

20 December 2018

David Chan  
Director  
Australian Energy Regulator  
Level 35, 360 Elizabeth Street  
Melbourne Victoria 3000

Dear Mr Chan,

**RE: Request for early application of Demand Management Incentive Scheme**

Endeavour Energy requests the early application of the Demand Management Incentive Scheme (DMIS). We propose an effective start date of 1 April 2019<sup>1</sup>.

We strongly supported the development of the DMIS, recognising its ability to incentivise networks to investigate and implement cost-effective non-network options and generate cost savings. We believe early application of the scheme would help us to deliver these benefits to customers without delay.

Endeavour Energy has successfully implemented demand management solutions in the past and continually investigates and trials new non-network and demand management initiatives. Our demand management program has primarily focussed on opportunities to reduce the impact of industrial and commercial loads to manage network constraints. Over recent years, we have worked with approximately 180 major customers over 11 demand management programs to implement over 280 initiatives. These programs have reduced risk levels on the network and helped us to efficiently defer capital expenditure and deliver lower network prices to our customers.

Endeavour Energy has also implemented residential load demand management programs. Previous initiatives include:

- *CoolSaver* – an air conditioning cycling initiative;
- *PeakSaver* – a voluntary load reduction initiative;
- *PoolSaver* – a pool pump load shifting initiative; and
- *SolarSaver* – a residential battery energy storage initiative (currently being trialled).

We have found that effective residential demand management has been more challenging to procure than commercial and industrial loads. This is primarily due to the large number of participants required, the high level of interaction necessary to gain customer understanding and reluctance of customers willing to participate. However, we believe this effort is necessary to realise the potential savings in deferred capex.

As the take up of PV generation and energy storage accelerates, we believe there will be more opportunities to engage with residential customers to deliver effective and feasible demand management solutions. With significant residential customer growth planned within our network area, Endeavour Energy is well placed to take advantage of potential demand and supply side opportunities facilitated by cheaper and more sophisticated enabling technologies as an alternative to conventional network investment.

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<sup>1</sup> We are constrained by cl 11.106.3(b)(1)(i) of the NER to propose a date no earlier than 60 business days after submitting this proposal.

## **Non-Networks Option Investigation and Demand Management Program Implementation**

Endeavour Energy issued a Non-Network Options Report (NNOR) for the Oakdale Industrial Development Area to identify alternative options to assist defer/avoid the construction of the proposed South Erskine Park zone substation (ZS). We received one submission. We have determined the proposed non-network option is feasible but will require sufficient customer response to achieve the required demand reduction target.

As a result, Endeavour will implement a demand management program with the objective to defer the construction of the South Erskine Park ZS by one year. The structure of the non-network proposal is a two phase arrangement being:

1. Conduct a free energy audits to identify demand reduction opportunities; and
2. Offer customers financial incentives to implement the cost effective initiatives.

Our preliminary plans to investigate this option will require a significant amount of effort to identify and engage with potential candidates. Some of the stages that we will need to navigate through with customers include:

- Accessing the correct contact person within the organisation to meet;
- Explaining and educating the customer on the benefits to them the society of demand reduction and gain an understanding of the customers' hurdle rate for projects;
- Gaining approval to conduct an energy audit provided free to the customer;
- Present the findings to the customer listing all the cost-effective demand reducing initiatives together with the financial incentives available to implement each initiative;
- Assist the customer with internal business case to implement to identified initiatives; and
- If required, assist the customer to implement the approved initiatives.

Consequently, we request the early application of the DMIS to recognise the costs involved with the Oakdale Industrial Development Area Demand Management Program. Early access to the scheme will assist us to adequately plan and implement this challenging program within the current regulatory control period and allow us to maximise the benefits available from deferring investment for the South Erskine Park ZS for the benefit of our customers. We expect to commence phase 1 of the project (energy audits) during April 2019.

If you have any queries or wish to discuss this matter further please contact Frank Bucca, Network Demand Manager at Endeavour Energy on (02) [redacted] or via email at [frank.bucca@endeavourenergy.com.au](mailto:frank.bucca@endeavourenergy.com.au).

Yours sincerely,



Jon Hocking  
**Manager Network Regulation**  
**Endeavour Energy**