



11 October 2017

Mr Warwick Anderson  
General Manager, Network Finance and Reporting  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

By email: [dm@aer.gov.au](mailto:dm@aer.gov.au)

Dear Warwick

**Re: DRAFT DECISION: DEMAND MANAGEMENT INCENTIVE SCHEME AND INNOVATION ALLOWANCE**

CitiPower, Powercor and United Energy welcome the opportunity to respond to the Australia Energy Regulator's (AER) draft decision on the Demand Management Incentive Scheme (DMIS) and the Demand Innovation Allowance Mechanism (DMIA).

**DMIS and DMIA**

We support the draft DMIS and DMIA.

Consistent with our previous submissions to the AER, the operating expenditure uplift under the DMIS is relatively simple to implement. In addition to the AER's broader definition of demand management, this will incentivise distributors to explore alternatives to capital expenditure.

We note, however, that non-network alternatives may be further incentivised by raising the cap on the annual revenue requirement (or removing this cap entirely). The net-benefit constraint already ensures any incentive payment must not exceed the present value to all those who produce, consume and transport electricity in the relevant market.

The DMIA will also encourage research and innovation in non-network options. Both the incentive and the innovation allowance will be vital in the development of an efficient market for demand management solutions.

**Proposed rule change**

We support the intent of the proposed rule change that would enable Victorian distributors to be eligible under the scheme before 1 January 2021.

Should the AER have any queries regarding this submission, please do not hesitate to contact Sonja Lekovic on (03) 9683 4784, or [slekovic@powercor.com.au](mailto:slekovic@powercor.com.au).

Yours sincerely,

Brent Cleeve  
Head of Regulation, CitiPower, Powercor and United Energy

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