Distribution Annual Reporting RIN, 2014-15

Basis of preparation

7. Demand Management Incentive Allowance

Current DMIA Projects

Commercial and Industrial demand management

This work involved a survey of medium and larger commercial and industrial customers in Tasmania to determine the amount of network support which is available. This package of work is now complete and its outcomes have been used to inform other work packages such as the embedded generator network support trial.

Battery storage on Bruny Island

The purpose of this project is to prove that distributed energy storage can be used to defer network investment. It will install customer energy storage systems on Bruny Island to manage peak load on the cable and reduce the use of diesel. It will also provide validation on the parameters of distributed storage as a solution to network issues.

The trial will also include a significant research component that will provide information and strategies that can be used to improve future use of the storage.

The outcome of this project is intended to be:

- Validated information on the cost and reliability of distributed energy storage for network support;
- A strategy for integrating increasing portions of solar and energy storage into the electricity network; and
- Information on the network support payments required for this solution to be applied to other parts of the network.

Demand management processes

This work package aims to develop he internal systems required to use demand management to solve network constraints. The aim of this work is to:

- Use network support to resolve network issues;
- Determine the internal costs for using demand management; and
- Investigate different levels of automation and type of network support.

Embedded generator network support

This project will contract network support from an embedded generator in Tasmania to relieve network constraints. The main purpose of this agreement will be to:

- Validate use of embedded generation to resolve network issues;
- Refine cost estimates for this form of network support;
- Determine the operational requirements for interacting with providers.

Tariff Trial

This project will trial new cost reflective tariffs ahead of their implementation in 2017. The aim of this project is to:

- Determine customer responses to demand tariffs;

7.2 Explanatory material regarding demand management projects and programmes

TasNetworks notes the AER's advice that that the information provided below is intended to satisfy TasNetworks' annual reporting obligations for the purposes of paragraph 3.1.4.1 of the AER's *Demand management incentives scheme – Aurora Energy – Regulatory Control Period commencing 1 July 2012*, October 2010.

For the purposes of the 14/15 reporting period, only the Commercial and Industrial Demand Management program incurred costs.

7.2(a)(i) Compliance with DMIS section 3.1.3 criteria

Commercial and Industrial demand management complies with the DMIA criteria detailed in section 3.1.3 of the demand management incentive scheme in that:

1. The purpose of this project is to both shift and reduce the demand for standard control services through a non-network alternative;
2. This project is broad based and not targeted at a particular network user;
3. This project is designed to build demand management capability in TasNetworks and provide a new potentially efficient demand management mechanism;
4. This project is not tariff based;
5. The cost to TasNetworks cannot be recovered through any state or federal scheme. Although a contribution is sought from ARENA this cannot cover the entire cost. This project is not included in forecast capital or operating expenditure; and
6. This is operating expenditure. There will be no TasNetworks owned asset generated in this project.

7.2(a)(ii) Nature and scope of demand management projects

The scope of this project is to:

- Survey demand management capabilities of commercial and industrial customers in Tasmania;
- Determine what framework a support agreement should; follow.

7.2(a)(iii) Project aims and expectations

The outcomes of this project are intended to be:

- A list of demand management capabilities in commercial and industrial customers in Tasmania; and
- Guidance on how a network support agreement may be structured.
- Information on the incentives required for this solution to be applied to other parts of the network.

7.2(a)(iv) Project selection

Commercial and Industrial customers make a significant contribution to system peak demand.

TasNetworks currently lacks adequate data to develop a comprehensive Commercial and Industrial demand Management Program that takes into account the following issues:

- linkages to the technical trial of a Demand Response System for buildings with Building Management Systems; and
- consideration of the factors that motivate Commercial and Industrial customers to participate in Demand Management programs and commit to managing their loads with appropriate incentives in response to notifications and/or accept Demand Management control of their electrical loads.

7.2(a)(v) Project implementation

This project is being implemented through an agreement with a customer.

7.2(a)(vi) Implementation costs

The cost in the 2014-15 financial year was $90,952

7.2(a)(vi) Identifiable benefits

The results of this survey provide an easy indication of the capability for demand management in an area. This feeds into network planning to determine if demand management is a credible solution to a network limitation.

7.2(b)(i) Cost recovery under jurisdictional incentive schemes
7.2(b)(ii) Cost recovery under other Commonwealth or State Government schemes
7.2(b)(iii) Exclusion from approved capital and operating expenditure

The costs associated with the aforementioned DMIS/DMIA programmes are not:

(i) recoverable under any other jurisdictional incentive scheme;

(ii) recoverable under any other Commonwealth/State Government Scheme; or

(iii) included as part of the forecast capital expenditure or forecast operating expenditure included in the 2012-17 Distribution Determination or any other incentive scheme applied by the 2012-17 Distribution Determination.

7.2(c) DMIA spending in 2014-15

The total expenditure in the current regulatory period attributable to the Demand Management Innovation Allowance is $90,952.

Budgeted expenditure (excluding GST)	$180,000
Actual costs incurred for 2012-13	$26,056
Actual costs incurred for 2013-14	$9,717
Project costs invoiced in 2014-15	$90,952
Final total project costs	**$126,725**