

24 February 2017



Submitted by email: [DM@aer.gov.au](mailto:DM@aer.gov.au)

Mr Warwick Anderson  
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Australian Energy Regulator  
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Dear Mr Anderson,

**Submission on AER consultation paper – demand management incentive scheme and innovation allowance mechanism**

Jemena Electricity Networks (Vic) Ltd (**JEN**) welcomes the opportunity to comment on the Australian Energy Regulators' (**AER's**) consultation on the demand management incentive scheme (**Scheme**) and innovation allowance (**Allowance Mechanism**).

Jemena has been actively engaged in the AER's consultation process since it commenced in September 2016, and looks forward to ongoing dialogue and participation in the development of the scheme design.

JEN supports the Energy Networks Australia (**ENA's**) submission on the AER's consultation paper. Our submission focusses on points that we wish to emphasise or those not covered by the ENA.

Specifically, we consider that:

- *The type of demand management providers should not be mandated by the Scheme.* We do not consider it appropriate to apply a specific criterion aimed at assessing whether the proposed Scheme enhances competition. The focus of the Scheme should be to maximise the net benefits to network customers, irrespective of how the demand management solutions are procured.
- *A Scheme design which targets potential disincentives and facilitates net-market benefit sharing is likely to best meet the demand management incentive scheme objective.*
- *An Allowance Mechanism which sets an adequate baseline allowance for distributors to pursue and deliver innovative projects, coupled with a bidding mechanism to encourage 'ground-breaking' R&D is most likely to achieve the Allowance Mechanism objective.*
- *The scope and format of any additional reporting required by distributors as part of the Scheme and Allowance Mechanism must be carefully formulated to ensure that it is fit for purpose, and that data requests are targeted in such a way as to avoid duplication, and minimise the cost to consumers.*

Our submission, which addresses each of the questions posed by the AER in its Consultation paper, is attached.

If you wish to discuss the submission, please contact Ana Dijanosic on (02) 9867 7103 or at [ana.dijanosic@jemen.com.au](mailto:ana.dijanosic@jemen.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Usman', is positioned above the printed name.

**Usman Saadat**  
General Manager Regulation