



Contact: Leigh Mayne  
Phone no.: (03) 6271 6544  
Our Ref: NW10285435

Your Ref:

16 May 2008

Mr Mike Buckley  
General Manager  
Network Regulation North Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Dear Mr Buckley

**POTENTIAL DEVELOPMENT OF DEMAND MANAGEMENT INCENTIVE  
SCHEMES FOR ENERGEX, ERGON ENERGY AND ETSA UTILITIES**

Aurora is pleased to make a submission to the AER's Issues Paper concerning the *Potential Development of Demand Management Incentive Schemes for ENERGEX, Ergon Energy and ETSA Utilities*, released in April 2008.

Aurora would be pleased to discuss any of the issues raised in this submission with the AER. If you have any questions in relation to any of the matters raised, please contact me on the above telephone number.

Yours sincerely

Leigh Mayne  
Network Regulation Manager

Aurora provides the following general comments in relation to the AER's proposed Demand Management Incentive Scheme (DMIS):

- Aurora considers that the AER should provide a discussion of how it intends to interpret and apply the matters that it needs to have regard for under clause 6.6.3(b) of the Rules, albeit that the AER is seeking stakeholders' comments on these matters. Aurora considers that such a discussion would provide a platform for further discussion by stakeholders.
- Aurora is unclear as to the AER's objectives with respect to demand side management and what a DMIS might be seeking to achieve. For example, it may be that the intent of the DMIS is to achieve environmental benefits or, alternatively, it may be that the primary intent is to manage customer demand per se.

Aurora considers that the intent of the DMIS will have implications for the design of the scheme. Accordingly, Aurora requests that the AER clarify the intent of the DMIS in the context of the requirements of clause 6.6.3 of the Rules.

- Aurora considers that the DMIS should be seen as part of the broader economic regulatory regime that is seeking to encourage DNSPs to pursue the most efficient means of meeting customer demand.
- Aurora notes that the Issues Paper does not make any reference to the current need to consider demand side options when applying the Regulatory Test as required under clause 5.6.2 of the Rules. Aurora suggests that the AER include reference to the Regulatory Test.
- Aurora notes that the Issues Paper does not identify pricing options for encouraging demand side management. Aurora suggests that the AER consider how the development of appropriate price signals has the potential to impact demand and consumption patterns.