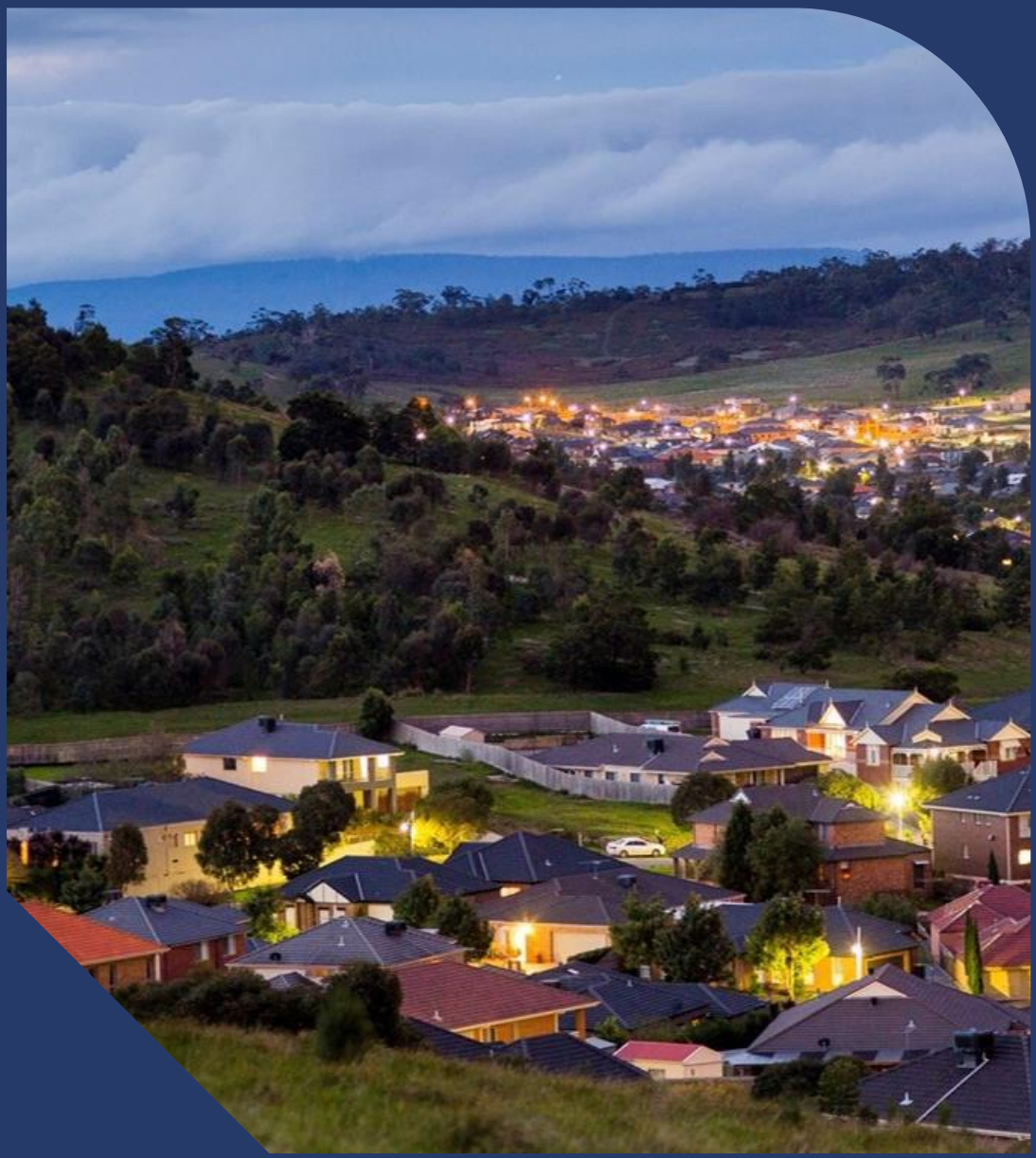
AusNet

Planned projects under innovation fund and demand management innovation allowance (DMIA)

Electricity Distribution Price Review (EDPR) 2026-31

Friday, 31 January 2025



AusNet

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1. Executive summary

Innovation is crucial to our evolution as a business and is particularly important as the energy sector is undergoing once in a 100-year transitional period. Innovation allows us to trial novel technologies, services and tariffs, prior to scaling them across our operations holistically, to ensure they deliver the long term benefit to consumers. Without innovation, regulated networks such as AusNet would be less inclined to invest in novel technologies, services and tariffs, without the evidence of the benefits they can deliver.

All distributors are provided with the Demand Management Innovation Allowance (DMIA), based on AER's calculated methodology. AusNet is also seeking an additional $15m ($2024) innovation fund beyond the DMIA for 2026-31. This is double the value of the innovation fund that the AER allowed for AusNet in 2021-26, as our customers and stakeholders have expressed strong support and encouragement for AusNet to increase our innovation ambition and consequently the size of the fund.

