

6. DEMAND MANAGEMENT INNOVATION ALLOWANCE (DMIA)

104. In this section, JEN responds to section 5 of Schedule 1 to the RIN for the 2013 Relevant Regulatory Year.

6.1 IDENTIFYING DEMAND MANAGEMENT PROJECTS OR PROGRAMS

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

106. JEN seeks approval for one project, being “Impact of the Energy Portal¹² on Customers' Consumption Habits”, for the 2013 Regulatory Year. Following on from the release of the Energy Portal to Jemena customers in June 2012, Jemena undertook an initiative in 2013 to understand the impact of the Energy Portal on customers' electricity consumption. JEN seeks approval for costs associated with engaging an analyst in the 2013 Regulatory Year to assess the capabilities of the Energy Portal as a demand management initiative and to promote the portal to JEN's customers.

6.2 DETAILED INFORMATION FOR DEMAND MANAGEMENT PROJECTS OR PROGRAMS

107. 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.

6.2.1 COMPLIANCE

108. 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**).

109. Expenditure associated with JEN's Energy Portal over two Regulatory Years 2011 and 2012, was approved by the AER on the basis that the Energy Portal meets the DMIA criteria as set out in section 3.1.3 of the DMIS. The capabilities of the Portal as a Demand Management initiative were yet to be assessed and confirmed. For this reason, JEN engaged an analyst in the 2013 Regulatory Year to assess the capabilities of the Portal as a Demand Management initiative. JEN considers that the engagement of an analyst in the 2013 Regulatory Year complies with DMIA criteria, set out in section 3.1.3 of the DMIS, in the following ways:

- Section 3.1.3-1 – The project has the potential to provide Demand Management capabilities through promoting portal use among JEN's customers and giving them the tools to manage their demand.
- 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 location on the network.
- Section 3.1.3-3 – The project is an initiative designed to 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.

¹² or 'JEN Electricity Outlook' as it is branded.

- Section 3.1.3-5 – The project cost has not been recovered under other schemes. See section 5.2.8 of JEN's response for more details.
- Section 3.1.3-6 – The nature of expenditure is operating expenditure.

6.2.2 NATURE AND SCOPE

110. Section 5.2(a)(ii) of Schedule 1 to the RIN requires JEN to explain the nature and scope of JEN's initiative.
111. The nature of the project is to develop a Demand Management initiative based on the already approved Energy Portal and AMI projects.
112. The scope of the project includes the development of questionnaires and strategies as the basis for carrying out surveys in order to understand what impact the Energy Portal has had on our customers, and assess the impact if there has been a change in customers' consumption.

6.2.3 AIMS AND EXPECTATIONS

113. Section 5.2(a)(iii) of Schedule 1 to the RIN requires JEN to explain the aims and expectations of JEN's initiative.
114. The aims and expectations of the project are to:
 - better understand the behaviour of customers when presented with near real time information about their electricity usage via the Energy Portal
 - demonstrate real benefits of the Energy Portal and the AMI technology to consumers, government, regulators and retailers
 - develop a demand management initiative based on the Energy Portal and the AMI technology.

6.2.4 SELECTION PROCESS

115. 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.
116. 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 in-home displays (**IHDs**). However, funding was not 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.
117. In the absence of funding for binding home area networks (**HANs**) and IHDs, the Energy Portal project was scoped and developed to provide as much consumption information to consumers as possible. The Energy Portal was delivered in the 2012 Regulatory Year; however, its capability as a demand management initiative was not explored. This was planned to commence in the Regulatory Year 2013.
118. JEN engaged an analyst (Community Online Communications Advisor) in the 2013 Regulatory Year for the following functions:
 - Increase community connectivity by managing and enhancing JEN's digital reach, developing and managing marketing materials and promoting the benefits of the Energy Portal and the AMI technology, and
 - Support Demand Management objectives of the business by developing questionnaires, carrying out surveys and analysing customers' behaviour.

119. JEN seeks approval for only the Demand Management initiative component of the project in the 2013 Regulatory Year under the DMIA. JEN considers this project to be the most cost effective option, because of the efficiencies gained by linking the Demand Management with the already approved Energy Portal and the AMI projects.

6.2.5 IMPLEMENTATION

120. Section 5.2(a)(v) of Schedule 1 to the RIN requires JEN to explain how JEN's initiative was implemented.
121. The project is being delivered through four phases as follows:
- Develop relevant questionnaires and strategies and carry out surveys to gauge customers' behaviour
 - Select a control customer group among the Energy Portal customers
 - Extract energy consumption usage of customers before their sign-up and after their sign-up to the Energy Portal, and
 - Assess the impact of the Energy Portal on customers' consumption pattern and usage.
122. The project commenced in January 2013. Extraction and analysis of data is progressing and will continue through 2014.

6.2.6 IMPLEMENTATION COSTS

123. Section 5.2(a)(vi) of Schedule 1 to the RIN requires JEN to explain the implementation costs of JEN's project.
124. The actual expenditure for the project incurred in the 2013 Regulatory Year was \$48,356, as set out in Appendix B - Template 23 (DMIS – DMIA) (Appendix 1-1 of JEN's response).

6.2.7 BENEFITS

125. 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.
126. JEN believes it is still too early to fully quantify the Demand Management capabilities of the Energy Portal project. Nevertheless, the initial assessment of the surveys carried out so far indicates that the project is beneficial, as some consumers have already taken steps in reducing their electricity bill. An assessment of energy consumption change as a result of the Energy Portal take-up is being progressed and will be reported in the 2014 RIN.

6.2.8 ASSOCIATED COSTS

127. 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.
128. The associated costs for developing 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.

6.2.9 FORGONE REVENUE ASSUMPTIONS AND/OR ESTIMATES

129. Section 5.2(c) of Schedule 1 to the RIN requires JEN to explain any assumptions and/or estimates used in calculating 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.
130. Due to the limited availability of the Energy Portal project to JEN consumers in the 2013 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 2013 Regulatory Year.
131. As such, section 5.2(c) of Schedule 1 to the RIN is not applicable.

6.3 DEMAND MANAGEMENT INNOVATION ALLOWANCE

132. 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.
133. The actual cost incurred in engaging an analyst to work on the Demand Management component of the project in the 2013 Regulatory Year was \$48,356 as set out in Appendix B - Template 23 (DMIS – DMIA) (Appendix 1-1 of JEN's response).
134. The project cost (labour) is tracked in JEN's accounting systems¹³.

¹³ For the first 9 months of the 2013 Regulatory Year, a management estimate was used to split up the project cost between the Demand Management and the remainder of the project. For the remaining 3 months of the year, the project cost was tracked based on the actual time booked to the Demand Management component of the project by the analyst.