



Jemena Electricity Networks (Vic) Ltd

Extract from Response to 2011 Regulatory Information Notice – Demand Management Incentive Allowance Report

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Non-confidential version





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Introduction

The below is an extract from a larger document previously submitted to the Australian Energy Regulator. The extract provides information that comprises a report on the Demand Management Incentive Allowance.

Submission purpose

This submission is the Jemena Electricity Networks (Vic) Ltd (**JEN**) response to the Regulatory Information Notice (**RIN**) that the Australian Energy Regulator (**AER**) issued to JEN on 4 June 2012 under Division 4 of Part 3 of the National Electricity (Victoria) Law (**NEL**). This response covers the regulatory year 2011 ending on 31 December 2011.

The RIN requires JEN to provide and prepare certain information for the AER to use for performance or exercise of its functions or powers conferred on it under the NEL or the National Electricity Rules (**NER**), namely for the purposes of:

- monitoring JEN's financial and non-financial outcomes relative to the AER's Final Jemena Electricity Networks (Victoria) Ltd Distribution determination 2011–2015 (the **2011-2015 Distribution Determination**)
- publishing reports on JEN's financial or operating performance, and
- preparing for the 2016-20 distribution determination.

Submission values and terminology

This submission employs the following standards:

- Unless otherwise indicated, all numbers are expressed in nominal AUD\$2011
- Relevant Regulatory Year is the 2011 calendar year ending on 31 December 2011 and the first year of the 2011-2015 Distribution Determination
- Financial Year is the 2010-11 Jemena Group financial year ending on 31 March 2011 (unless otherwise stated). JEN notes that the Regulatory Year 2011 spans two Jemena Group financial years: three months of FY2010-11 and nine months of FY2011-12
- Jemena Group means SPI (Australia) Assets Pty Ltd (**SPIAA**) and all of its wholly owned subsidiaries
- Unless expressly defined in the RIN response, capitalised terms have the meanings defined in the AER's RIN.

1 Demand Management Innovation Allowance (DMIA)

In this section, JEN responds to section 5 of Schedule 1 to the RIN for the 2011 Relevant Regulatory Year.

1.1 Identification of demand management projects or programs

Section 5.1 of Schedule 1 to the RIN requires JEN to identify each demand management project or program which JEN seeks approval of.

JEN seeks approval for one project, being the Energy Portal project (or '*JEN Electricity Outlook*' as it is branded), for the 2011 Relevant Regulatory Year.

1.2 Detailed information for demand management projects or programs

Section 5.2 of Schedule 1 to the RIN requires JEN to provide detailed information for each demand management project or program identified in response to section 5.1 of Schedule 1 to the RIN.


1.2.1 Compliance

Section 5.2(a)(i) of Schedule 1 to the RIN requires JEN to explain how JEN's initiative complies with the DMIA criteria set out in section 3.1.3 of the Demand Management Incentive Scheme (**DMIS**).

JEN's Energy Portal is a demand management initiative designed to enhance electricity consumers' demand management capability. By providing better information on electricity usage, consumers are better empowered to choose when and how much energy to consume.

JEN's Energy Portal uses AMI technology to provide near real time electricity consumption information. It allows consumers to:

- know when and how electricity is used in their premises/households;
- make an informed decision about their electricity usage in response to price or other parameters; and
- review and develop new energy consumption patterns and set targets.



In addition, the Energy Portal allows binding of Home Area Network (**HAN**) appliances to the AMI meter, allowing the consumer to develop a smart home that is energy aware.

The new information from the Energy Portal project will offer consumers the knowledge that can translate into actions to shift or reduce their consumption during periods when electricity is priced higher, thus achieving cost savings over time.

JEN considers the Energy Portal project complies with DMIA criteria set out at section 3.1.3 of the DMIS in the following ways:


- Section 3.1.3-1 – The project has the capability to reduce demand as consumers respond to price signals by shifting or reducing electricity usage, rather than increasing supply through network augmentation.
- Section 3.1.3-2 – The project is a broad based demand management initiative targeted at consumers with smart meters, and is not aimed at a specific point on the network.
- Section 3.1.3-3 – The project is an innovative initiative designed to build upon JEN's AMI and also explore customers' response to smart metering information and price signals.
- Section 3.1.3-4 – The project is a non-tariff based project and the costs are not recovered under any other incentive scheme.
- Section 3.1.3-5 – The project cost has not been recovered under other schemes. See section 1.2.8 of JEN's response for more details.
- Section 3.1.3-6 – The nature of expenditure is capital.

1.2.2 *Nature and scope*

Section 5.2(a)(ii) of Schedule 1 to the RIN requires JEN to explain the nature and scope of JEN's initiative.

JEN's Energy Portal allows household and business consumers with smart meters to:

- obtain information on how much electricity they are using, when they are using it and how much the use is costing them,
- access and download data about their historic electricity usage to enable better decision-making about both their future electricity use and which retail offer best matches their consumption pattern,

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- set consumption targets, and receive an email alert, each week or month, detailing how they are tracking against their targets, and
 - bind their In-Home Displays (**IHD**) and HAN to control their smart appliances in order to shift and/or reduce electricity consumption.

The scope of the Energy Portal project includes the development and implementation of a secure consumer portal to allow a consumer to register for and receive enhanced services, and an associated consumer awareness program, which are set up to help consumers reduce their electricity consumption.

The Energy Portal was launched for JEN customers in June 2012.

1.2.3 *Aims and expectations*

Section 5.2(a)(iii) of Schedule 1 to the RIN requires JEN to explain the aims and expectations of JEN's initiative.