Our innovation project pipelines is based on a project criteria/guiding principles agreed with the Customer Forum for the 2021-26 period, and refined for the 2026-31 regulatory period with the Innovation Advisory Committee (IAC). The criterion constitutes:

- Seek to deliver benefits and outcomes to customers, driven by equity, needs and expectations.
- Customers see value in outcomes delivered.
- Flexibility and agility to meet network challenges and opportunities posed by the energy transition.
- Projects build on (but do not duplicate) existing trials and learnings.
- Represent strategic innovation.
- Involve collaboration and knowledge sharing with industry and other partners, e.g., industry, academia, community organisations and others.
- Project would not be funded under the incentive schemes.

Table 1 summarises the list of projects that meet this criterion, including estimated costs of the projects. The innovation projects fall into two key themes:

- **Smarter network management**—these projects are seeking to develop new ways of monitoring our low voltage (LV) networks, including better visibility of asset performance and customer behaviours, to help us develop granular and detail network models that do not exist in Australia today. This includes testing and better understanding different types of storage technologies, which all have different ways of providing network services such as voltage regulation. These initiatives are aimed at improving network utilisation and the efficiency of network operations over time, given we can demonstrate they add value and reduce long term costs for customers.
- **New customers services and tariffs**—includes projects that aim to test new services for customers, including flexible demand services such as managed electric vehicle (EV) charging, and new possible network tariffs, for example tariffs that incentivise dynamic EV control. We need to test these types of new services as tariffs prior to rolling them out at scale, as we do not have any evidence of customer behaviour and response that we can rely on for larger delivery programs at present.

Table 1: Proposed innovation projects for the 2026-31 regulatory period, $2024 million

INNOVATION FUND PROJECT LIST	CAPEX	OPEX	TOTAL
Leading-edge network modelling and data visibility	0.8	0.7	1.5
Real time sharing of network data	1.0	1.0	2.0
Alternative storage technologies	2.2	0.8	3.0
Flexible demand trials for residential customers	1.3	2.2	3.5
Trialling new network tariffs	1.0	0.5	1.5
CER and electrification toolbox	0.4	0.6	1.0
V2G for outage management	1.0	1.5	2.5
Innovation fund total	**7.8**	**7.2**	**15.0**

Source: AusNet.

Our innovation plans are seeking to provide long-term benefits to all our customers by:

1. **Lower long term network costs to customers from:**
    - more efficiently managing our LV network, as more and more customers electrify and invest in CER

- increasing network utilisation of the LV network through smarter network management, more flexible tariffs and services, which reduces the unit cost of electricity
- use of new storage technologies for effective network support and services.

2. **Enabling customers to maximise the value they can achieve from their investments from:**
   - improved customer and community groups' visibility of network conditions, allowing them to make more informed decisions about their energy choices
   - having access to an easy to use tool that explains and simplifies CER and electrification customer choices, with a view of increasing understanding of how to unlock value while reducing impact on the network
   - better understanding the different use cases of EVs, including V2G to reduce the impact of outages
   - willingness to shift usage and allow network or third party managed devices within the home, to reduce bills and contribute to overall lower costs in the long term.

The expected benefits of each propose innovation project are summarised in Table 2. We have not quantified the potential benefits of the projects as we cannot reliably estimate the long-term benefits these projects may deliver, given the novel nature of each project and without the research and development necessary to provide certainty of value. Our projects aim to test the hypothesis of the customer benefits as described in Table 2, and as such assist in plans for large scale deployment in the regulatory periods following 2026-31.

Table 2: Expected customer benefits of the proposed innovation projects

PROJECT	CUSTOMER BENEFIT
Leading-edge network modelling and data visibility	**Lower network cost**—Enhanced accuracy of network models as a foundation for a multitude of operational and planning functionalities, facilitating optimal resource allocation and investment decisions. This includes advanced grid management techniques, such as demand response and voltage optimisation, to improve network utilisation and efficiency and asset management optimisation, resulting in improved resilience and reliability.
Alternative storage technologies	**Lower network cost**—reduces need for network augmentation where alternative storage technologies can provide network support and customers services more efficiently.
Real time sharing of network data	**Maximising customer value**—empowering community energy groups and customers to make informed investment and project decisions, by providing real time access to network data and insights.
CER and electrification toolbox	**Maximising customer value**—empowering customers on their CER and electrification journey, by providing easy to use simple tools to help them make informed decisions, including about their interaction with the network and what costs they may experience, e.g., for supply upgrades.
V2G for community resilience	**Maximising customer value and lower network costs**—allowing customers to get the most value out of their EV investment, by being rewarded for the storage and export capabilities of their vehicles and smart chargers, while also allowing networks to utilise this technology to improve customer outcomes during storms and reduce the cost of storm network and community resilience.
Tariff trials	**Maximising customer value and lower network costs**—allowing customers to reduce bills directly through tariff response, while also improving network utilisation and reducing long term network costs.

Flexible demand trials for residential customers	**Maximising customer value and lower network costs**—allowing customers to earn rewards for the flexibility of their electricity devices such as EVs, while increasing network utilisation and reducing long term network costs.
Minimum demand management with large customers	**Maximising customer value and lower network costs**—providing opportunities for large customers (including new types of customers like data centres) to save on energy bills while lowering network costs in managing high solar output during the day and low demand.
Critical peak pricing for large customers in winter	**Maximising customer value and lower network costs**—providing opportunities for large customers (including new types of customers like data centres) to save on energy bills while lowering network costs in managing new winter peaks from electrification.

