer-Orientation workshop, Melbourne, 11 August.

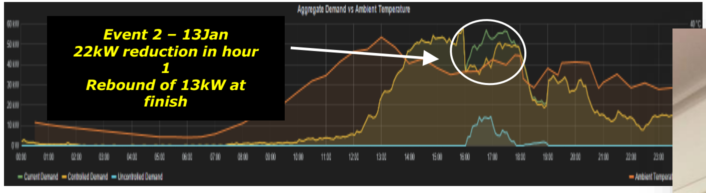
Harnessing prosumer preferences to support the Grid is key

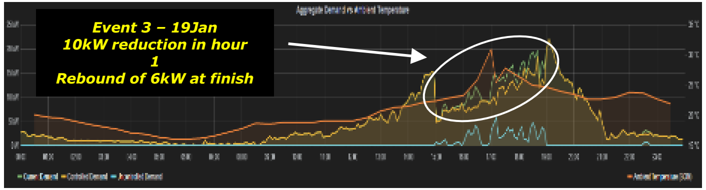


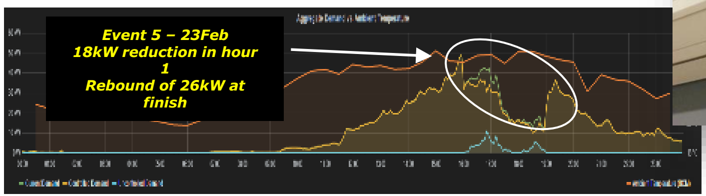
DR Trial: 70 homes with mix of solar, battery and smart AC

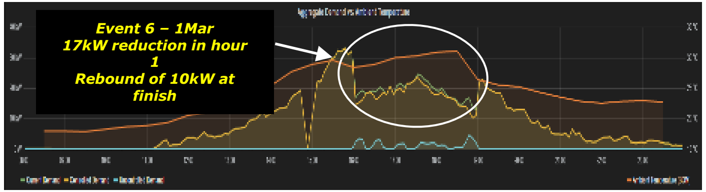
Hosted by United Energy DR Trial last summer

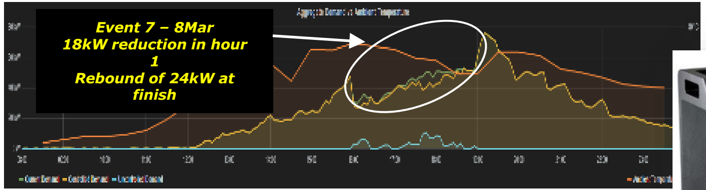








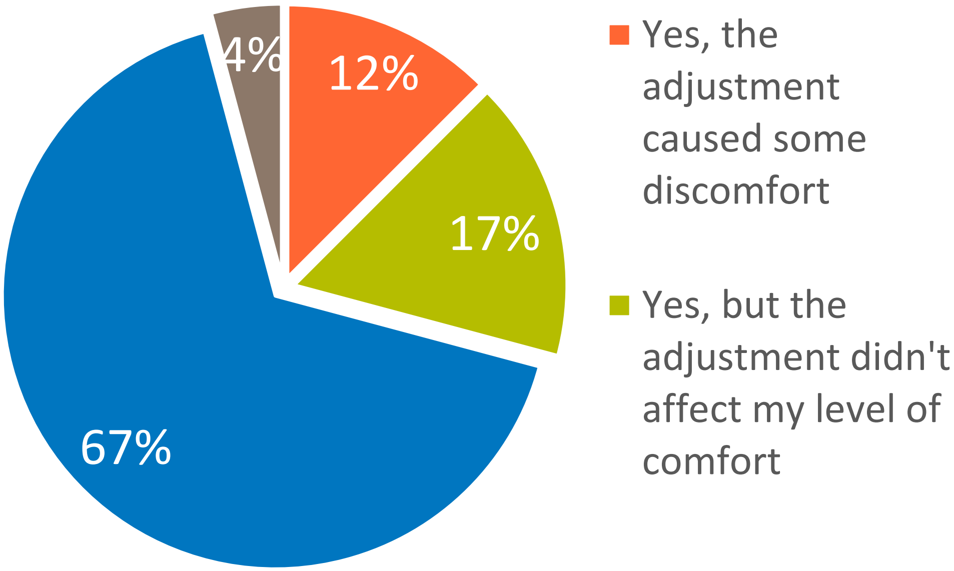




- Events 1, 2 and 3 had strong cool changes during the event
- 6 Batteries added 15kW to the overall AC delivery in each event

Customer engagement was a key success factor

We achieved excellent satisfaction and engagement with real customers.



