



8 January 2019

David Chan
Director
Australian Energy Regulator
Level 35, 360 Elizabeth Street
Melbourne Victoria 3000

570 George Street
Sydney NSW 2000
All mail to GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
F +61 2 9269 2830
www.ausgrid.com.au

Dear David,

Request for early application of Demand Management Incentive Scheme

Ausgrid is writing to seek early application of the Demand Management Incentive Scheme (DMIS), with an effective start date of 31 March 2019.

In the Ausgrid draft determination for the 2019-24 regulatory control period, the AER stated that they will *'apply the new DMIS and DMIAM to Ausgrid for the 2019–24 regulatory control period, without any modification.'*¹

We note however, that under the scheme, *'An eligible project is a project that a distributor has identified, in accordance with clause 2.2(4), as being an efficient non-network option relating to demand management, but that has not had expenditure committed to it by the distributor before the first application of this scheme to the distributor in a distribution determination.'*²

As expenditure is committed in advance of a network need date, projects with need dates in summer 2019/20 and beyond may receive a formal expenditure commitment in advance of the July 1, 2019 start to the 2019–24 regulatory control period. To ensure that projects under assessment of final decision prior to July 1, 2019 are eligible for the incentive scheme, Ausgrid requests early application of the DMIS.

The projects where a viable non-network alternative may achieve formal expenditure commitment in advance of 1 July, 2019 are expected to be associated with local demand growth on the 11kV network. These projects are typically small in scale (<\$1million) and often represent a challenging environment for non-network options due to the highly localised need area and small available budget for the non-network solutions. Recent developments and activity by demand response providers indicates improved market capability and cost effectiveness and we wish to draw on this maturing market where possible. We expect a growing share of this investment category to be on non-network expenditure.

Ausgrid believes that early application of the scheme will ensure that 11kV projects targeting a 2019/20 need date are eligible under the scheme and therefore seeks an AER decision to support

¹ AER Draft Decision (2018) Ausgrid 2019-24 Attachment 11 – Demand Management Incentive Scheme, pg. 11-5

² AER Demand Management Incentive Scheme, December 2017, pg. 8

their eligibility via early application of the scheme. This may include deferral of network investment for one or more years leading to material savings for customers.

If you have any queries or wish to discuss this matter in further detail please contact Craig Tupper, Manager Demand Management & Forecasting, on 02 [redacted] or via email on ctupper@ausgrid.com.au.

Yours sincerely,

A handwritten signature in black ink that reads "M Webb". The letters are cursive and slightly slanted to the right.

Matt Webb
Head of Asset Investment