Source: AusNet.

Figure 1 summarises the program timelines and when we anticipate to be able to see scaling up of the capabilities following the planned trials.

Figure 1: Timeline of proposed innovation projects for the 2026-31 regulatory period

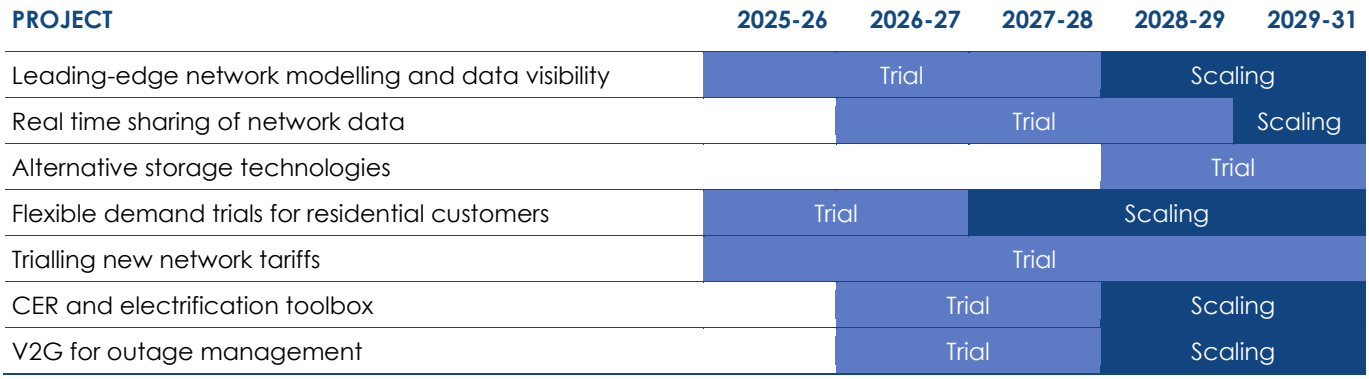


Table 3 summarises the cost breakdown of the innovation fund during the 2026-31 regulatory period.

Table 3: Innovation project cost breakdown per year, 2026-31, $m ($2024)

PROJECT	2025-26	2026-27	2027-28	2028-29	2029-31
Leading-edge network modelling and data visibility	0.6	0.3	0.3	0.1	0.1
Real time sharing of network data		0.5	0.9	0.5	0.3
Alternative storage technologies				1.1	1.9
Flexible demand trials for residential customers	1.3	0.9	0.4	0.4	0.4
Trialling new network tariffs	0.3	0.3	0.3	0.3	0.3
CER and electrification toolbox		0.5	0.2	0.2	0.2
V2G for outage management		0.5	1.2	0.5	0.5
Total	**2.2**	**2.9**	**3.3**	**3.1**	**3.6**

Source: AusNet.

It is important to note that while we have identified the likely projects we plan to undertake as part of our proposed innovation program, under our governance arrangements (explained in the Innovation Chapter in our Regulatory Proposal) we have received strong feedback from Innovation Advisory Committee (IAC) that we need to maintain flexibility in the program for the IAC to introduce or select different projects during the regulatory period. This is because new priorities for strategic innovation may arise throughout the period without the ability to foresee those today. This is particularly likely given the uncertainty in the pace of the current energy transition. Our experience in the 2021-26 regulatory period shows this flexibility is necessary as we have already seen priorities in innovation change, which has led to very different projects being delivered compared to those identified in 2021. Therefore, we note that we expect there will likely be changes to the final set of projects delivered by June 2031.

2. Customer support for innovation

We have undertaken extensive engagement and research to better understand our customers' preferences regarding the focus of innovation activities, innovation program governance and innovation program size.

Our customers have told us that innovation is very important to them, with almost half of our customers rating innovation as a top priority in our Energy Sentiment survey. Many expect innovation to be business-as-usual and want AusNet to drive innovation in all aspects of services, recognising a link between innovation and finding opportunities to cut costs or improve outcomes. We also engaged with our customers on the proposed innovation program at the October 2024 Customer Workshops, where there was strong support for the proposed innovation program including calls for more investment.

Our Future Networks Panel also highlighted the importance of encouraging innovation in regulated monopoly businesses, which do not have the same incentives to innovate as competitive businesses. In 2021, we established an IAC, which we collaborate with on the implementation of our 2021-26 innovation program. We have engaged with the Future Networks Panel and the IAC on the merits of and options for an innovation program in 2026-31.

In developing our innovation proposal, we largely engaged with our IAC and Future Networks Panel on the merits of and options for an innovation program in 2026-31. We heard that:

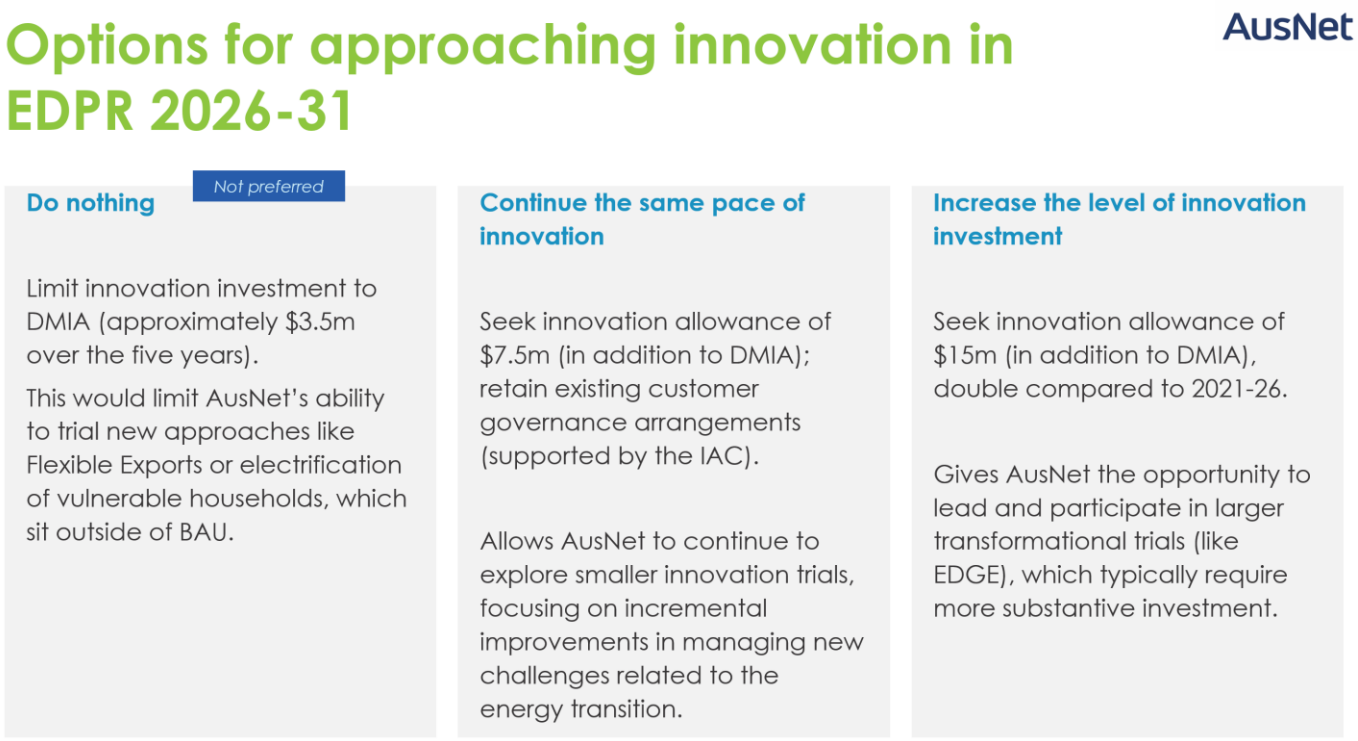
- Funding innovation for regulated monopolies is important, as monopolies do not have the same incentives to undertake riskier research and development as competitive businesses.
- Innovation funds should have the flexibility to change projects during the regulatory period, and project development should be guided by customer and stakeholders, not just the network selecting their own projects.
- AusNet should be more ambitious in innovation, with support for a larger innovation fund that is focused on genuinely innovative projects that are likely to deliver customer benefits. When considering trade-offs between bill impacts to customers and innovation fund size, our EDPR stakeholders support a larger fund.
- It is important to maintain the current governance arrangements for transparency and trust, particularly as some projects may not be successful and it is important to be transparent around those as well.
- The criteria for innovation projects agreed with the Customer Forum in 2021-26 continues to apply and should drive innovation investment in 2026-31. However, the criteria needed to be updated for new elements emerging from the energy transition, including the need to consider equity as part of the criteria.
- It is important that benefits from innovation are tangible to customers, i.e., the benefits and merits of the program need to be explained in terms that customers can understand and how they would see the benefits.
- Sharing innovation learnings and strategies between distributors will facilitate more innovation, however there was recognition there may need to be diversity in approaches to accommodate differences between the networks.

Below we provide more details on the type of engagement we've undertaken on innovation for 2026-31.

2.1.1. Engagement to develop the innovation program

In November 2023, we engaged with our Future Networks Panel on our innovation program and whether options AusNet should be considered for the innovation fund in 2026-31. The options discussed with the panel are summarised in Figure 2. We also engaged on the same options with our EDPR Coordination Group in April 2024.

Figure 2: Options for innovation discussed with the Future Network Panel and Coordination Group



Source: AusNet, EDPR 2026-31 Future Network Sub-Panel, Meeting 6, 13 November 2024.

Overall, there was broad agreement on the importance of innovation spending. Several participants emphasized the significance of innovation to customers and expressed the need for continued investment in this area. There was support for AusNet to be more ambitious with innovation, including the size of the program and the projects within. This feedback is what has driven us to expand our innovation program in 2026-31 compared to 2021-26, which we did for the Draft Proposal development and engaged on it again with our EDPR stakeholders at our August 2024 offsite (see section 2.1.3).

With regard to the projects themselves, which were also discussed with the EDPR stakeholders, AusNet was encouraged to elaborate on how these projects deliver customer benefits and why they are genuinely innovative. We did not receive any feedback to change the projects or to include other projects at this stage, as there is strong understanding among EDPR stakeholders that the actual projects delivered by the innovation fund may likely change during 2026-31.