The aims and expectations of the Energy Portal project are to:


- better inform consumers about their electricity usage and cost;
- allow consumers to make informed decisions about their consumption patterns and set targets;
- empower consumers to make a choice and take charge of their electricity bill;
- leverage the investment made in AMI;
- address the current lack of market offerings for such applications for consumers; and
- demonstrate real benefits to consumers, government, regulators and retailers from the smart meter deployment.

1.2.4 *Selection process*

Section 5.2(a)(iv) of Schedule 1 to the RIN requires JEN to explain the process by which JEN's project was selected, including its business case and consideration of any alternatives.

JEN has provided the energy portal business case to reference the process upon which this project was selected, in Appendix 1-10 of JEN's response.

In 2007, the Victorian Government mandated that AMI meters be rolled out for consumers who have an annual consumption of 160MWh or less. These AMI



meters have the potential to support IHDs. However, funding has not been provided as part of the Victorian Government's program to develop the support for IHDs, which would allow consumers to obtain information about their consumption.

In the absence of funding for binding HANs and IHDs, the Energy Portal project was scoped and developed to provide as much consumption information to consumers as possible. The project was endorsed by JEN's AMI Customer Initiative Project Steering Committee in May 2011.

The Energy Portal project is an innovative proposal aimed at developing JEN's demand management capabilities. JEN considers this to be the most cost effective option because of the efficiencies gained by linking the Energy Portal with the already approved AMI project.

The Energy Portal has two components: (i) a demand management initiative component; and (ii) a customer outage notification component. JEN seeks approval for only the demand management initiative component of the project under the DMIA.

1.2.5 Implementation

Section 5.2(a)(v) of Schedule 1 to the RIN requires JEN to explain how JEN's initiative was implemented.

The Energy Portal, implemented as a trial, has been delivered through four phases as follows:

- Design – Detailed design of the solution, including solution architecture, customer portal design and other interfaces (outage and emergency interface design);
- Build and Test – Development and testing of the consumer portal and other interfaces including deployment of new hardware and new software, end user training and handover documentation;
- Customer Awareness – Development and ramp up of the AMI customer awareness program; and
- Deploy and Support – Cutover of the new Energy Portal and other interfaces and four weeks post implementation support.

The development of the Energy Portal was completed in the last quarter of 2011 and initial trials commenced in December 2011 among a selected consumer group. JEN launched its Energy Portal to customers in June 2012.

1.2.6 *Implementation costs*

Section 5.2(a)(vi) of Schedule 1 to the RIN requires JEN to explain the implementation costs of JEN's project.

The implementation cost for the demand management initiative component of the Energy Portal project was estimated to be \$538,181 (excluding the customer outage notification component cost).

The actual expenditure for the Energy Portal project incurred in the 2011 Relevant Regulatory Year was \$467,418, as set out in Appendix B - Template 23 (DMIS – DMIA) (Appendix 1-1 of JEN's response).

1.2.7 *Benefits*

Section 5.2(a)(vii) of Schedule 1 to the RIN requires JEN to explain any identifiable benefits that have arisen from JEN's project, including any off peak or peak demand reduction.

JEN believes it is still too early to quantify the demand side management benefits that have arisen from the Energy Portal project because the Energy Portal has so far only been trialled with a small group of consumers. Nevertheless, based on the positive feedback received from some consumers, armed with information provided by the Energy Portal, consumers are able to consider ways to reduce their electricity bills.

1.2.8 *Associated costs*

Section 5.2(b) of Schedule 1 to the RIN requires JEN to state whether the costs associated with JEN's initiative have been recovered under other schemes.

The associated costs for the development of JEN's Energy Portal have not been:

- recovered under any other jurisdictional incentive scheme,
- recovered under any other Commonwealth or State Government scheme, and
- included in the forecast capital or operating expenditure approved in the 2011-15 Distribution Determination or recovered under any other incentive scheme in that determination.

1.2.9 *Forgone revenue assumptions and / or estimates*

Section 5.2(c) of Schedule 1 to the RIN requires JEN to explain any assumptions and/or estimates used in the calculation of forgone revenue, demonstrating the reasonableness of those assumptions and/or estimates in calculating forgone revenue, including the reasons for JEN's decision to adjust or not to adjust for other factors and the basis for any such adjustments.

Due to the limited availability of the Energy Portal project to JEN consumers in the 2011 Relevant Regulatory Year, JEN does not consider that its revenue has been impacted. Therefore, JEN does not seek to recover forgone revenue resulting from the Energy Portal project for the 2011 Relevant Regulatory Year.

As such, section 5.2(c) of Schedule 1 to the RIN is not applicable.

1.3 **Demand Management Innovation Allowance**

Section 5.3 of Schedule 1 to the RIN requires JEN to state the total amount of the DMIA spent in the Relevant Regulatory Year and explain how it was calculated.

The actual cost incurred in developing the demand management initiative component of the Energy Portal for the 2011 Relevant Regulatory Year was \$467,418 as set out in Appendix B - Template 23 (DMIS – DMIA) (Appendix 1-1 of JEN's response).

The Energy Portal project is a joint project with United Energy Distribution (**UED**), with an agreed cost split between JEN and UED. The project cost (materials, internal labour and external labour) is tracked in JEN's accounting systems. A management estimate is then used to split the JEN cost between the demand management initiative and customer outage / emergency management components of the Energy Portal project.

Glossary

AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
Capex	Capital Expenditure
DMIA	Demand Management Innovation Allowance
DMIS	Demand Management Incentive Scheme
HAN	Home Area Network
IHD	In-Home Displays
JEN	Jemena Electricity Networks (Vic) Ltd ACN 064 651 083
NEL	National Electricity Law
NER	National Electricity Rules
O&M	Operating and Maintenance
Opex	Operating Expenditure
RIN	Regulatory Information Notice
SPI	Singapore Power International
SPIAA	SPI (Australia) Assets Pty Ltd
UED	United Energy Distribution