

CHED Services
Electric House
40 Market St.
Melbourne, VIC 3000

27 February 2019

Dear Frans,

CutlerMerz was engaged by CitiPower/Powercor/United Energy (CPPCUE) to provide an opinion on how the price of demand management (DM) options being used by CPPCUE compares to the prices being used by other distribution network businesses within the NEM.

Whilst directly comparing the price of DM between regions has several inherent limitations, from our recent work with three NEM distribution network businesses that are exploring DM as an option for alleviating network constraints, we have found that CPPCUE's price is at the lower end of the range.

CPPCUE currently contracts DM at rates between \$68k / MVA / year and \$134k / MVA / year. CPPCUE's DM services are structured as annual contracts, with some amortised upfront costs included in the annual rate. The average cost of DM procurement used by CPPCUE is \$85k / MVA / year.

Based on the competitiveness of the price, we recommend that the current DM pricing continue to be used for the assessment of DM options against traditional network options. This will ensure that customers and providers of DM services can benefit from the continued consideration and deployment of DM alternatives to traditional network investments when they are viable.

Yours sincerely,



Ryan Dudley
Practice Leader - Regulation