2.1.2. Development of Draft Proposal

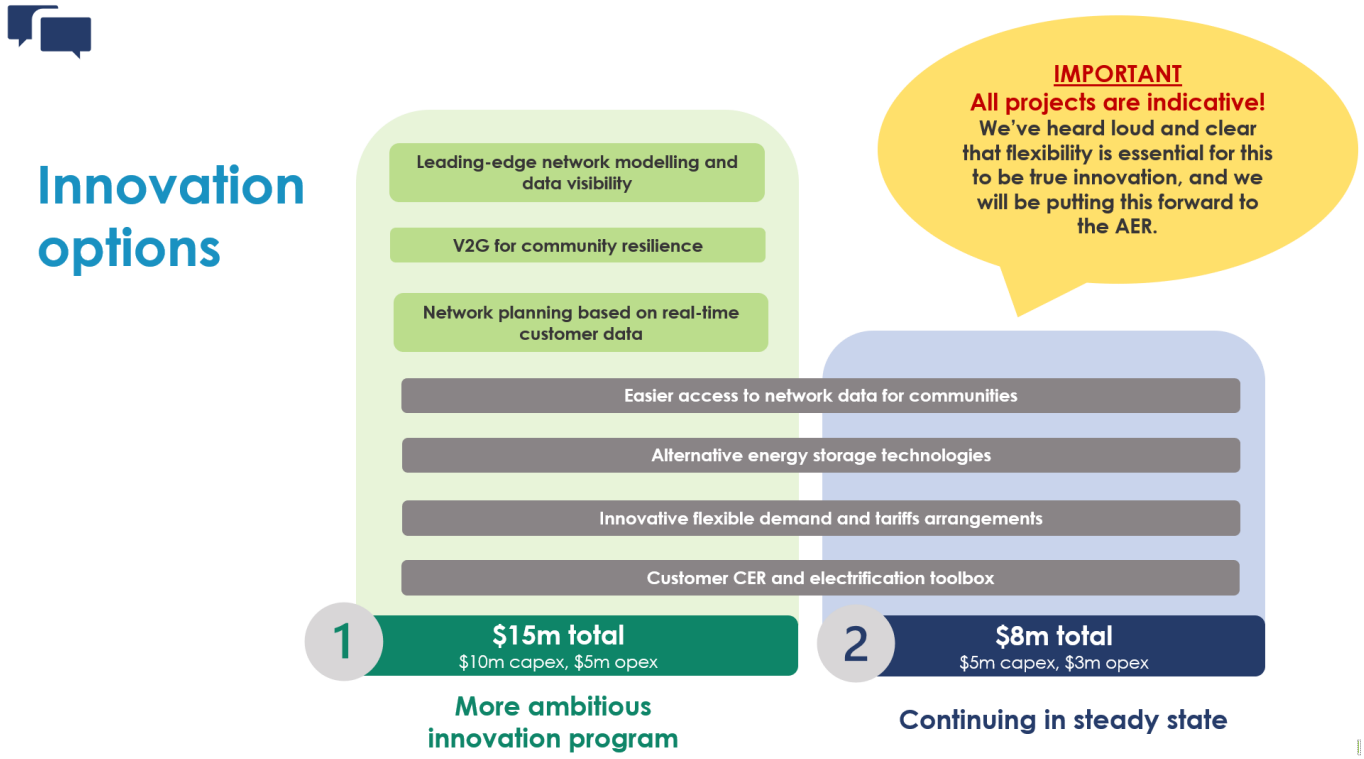
The decision on what to include in our Draft Proposal for our innovation program was made at the August 2024 all-panels workshop, with the Future Networks Panel recommending and the broader group accepting a more ambitious $15m innovation program.

The Future Networks Panel and IAC have both expressed the need for flexibility during the regulatory period to co-design projects and respond to emerging customer needs, as opposed to prescribing projects prior to the regulatory period.

We heard clearly their view that if funds can be allocated now for an innovation project in 2031, it's likely not real innovation. This need for flexibility strengthens the need for good governance, and we propose the IAC, which has demonstrated to be effective, would continue as a governance committee to ensure the innovation money delivers maximum benefits for customers. The innovation fund would continue to operate under a "use it or lose it" model, whereby AusNet is only funded for actual money spent, up to the $15m cap.

Figure 3 summarises the options deliberated at the August 2024 EDPR offsite, where option 1 was selected as preferred.

Figure 3: Innovation options deliberated at the August 2024 EDPR offsite



Source: AusNet.

2.1.3. Engagement on Draft Proposal

We engaged on our Draft Proposal with our end customers through Customer Workshops during October 2024. The feedback from those workshops is summarises below.

