17 May 2017

Mr Warwick Anderson
General Manager
Network Regulation
Australian Energy Regulator

By email: AERInquiry@aer.gov.au

Dear Mr Anderson

Demand Management Incentive Scheme Report for 2015/16

ActewAGL Distribution is pleased to provide the attached 2015/16 Demand Management Incentive Scheme report, in accordance with the requirements in the Australian Energy Regulator's (AER's) Regulatory Information Notice (RIN) served on the ActewAGL Distribution partnership on 28 September 2012.

The 2015/16 project costs (shown on page 4 of the report) were reported to the AER in the 2015/16 Annual RIN response in November 2016. These figures were audited by Deloitte, in accordance with the requirements in Appendix C of the RIN.

Any queries regarding the report should be directed to Peter Cunningham, Regulatory Manager, on 02 6293 5108 or 0477 356 835.

Yours sincerely

Stephen Devlin

General Manager, Energy Networks

ActewAGL Distribution

Demand Management Innovation Allowance (DMIA) Annual Report 2015-16

April 2017

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1. Introduction

The Demand Management Innovation Allowance Scheme (DMIA) operates under the Demand Management Incentive Scheme (DMIS) as published by the Australian Energy Regulator AER in November 2008. It aims to 'provide incentives for Distribution Network Service Providers to conduct research and investigation into innovative techniques for managing demand so that in the future, demand management projects may be increasingly identified as viable alternatives to network augmentation'. The AER has approved an annual Demand Management Innovation Allowance (DMIA) of $100,000 ($2013/14) for ActewAGL Distribution in the 2014-19 period.

This report outlines the costs we are claiming for the Demand Management Innovation Allowance. We have not included any costs recoverable under any other jurisdictional incentive scheme, under any other state or Commonwealth government scheme, or included in forecast opex or capex allowances approved by the AER.

2. Scope of Projects

2.1. Residential Battery Energy Storage

ActewAGL Distribution initiated a pilot residential battery energy storage system project in 2014 in association with ActewAGL Retail and Panasonic Australia Limited.

The objective of the trial is to inform future decisions regarding the installation of residential energy storage systems in the ACT. Stage 1 of the trial was carried out during the 2014/15 financial year and the trial continued to Stage 2 during 2015/16. Stage 2 included:

- Installation of test systems at 16 ACT residential premises.
- Establishment of communication and control systems with test units spread across the ActewAGL network.
- Trials of control of the test units.

3. Project Status

3.1. Residential Battery Energy Storage

The Stage 1 simulation studies and physical trial as described above were completed during the 2014/15 financial year.

Stage 2 of this project involved the installation of 16 pilot solar photovoltaic generation and battery storage systems at selected residential premises throughout the ACT. This trial is being conducted jointly by ActewAGL Distribution, ActewAGL Retail and Panasonic Australia Limited. ActewAGL Distribution has communications with each installation to enable control over the storage systems to discharge and charge as required by network operations.

This project is allowing ActewAGL Distribution to:

- Test the operational and technical performance of the pilot storage batteries.
- Observe the operational, technical and regulatory impacts of battery energy storage upon the electricity network.
- Consider the deferral of capital investment by embedding energy storage in the network rather than augmenting the network to meet forecast maximum demand.
- Consider providing energy storage solutions to ActewAGL's existing zone substations and disaster recovery facility.

Performance of these pilot battery storage systems is ongoing and will be evaluated and reviewed for a period of 12 months.

4. Project Costs

Residential Battery Energy Storage Project Costs during 2015/16 were $37,569, for a total cost to date of $96,924.

Costs incurred include project development and management costs, including direct labour with overhead costs associated primarily with two engineers on a part time basis, and materials as required.

5. DMIA Criteria

With reference to Clause 3.1.3 of the DMIA scheme document published by the AER in November 2008, the above project meets the DMIA Criteria as follows:

a) Criteria 1: The project assesses the impact on network load from customer and network management of battery storage distributed at a residential level. The project aims to quantify the shift in demand that can be obtained through the use of domestic batteries.
b) Criteria 2: This is a broad based demand management project that targets domestic consumers.
c) Criteria 3: This project will explore potentially efficient demand management through the use of distributed storage at a domestic scale.
d) Criteria 4: This project is non-tariff based.
e) Criteria 5: AAD expenditure for this project is not recoverable under any other jurisdictional incentive scheme, state or Australian Government scheme, or through any other part of the distribution determination for the current regulatory control period.
f) Criteria 6: Expenditure on this project is opex.