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Demand Management Team
Australian Energy Regulator
By email: DM@aer.gov.au

21 April 2017

Dear Demand Management Team,

Demand Management Options Day Workshop

Thank you for the opportunity to participate in the Australian Energy Regulator's (AER) Demand Management Options Day Workshop.

The AER has invited stakeholders to reiterate their views following that workshop. We refer the AER to our February submission to the Consultation Paper as AGL's views have not changed.

In summary:

- AGL does not support the application of a new incentive scheme to encourage demand management. Theoretically, existing revenue recovery and incentive frameworks should encourage the efficient use of demand management programs in place of traditional network solutions. To the extent these frameworks are not working in practice, then those underlying frameworks should be reviewed rather than overlaying yet another scheme funded by consumers in an attempt to neutralise ongoing bias towards capital expenditure. Introducing yet another financial incentive will only increase costs to consumers, defeating the purpose of demand management programs.
- Effort should instead focus on building the capacity of the competitive market to deliver demand management and other non-network solutions. The Australian Energy Market Commission is currently considering a number of rule changes which seek to ensure that monopsony purchasers of demand management will genuinely engage with the competitive market to procure efficient demand management. Genuine engagement involves at a minimum strong information sharing (including realistic valuation of demand management) and a commitment to seek competitive offers of demand management capability in the first instance.
- A continued focus on the transition to more cost-reflective network tariffs will also be an important driver of efficient demand response and investment in distributed technologies.

To the extent a demand management incentive scheme is introduced, it should be carefully designed to complement these broader policy imperatives.

AGL has also had input into and supports the Australian Energy Council submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephanie Bashir'.

Stephanie Bashir
Senior Director Public Policy