Figure 4: Summary of feedback on innovation from Customer Workshops (round 4, October 2024)

What do you think of the purpose and design of the $15m innovation fund? Is there anything you'd like to see as a focus for innovation?	
Customers endorsed the innovation fund saying that innovation is necessary and expected. Key themes include:	**What customers said**
• **Strong support for innovation fund:** Customers were enthusiastic about the innovation fund to support the transition to smarter, cleaner energy solutions. There were calls for even greater investment.	• *"If you're not innovating, you're going backwards."* • *""Yes, if it's something that's highly likely to pay back dividends, then investing in innovation can be a great thing. That amount—$3 million a year—doesn't sound like much to me if it can potentially save a lot more in the long run. I'm happy with doubling it, provided that, historically, it has shown to pay off."*
• **Governance approval:** The governance of the fund by an advisory panel of experts was well-received. They were comfortable with the fund being spent flexibly (i.e. allocated over time) provided there is good governance. Some suggested sourcing ideas more widely, including from the general public, or other global initiatives.	• *"Crowdsource ideas and get the best ones out there. You don't have to reinvent the wheel; just look at what others are doing."*
• **Ideas for Innovation should have clear benefits for customers. Money should only be spent on worthwhile projects:** There was interest in focusing on social and educational benefits, such as local employment or partnerships with universities. Additionally, several participants suggested exploring electric vehicles as potential batteries and availability of community batteries. • **Most customers liked the 'use it or lose it' model:** Where they only pay for investments made. A small number expressed concern that this model might lead to ineffective investment if it led to hurried searches for things to spend the fund on.	• *"Historically, what is the return rate been on investing in innovation."* • *"That needs to be better explained. It sounded like one of those government situations where, if you don't spend the allocated $1 million this year, you lose it—so people end up spending it on random things. I didn't like that idea. I prefer the approach where we only spend up to the budgeted amount and only charge customers for quality, usable ideas that it produces."*

Source: Senate SHJ, Business and residential customer workshops Round four report, November 2024.

Given the continued strong support from customers and stakeholders for AusNet to innovate and grow our innovation ambition, we have included a larger innovation program in our 2026-31 proposal compared to 2021-26.

2.1.4. Engagement with IAC on the governance

In November 2024, we engaged with IAC on our 2026-31 governance and innovation criteria, to ensure that we have the right governance and processes in place to deliver a larger innovation program.

In response to IAC's feedback during the implementation of the 2021-26 program, we are proposing that the innovation fund has sufficient flexibility for projects to change during the regulatory period, based on customer research results, changing priorities and IAC's guidance.

This is reflected in the updated IAC 'purpose', agreed with IAC in November 2024:

- Engage on the selection, design and prioritisation of AusNet's electricity distribution innovation program.
- Provide a forum for AusNet to partner and collaborate with consumer advocates and represent customers voices, placing the customer at the centre of investment decisions as we transform our network.
- Inform and shape our innovation program engagement activities to ensure we deliver best practice, fit for purpose engagement.
- Propose additional initiatives for AusNet and the IAC's consideration.
- Ensure that AusNet's innovation plans deliver long-term benefits to customers, and that AusNet's looking for opportunities to maximise ancillary benefits of innovation spending.
- Ensure that all innovation lessons and outcomes for each innovation project are communicated to the broader industry.

IAC also agreed to revise the criteria for emerging trends in the energy transition, including:

- adding learning, collaboration and knowledge sharing to the criteria
- how AusNet is building on and leveraging its previous trials and trials others have done (in Australia and overseas)
- ensuring sense of urgency due to rapid evolution and emergence of network challenges e.g. how do we get ahead of this
- adding equitable outcomes in the criteria

The final criteria, as agreed with IAC, is shown in the next section.

3. Project details

Our innovation project pipelines is based on a project criteria/guiding principles agreed with the Customer Forum for the 2021-26 period, and refined for the 2026-31 regulatory period with the Innovation Advisory Committee (IAC). The criterion constitutes:

- Seek to deliver benefits and outcomes to customers, driven by equity, needs and expectations.
- Customers see value in outcomes delivered.
- Flexibility and agility to meet network challenges and opportunities posed by the energy transition.
- Projects build on (but do not duplicate) existing trials and learnings.
- Represent strategic innovation.
- Involve collaboration and knowledge sharing with industry and other partners, e.g., industry, academia, community organisations and others.
- Project would not be funded under the incentive schemes.

Table 4 summarises the detail behind the proposed innovation projects and how it meets the fund criteria.

It is important to note that these projects are based on anticipated need for innovation during 2026-31, and the details behind these projects may change once implementation of the fund starts. This includes the potential that some of these projects may not be undertaken if other priority projects are selected, through engagement with IAC.

The Innovation Program Model (provided as part of the submission) provides modelled cost of the project, including the breakdown of the cost and assumptions.

Table 4: Detail about the proposed innovation fund project for 2026-31

PROJECT	CUSTOMER BENEFIT	MEETING PROJECT CRITERIA
Leading-edge network modelling and data visibility	This project aims to transform the understanding and modelling of low and high voltage distribution networks by leveraging advanced data analytics and modelling techniques. Currently, distribution networks have limited visibility due to sparse data and outdated connectivity models which result in uncertainty in network operation and planning decisions, leading to conservative demand/CER/network management. This project seeks to overcome these challenges by developing tools and methodologies to create accurate HV and LV network models. The models will include both	▪ Seeks to delivers long-term customer benefits that are equitable across all customers. ▪ Customers value long-term savings and innovation in network operations. ▪ New modelling provides the flexibility and agility to meet network challenges in the energy transition. ▪ The proposed modelling builds on existing trials and learnings, but is different to other modelling conducted by networks. ▪ Represent strategic innovation by ensuring improved visibility and modelling to inform further modernisation of the network and transition to the Distribution System Operator (DSO).