99%

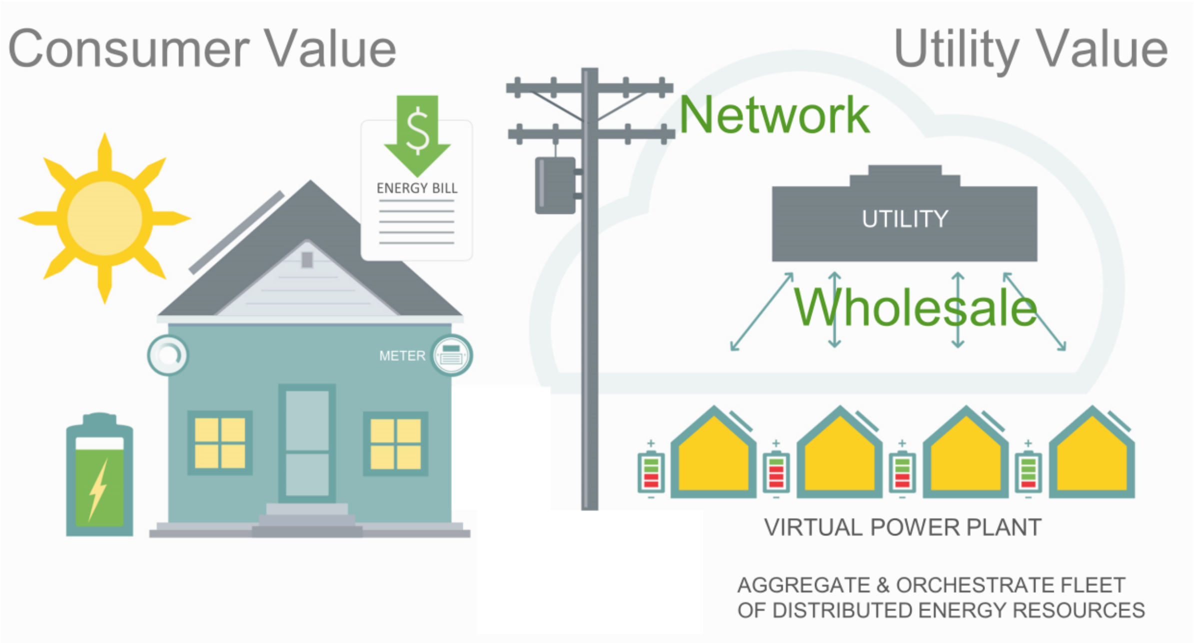
EVENT DAY SATISFACTION SCORE

83% OF PARTICIPANTS SAID THEIR

COMFORT WAS UNAFFECTED

BY THE ADJUSTMENT

Virtual Power Plant -SA Project

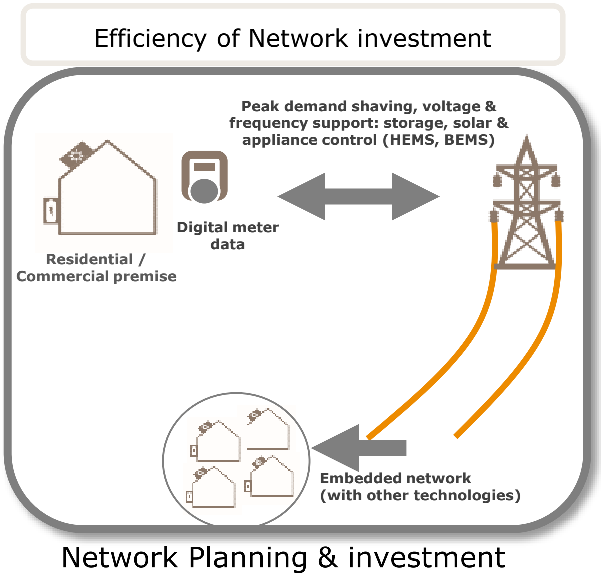


- Create the worlds largest Virtual Power Plant (VPP) of 5MW in South Australia
- Incorporate 1,000 controllable batteries to SA homes and/or small businesses who have solar

Keeping Network investments relevant to meet long term interest of consumers in NEM

- **Customer choice/ led**– demand response participation requires customers in the heart of the discussion
- **Price transparency**- cost reflectivity of network pricing will drive increased uptake of Demand side participation where its cost effective for the whole system
- **Efficient investment**- reduces the cost of investment through competitive delivery of innovative non network solution options and enables a more future proof network adaptable to the changing environment
- **Innovative services** – introduces new competitive markets and players which drives lower costs and enhances customer services and offerings
- **Reliability** – partnerships with networks to ensure safety and reliability solutions delivered

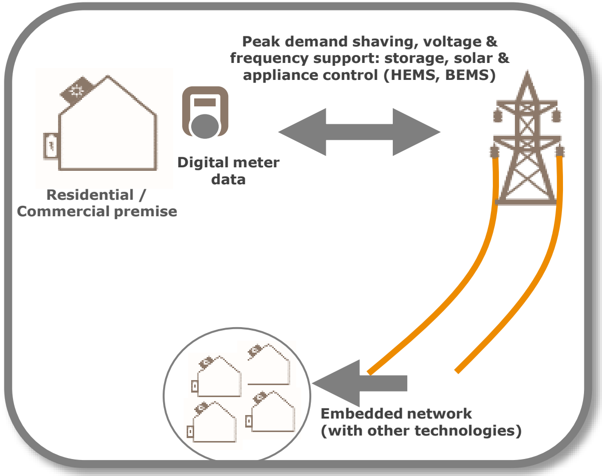
Opening the market for non-network solutions: Issues.



- Where a non-network solution is identified, no requirement for networks to go to competitive markets to deliver that solution.
- Mechanisms potentially allow the distribution business to engage directly with customers in beyond-the-meter activities in pursuit of these benefits.
- Ongoing bias towards network options under RIT-D: high investment thresholds, long term (uncertain) outlook, repex excluded.

- **Customer impact:** potentially higher network costs where the most efficient network operation and investment outcomes are not achieved.

Opening the market for non-network solutions: Requirements.



- **Efficient Network Planning**
  - Upfront network planning (incl. new connections, constraints & aged asset replacements), coupled with network tariff reform, is fundamental to driving efficient investment.
  - Network planning must be transparent (incl. sharing of underlying data, forecasts and assumptions) and involve genuine consideration of non-network solutions.
- **Incentivising Non-Network Solutions**
  - Non-network solutions (grid level and behind-the-meter) should be procured / delivered on a contestable basis.
  - Incentives meet the NEO which is to deliver efficient outcomes in the long term interest of consumers
  - An independent assessor should be involved to actively manage the incentives for networks to overinvest in traditional network solutions