



Ref. A4721269

9 July 2021

Ms Clare Savage
Chair
Australian Energy Regulator

cc: Warwick Anderson, General Manager
Slavko Jovanoski, Director

**Application of the Demand Management Innovation Allowance Mechanism to Powerlink's
2023-27 regulatory period**

The Australian Energy Regulator's (AER's) Final Framework and Approach (F&A) for Powerlink's 2023-27 regulatory period and our Revenue Proposal included provision for the application of the Demand Management Innovation Allowance Mechanism (DMIAM). The AER's Final DMIAM Guideline was published on 27 May 2021, after the lodgement of our Revenue Proposal.

The DMIAM is intended to provide a Transmission Network Service Provider (TNSP) with access to funding to research and develop demand management projects that may otherwise be considered inefficient to undertake as part of typical, business as usual operations.

We have reviewed the Final DMIAM Guideline and further considered the types of projects we might undertake as a transmission business under the DMIAM. We concluded that we should either pursue these types of projects in the normal course of business including through use of our innovation framework where they provide benefits to customers or, where these projects are not efficient, they should not proceed. This approach is consistent with our commitment to driving ongoing efficiency in our business and affordability for customers.

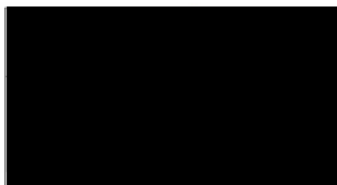
As a result of this decision, we do not seek any revenue allowance from the AER and, ultimately, from our customers associated with the DMIAM.

To give effect to this decision we request that the AER not apply the DMIAM to Powerlink's 2023-27 regulatory period. As the Final F&A is not binding on either the AER or Powerlink we consider it is open to the AER to not apply the DMIAM in these circumstances.

We intend to discuss this matter with our customers prior to the AER's Draft Decision in September.

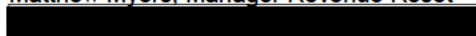
If you have any queries, please do not hesitate to contact Matthew Myers.

Yours sincerely,



Paul Simshauser
CHIEF EXECUTIVE

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