	network assets and CER and will be used in planning and operational tools. This is transformative innovation as it represents a shift in network modelling through the application of cutting-edge data analytics techniques. Leveraging advanced data sources, such as Advanced Metering Infrastructure (AMI) data and Geographic Information System (GIS) databases.	▪ Expected to be delivered in collaboration with universities and will include knowledge sharing in the future. ▪ Project would not be funded under the incentive schemes as still uncertain if this model will deliver efficiency outcomes.
Alternative storage technologies	This project focuses on exploring emerging energy storage solutions. The project explores new cutting edge in energy storage technology by investigating non-lithium-based alternatives, such as flow batteries, hydrogen storage, and thermal energy storage solutions. The aim is to test storage technologies for efficiency in network use and whether they can lower costs in the long term. This is genuine innovation as networks do not have an understanding of how different storage models can be operated to maximise value to the network	▪ Seeks to delivers long-term customer benefits that are equitable across all customers. ▪ Customers value networks finding innovative solutions to network management. ▪ Provides flexibility and agility to meet network challenges in the energy transition, by looking at alternative flexible technologies. ▪ Other similar trials (if they exist) will be assessed in the design of the project. ▪ Represent strategic innovation by looking at ways in which storage can become part of the suite of tools/technologies used in network management in the future. ▪ Seeks to involve collaboration with universities and/or storage providers. Knowledge sharing will be conducted following the trial. ▪ Project would not be funded under the incentive schemes as unclear whether there are efficiencies in network management with storage (at present that does not appear to be the case yet).
Real time sharing of network data	This project involves the development of an accessible interface allowing third parties to tap into AusNet's energy data and seamlessly integrate it into various modelling tools and applications. This project aims to transform access to energy data, encouraging innovation and collaboration within the energy ecosystem. By providing access to AusNet's data repository, the project enables community energy organisations to explore new avenues of	▪ Delivers on evolving customer needs and expectations around more data sharing. ▪ Customers value faster access to network data to inform their energy projects. ▪ More flexible and agile approach to data sharing by networks, particularly as requests for data grow in the energy transition. ▪ Projects build on what other networks have done in the space of real time data sharing but testing for AusNet's database and systems.

	innovation and develop novel solutions that address local energy challenges. This is transformative innovation as it is likely to result in a substantive change to how networks engage with customers and third parties, and the level of data exchange that will inform future energy projects.	▪ Represent strategic innovation by setting up a framework for more data sharing in a period of growing community energy projects and requests for data. ▪ Knowledge sharing will be conducted following the trial. ▪ Unclear whether the project delivers efficiencies for data management an sharing, as it may also increase the number of request for data clean-ups, follow-ups etc.
CER and electrification toolbox	This project aims to develop online tools for customers to support their electrification and adoption of CERs. The tools will provide customers with an economic assessment of CERs including solar PV, electric hot water, energy storage, and electric vehicle (EV) considering various mechanisms such as flexible export and new tariffs. Due to uncertainties around customer uptake of toolboxes, such innovative trials are needed to better understand customer perceptions. This is genuine innovation as networks do not typically engage with customers in this manner or play a role in helping customers make informed choices 'behind the meter'. It is still unclear whether this approach would lead to better network utilisation and more customer understanding.	▪ Delivers on evolving customer needs to improve understanding of CER and energy options during the energy transition. Focus on equity with so many customers likely to electrify in the future. ▪ Customers are asking for more information to help them make informed choices. ▪ Improves flexibility in network management if customers are more informed and make choices with network utilisation and cost in mind. ▪ Other similar products (if they exist) will be assessed in the design of the toolbox. ▪ Represent strategic innovation by setting up a framework for more customer engagement in CER, including costs and benefits, and how to get the most out of their investment individually and for all other customers. ▪ Knowledge sharing will be conducted following the trial. ▪ Project would not be funded under the incentive schemes as still unclear whether it would deliver efficiencies for the network and all customers.
V2G for outage management	This project seeks to improve customer and community outages by trialling vehicle to grid (V2G) and Vehicle to Home (V2H) services from EVs. AusNet aims to partner with EV charging and technology providers, communities and other relevant stakeholders to trial and test the feasibility of using V2G to reduce outages, including in major events. The trial will consider using the energy stored in EVs as a back-up power to supply critical infrastructure and community hubs.	▪ Seek to deliver customer benefits related to fewer and shorter outages, including during major event days. ▪ Customers see value in networks reducing outage particularly during major event days. ▪ Improves flexibility of networks ability to manage unplanned outages, particularly during major event days with a large number of customers off supply. ▪ Other similar trials (if they exist) will be assessed in the design of the project.

