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Ms Kami Kaur

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AER Draft Demand management innovation allowance mechanism

Dear Ms Kaur

Energy Networks Australia (ENA) welcomes the opportunity to provide a response to the Australian Energy Regulator (AER) Draft Demand Management Innovation Allowance Mechanism (DMIAM) for electricity Transmission Network Service Providers (TNSPs) and Explanatory Statement.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Application of the mechanism

ENA note AER has retained the 0.1% MAR allowance for the scheme.

ENA support the separate allowance to fund the independent panel of $200k and seek further clarity from the AER on how the consumer price index (CPI) is applied. The Draft DMIAM (p8) states that it is "$200,000 … (in the dollars of the TNSPs regulatory year that end in 2021), adjusted by the AER for inflation using CPI. Is the adjustment for the regulatory year ending in 2021 or is it mid-year $'s for the 2021 regulatory year? The AER example applies a full year CPI to both the 2020/21 and 2021/22 years which doesn't seem to align with either of those possible interpretations. If it is $200,000 in mid-year 2020/21 then it should $200,000 x (1.02)^0.5 x 1.025. ENA welcomes clarification in the final DMIAM.

ENA support the flexibility to pool funds into larger projects and across regulatory years to enable more meaningful projects to be undertaken. ENA welcomes clarification in the final DMIAM on how the DMIA may fund demand projects which occur over a longer period than a regulatory control period[1].

Broader definition for DM is supported

ENA, like PIAC, support the broader definition of demand management adopted by the AER.

[1] AER DMIA Explanatory Statement p10

Timely AER review and determination

ENA suggest that the compliance and reporting requirements should be commensurate with the value of the scheme. The cost of applying the scheme must not outweigh the DMIAM allowance for smaller TNSPs.

ENA note that several reports are required annually, a report on TNSP performance against allowance and project specific reports. Given this level of reporting, the AER should also have an obligation in the final DMIAM to notify the TNSP if they consider that there is any non-compliance with the project criteria. TNSPs report 4 months after the end of the regulatory year. The AER review and approval of an allowance should occur as soon as practical after the DMIAM reports are provided to the AER. Clause 2.4 (2) should be amended to ensure that the AER has determined the allowance and informed the TNSP within 2 months of the reports being provided to the AER.

Transferrable Outcomes

Clause 2.6 should be amended to limit it to reasonable requests and must also be subject to confidentiality. As currently drafted the additional information could cover anything the requesting party wants. ENA note that learnings and insights for each project will already be publicly reported and available on the AER's website, this should be the first avenue to seek information on and understand the project.

As the AER notes, projects may need funding from other areas, alliances or leasing arrangements. Detailed data may also relate to individual customer or site information. Provision of additional information should be subject to these contractual arrangements and any confidentiality requirements.

In the glossary, the project criteria should refer to the mechanism in 2.2.1.

Should you have any queries on this response please feel free to contact Verity Watson,

[redacted]

Yours sincerely,

[redacted]

Andrew Dillon

Chief Executive Officer