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**Clean Energy Council submission to the**

**Australian Energy Regulator’s draft:**

**Demand management incentive scheme and innovation allowance mechanism**

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the draft versions of the new demand management incentive scheme (DMIS) by the Australian Energy Regulator (AER).

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 4,500 solar installers. We are committed to accelerating the transformation of Australia’s energy system to one that is smarter and cleaner.

The CEC is supportive of the AER’s Draft DMIS and supports the objective of the Draft DMIS to increase demand side opportunities.

We note that Energy Queensland has expressed concerns regarding the eligibility requirements and the implications that this may have for its Optimal Incremental Pricing (OIP) program.

The Explanatory Statement for the Draft DMIS summarises the elements of project eligibility as:

1. When identifying whether a project is an efficient non-network option, a distributor has either completed a RIT-D or ‘minimum project evaluation requirements’.
2. It is efficient if it is a credible option to meet an identified need on the distribution network, where that credible option is the preferred option.

The CEC shares the concerns raised by Energy Queensland. The National Electricity Rules (NER) defines “identified need” as the objective a Network Service Provider seeks to achieve by investing in the network. This implies a direct correlation to the demand management solution and an alternative capital investment and could limit innovative demand management solutions that could be tied to a network risk rather than an immediate investment. The CEC would be concerned if the Draft DMIS limited the demand side opportunities that have the potential to reduce long term network investments, such as such as those provided by programs like the OIP.

We concur with the view expressed by Energy Queensland that broader application of the scheme which maintains the principles of the scheme objective would incentivise greater uptake of innovative demand management solutions.