

27 September 2018



Mr Chris Pattas  
General Manager  
Networks (Investment and Pricing)  
Australian Energy Regulator  
GPO Box 520  
Melbourne VICTORIA 3001

Dear Mr Pattas

### **Early application of the new Demand Management Incentive Scheme – supplementary information**

Following Energy Queensland's letter of 29 June 2018, indicating that it intends to apply for early application of the new Demand Management Incentive Scheme (DMIS) for Energy Queensland Limited's distribution network service providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy), in accordance with Rule 11.106.3(b) of the National Electricity Rules, we are pleased to submit this application.

As you may be aware, Energex and Ergon Energy both have an existing portfolio of successful demand management programs. An overview of these programs is available in Energex and Ergon Energy's joint [Demand Management Plan 2018-2019](#). Leveraging from these successes, the early application of DMIS will assist both Ergon Energy and Energex in delivering the following initiatives:

- **Target Area Incentives** to encourage demand reductions where they are required;
- Publish **Incentive Maps** that show where demand reductions are required; and
- Facilitate **Non-Network Alternative Projects** where it is cost-efficient to do so.

#### **Target Area Incentives**

Target Areas Incentives will be used to defer the need for future network build projects in specific areas of the network. Using load forecasting and end-use customer insights these areas will typically be identified 5 years ahead to provide sufficient time for end use customers and industry partners to participate.

#### **Incentive Maps**

To assist with engagement with customers, Energex and Ergon Energy will publish target areas maps detailing:

- the location of target areas;
- the value of the incentives available at each target area (\$/kVA); and
- the timing of demand response required to defer network investment in target areas.

Under the revised DMIS, Energex and Ergon Energy will apply for incentives equivalent to 50 per cent of the demand management incentives paid to customers.

***Non-Network Alternative Projects***

In order to maximise the number of non-network alternative (NNA) solutions identified and implemented, Energex and Ergon Energy will:

- engage regularly with our industry partners to ensure the development of competitive NNA as part of network planning processes (e.g. Regulatory Investment Test for Distribution); and
- Continue to manage existing contracts for NNA projects.

Under DMIS, Energex and Ergon Energy will apply for incentives equivalent to 50 per cent of NNA project costs.

To ensure compliance with DMIS requirements, Energex and Ergon Energy will align their existing demand management processes with the requirements of DMIS.

If permitted, the early application of the revised DMIS from 1 July 2018 will assist Energex and Ergon Energy to undertake efficient expenditure on relevant non-network demand management options and realise the benefits of these investments without having to wait until 1 July 2020.

Should you require additional information or wish to discuss any aspect of this proposal, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours Sincerely



Jenny Doyle  
**General Manager Regulation and Pricing**

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