	This is transformative innovation as V2G and its capabilities are at early stages of development and more research and innovation is needed to understand and capabilities of EVs and available chargers as backup power. It also requires testing of ability of AusNet's control room to have visibility and control of the V2G for outage management.	▪ Represent strategic innovation as V2G is likely to become an integral part of the energy ecosystem and networks should be looking at ways to unlock the value from V2G early. ▪ Seeking to partner with EV charging providers and other technology providers. Knowledge sharing will be conducted following the trial. ▪ Project would not be funded under the incentive schemes as unclear to what extent outage scan be reduced using this technology.
Tariff trials	Tariff trials include testing new tariff structures designed to incentivise customer behaviour and increase utilisation of the network. Tariff trials are designed during the regulatory period, in accordance with new challenges experienced at the time.	▪ Seek to deliver long-term benefits to all customers through higher network utilisation. ▪ Customers need to see value in the tariff that are being trialled. ▪ Tariffs are a more flexible way to manage network challenges, if they incentives the right behaviour. ▪ Other similar trials (if they exist) will be assessed in the design. ▪ Represent strategic innovation by informing long term tariff reform. ▪ Knowledge sharing will be conducted following the trial. ▪ Tariff trials typically do not provide efficiency savings until scaled.
Flexible demand trials for residential customers	This project aims to test use of controllable loads, such as hot water systems, heating and EV chargers for network management and improving network utilisation. By collaborating with universities and technology providers, the project aims to leverage cutting-edge research and expertise to develop and implement innovative solutions for flexible demand. While other networks are trialling similar projects, we need to test our own residential customer appetite for these programs, to provide certainty of long term benefit. demand management.	▪ Seek to deliver long term benefits to all customers through higher network utilisation, and direct benefits to individual customers. ▪ Customers see value in improved network utilisation and opportunity to save on own bills. ▪ Increases network flexibility and agility to meet challenges and opportunities posed by the energy transition, e.g., electrification of gas and transport. ▪ Other similar trials (if they exist) will be assessed in the design, ensuring AusNet is not trialling something that is already scaled elsewhere. ▪ Represent strategic innovation by ensuring customer response is able to be relied upon as a tool in network management in the future. ▪ Involves collaboration with universities to design cutting edge technology. Knowledge sharing will be conducted following the trial. ▪ Project would not be funded under the incentive schemes as still very uncertain whether results can be achieved and if customers will respond.

Table 5 summarises the customer benefits anticipated from these projects and how we might measure them in the future during implementation.

Table 5: Expected customer benefits of the proposed innovation projects

PROJECT	CUSTOMER BENEFIT	MEASURE
Leading-edge network modelling and data visibility	**Lower network cost**—Enhanced accuracy of network models as a foundation for a multitude of operational and planning functionalities, facilitating optimal resource allocation and investment decisions. This includes advanced grid management techniques, such as demand response and voltage optimisation, to improve network utilisation and efficiency and asset management optimisation, resulting in improved resilience and reliability.	Deferred augmentation and import/export capacity enablement
Alternative storage technologies	**Lower network cost**—reduces need for network augmentation where alternative storage technologies can provide network support and customers services more efficiently.	Deferred augmentation and import/export capacity enablement Voltage performance
Real time sharing of network data	**Maximising customer value**—empowering community energy groups and customers to make informed investment and project decisions, by providing real time access to network data and insights.	Time saved for customers and networks in accessing data
CER and electrification toolbox	**Maximising customer value**—empowering customers on their CER and electrification journey, by providing easy to use simple tools to help them make informed decisions, including about their interaction with the network and what costs they may experience, e.g., for supply upgrades.	Customer understanding and satisfaction with the toolbox Impact of customer decisions on network
V2G for outage management	**Maximising customer value and lower network costs**—allowing customers to get the most value out of their EV investment, by being rewarded for the storage and export capabilities of their vehicles and smart chargers, while also allowing networks to utilise this technology to improve customer outcomes during storms and reduce the cost of storm network and community resilience.	Reduced outages and flow on impact on customers (saved cost of outage, less disruptions to work/life etc.)
Tariff trials	**Maximising customer value and lower network costs**—allowing customers to reduce bills directly through tariff response, while also improving network utilisation and reducing long term network costs.	Customer savings from new tariffs and deferred augmentation from customer behaviour
Flexible demand trials for residential customers	**Maximising customer value and lower network costs**—allowing customers to earn rewards for the flexibility of their electricity devices such as EVs, while increasing network utilisation and reducing long term network costs.	Customer savings from flexible services and deferred augmentation from customer behaviour

4. Demand management innovation allowance

The AER's F&A paper set-out that they propose to apply the DMIS and DMIAM apply as set out in:

- Demand Management Incentive Scheme, Electricity distribution network service providers, December 2017.
- Demand Management Innovation Allowance Mechanism, Electricity distribution network service providers, December 2017.

We endorse the AER position. We have included the DMIA allowance, calculated in accordance with the revised scheme, in our revenue allowance.

Table 5: Summary of proposed DMIA expenditure, $2025-26

	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
DMIA	0.87	0.92	0.94	0.98	1.05	**4.76**

Source: AusNet.

While we have not forecast or developed our DMIA projects in advance for the regulatory proposal, as we expect flexibility in choosing projects during the regulatory period to meet emerging needs, we have outlined below where we anticipate more innovation may be required in relation to demand management:

- **Minimum demand management with large customers**—maximising customer value and lower network costs—providing opportunities for large customers (including new types of customers like data centres) to save on energy bills while lowering network costs in managing high solar output during the day and low demand.
- **Critical peak pricing for large customers in winter**—maximising customer value and lower network costs—providing opportunities for large customers (including new types of customers like data centres) to save on energy bills while lowering network costs in managing new winter peaks from electrification.

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