



DRAFT DECISION

AusNet Services
Transmission Determination
2022 to 2027

Attachment 11
Demand Management
Innovation Allowance
Mechanism

June 2021

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Note

This attachment forms part of the AER's draft decision on AusNet Services' 2022–27 transmission determination. It should be read with all other parts of the draft decision.

The draft decision includes the following attachments:

Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency benefit sharing scheme

Attachment 9 – Capital expenditure sharing scheme

Attachment 10 – Service target performance incentive scheme

Attachment 11 – Demand management innovation allowance mechanism

Attachment 12 – Pricing methodology

Attachment 13 – Pass through events

Attachment 14 – Negotiated framework

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11 Demand management innovation allowance mechanism

Under clause 6A.4.2 (6A) of the National Electricity Rules (NER), our regulatory determination must specify how any transmission demand management innovation allowance mechanism (DMIAM) is to apply in the next regulatory control period.

In May 2021, we published the DMIAM regulatory instrument after stakeholder consultation.¹ This attachment sets out how we will apply the DMIAM to AusNet Services for the 2022–27 regulatory control period.

11.1 Draft decision

In accordance with our framework and approach (F&A), our draft decision is to apply the DMIAM to AusNet Services for the 2022–27 regulatory control period, without any modification.

The DMIAM comprises:

- the allowance itself: a fixed allowance of \$200,000 for the costs of independent assessment as at 30 June 2021, adjusted by the AER for inflation using actual CPI; plus 0.1 per cent of the total unsmoothed annual building block revenue requirement (ABBRR) for the regulatory control period as determined in the revenue determination. This amount will be set out in our Post-Tax Revenue Model (PTRM) for AusNet Services
- project eligibility requirements: these are the necessary project criteria to be met in order for a TNSP to use the allowance to fund the project. The requirements aim to ensure that DMIAM funded projects deliver value for money to electricity consumers
- compliance reporting requirements: the information provided under these requirements will assist us in assessing compliance with the DMIAM. It will also allow industry and consumers to understand, share and potentially also apply the research outcomes and knowledge gained from DMIAM projects, and will provide transparency regarding the efficiency and effectiveness of the DMIAM allowance as used by the TNSP.

In our final revenue determination, we will determine the exact amount of the DMIAM allowance for AusNet Services for the 2022–27 regulatory period, based on the final PTRM for AusNet Services.

¹ AER, *Demand management innovation allowance mechanism, Electricity transmission network service providers*, May 2021.

11.2 AusNet Services' proposal

AusNet Services has indicated that it considers the DMIAM should be applied to it during the forthcoming regulatory control period.²

11.3 Assessment approach

We are required to make a decision on how the DMIAM is to apply to AusNet Services.

We outlined our proposed approach to, and reasons for, the application of the DMIAM in our F&A for AusNet Services.³

Our draft decision has adopted the position in the F&A. In arriving at our draft decision, we have considered materials submitted to us by AusNet Services and by stakeholders.

11.4 Submissions

We only received one submission regarding the DMIAM from the Consumer Challenge Panel, sub-panel 23 (CCP23), which supported the application of the DMIAM to AusNet Services.⁴

11.5 Reasons for draft decision

The DMIAM provides funding to transmission networks to undertake further research on demand management initiatives. The learnings from these initiatives are to be shared across industry and with consumers.

In our F&A we stated that we expected to develop and apply a DMIAM to AusNet Services for the 2022–27 regulatory control period in our final determination.⁵

AusNet Services will be required each year to provide DMIAM compliance reports and supporting documents as required under the DMIAM to demonstrate that its research and development projects and expenditures meet the requirements of the mechanism. We will assess the eligibility of each project, and determine the eligibility and the DMIAM payments for each project according to the criteria specified in the DMIAM.

² AusNet Services, *Revenue Proposal 2023–27*, 29 October 2020, p. 160.

³ AER, *Final framework and approach for AusNet Services 2022–27*, 24 April 2020, p. 18.

⁴ CCP23, *Advice to the AER on AusNet Services Transmission revenue proposal*, 12 February 2021, p. 67.

⁵ AER, *Final framework and approach for AusNet Services 2022–27*, 24 April 2020, p. 7.

Shortened forms

Shortened form	Extended form
ABBRR	annual building block revenue requirement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CCP23	Consumer Challenge Panel, sub-panel 23
DMIAM	demand management innovation allowance mechanism
NEL	national electricity law
NEM	national electricity market
NEO	national electricity objective
NER	national electricity rules
TNSP	transmission network service provider
