

07.06.19

David Chan
Director
Australian Energy Regulator
GPO Box 520
Melbourne, Victoria 3001

Dear David

Re: Application for the revised DMIS to start from 1 November 2019

United Energy welcomes the opportunity to apply to the Australian Energy Regulator (**AER**) for the implementation of the revised 2017 Demand Management Incentive Scheme (**DMIS**) to start from 1 November 2019.

The revised DMIS provides a financial reward for undertaking demand management only where it will deliver value and more efficient outcomes to electricity consumers. The scheme is expected to lower prices for electricity consumers in the longer term.

The early application of this scheme will ensure any benefits can be realised sooner. Therefore, we are applying for the revised DMIS to be implemented from 1 November 2019.

The DMIS will incentivise efficient expenditure on relevant non-network options

We recognise the benefits of flexible demand management solutions and actively engage with proponents to identify where these solutions may be economically viable.

Demand management solutions create benefits that are not captured under the current regulatory framework. As recognised by the AER, this includes the option of more flexible and shorter-term solutions in times of uncertainty, as well as the shared net market benefit in all parts of the value chain (particularly in deferred generation and transmission capacity). DMIS provides scope for businesses to internalise some of these positive externalities and ensures a more complete comparison of the benefits of non-network solutions with network alternatives.

The DMIS is therefore likely to be more successful in fostering the market for demand management solutions by encouraging more uptake. In turn, dynamic efficiencies from innovative solutions may instigate technological and commercial advancements that will lead to efficiencies and lower costs in the long-run.

Early implementation of DMIS will provide benefits to consumers sooner

We currently undertake demand management programs where economically viable. For example, United Energy have an on-going Summer Saver demand response program that targets network areas with highly utilised distribution transformers and low-voltage circuits that are at a high risk of overloading during summer months. As part of the program, participants receive financial rewards

to voluntarily curtail usage when asked by the distributor (participants are typically notified of the need to respond about two days in advance). During the 2018–2019 summer, United Energy recruited over 1000 customers and called seven events with the event days predominantly falling on weekdays with one weekend event day. Participation was 89% per event with an average reduction 2 kilowatt-hour per participant. To date, the Summer Saver program has deferred more than \$10 million in capital expenditure.

From 1 November 2019, if we are able to implement the DMIS, we will be able to assess a wider range of demand management programs. The financial reward under the DMIS will provide stronger incentives to take on potential projects, ultimately allowing the market for non-network solutions to develop faster and deliver benefits to consumers sooner.

We look forward to implementing the DMIS from 1 November 2019.

Should you have any queries about our letter please do not hesitate to contact Sonja Lekovic on (03) 9683 4784 or slekovic@powercor.com.au.

Kind regards

A handwritten signature in blue ink that reads "Brent Cleeve". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Brent Cleeve
Head of Regulation, CitiPower, Powercor and United Energy