

10 July 2019

Anthony Bell
Technical Specialist
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Mr Bell,

Submission to DMIS and DMIA for TNSPs rule change consultation paper

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC supports the intent of the rule change to extend the Demand Management Incentive Scheme (DMIS) and Demand Management Innovation Allowance (DMIA) to apply to transmission businesses. As we stated in the 2015 DMIS rule change:

While PIAC understands that transmission businesses were not in the original scope of the rule change requests, it sees no reason why the AEMC could not make a more preferable rule which would include the application of a demand management incentive scheme and innovation allowance to transmission businesses. Given the universal acknowledgement that greater DM by network businesses is in the long-term interests of consumers, then so too would be expanding the scope to cover transmission businesses.¹

Where TNSPs have utilised demand management as a non-network option to defer or avoid network investment, significant savings have accrued to consumers.² Strengthening the incentive for TNSPs to pursue non-network options through the DMIS should lead to further savings being passed through to consumers and help to prevent the continued growth of Regulated Asset Bases, delivering sustainably affordable electricity prices for consumers into the future.

With respect to the DMIA, PIAC notes that the AER has already approved very similar innovation allowances for TransGrid under its revenue determination for the 2009-14 and 2014-18 regulatory control periods. However, PIAC understands this was provided as a discretionary opex allowance. Formalising such an allowance would be beneficial to all stakeholders by providing greater certainty to both the AER and TNSPs in terms of the criteria innovation projects must meet in order to qualify and it would also provide greater certainty that the lessons and insights from the innovation projects would be shared publicly.

¹ PIAC, [Submission in response to the Australian Energy Market Commission's draft determination on the Demand Management Incentive Scheme Rule](#), July 2015, 2-3.

² For instance, TransGrid procured 350 MW in 2008/09 to defer network augmentation while the recent tender for non-network providers for Powering Sydney's Future project sought 40 MW to defer a \$236 million investment.

Building the market for demand response

Distributed energy resources (DER) including demand management can provide a wide range of potential services to the energy system ranging from responding to wholesale spot prices, alleviating network constraints or minimising the customer's draw from the grid through self-consumption. To get the full benefit of DER and demand management, as many of these potential value streams as possible should be available to providers and a rational trade-off must be made where providing multiple services may be in conflict.

As such, we consider there is a role to build a large, diverse and readily accessed pool of DR throughout each NEM region (including directly contracting with customers or via an aggregator or retailer). By such "market building" procurement, the collective pool could be called on to meet other potential value streams of DR far more efficiently and reliably than the current arrangements that lack coordination between the possible value streams. This could build a greater pool of cost-effective resources for the future, expanding the range of options for future market design and system operation strategies.

The extension of the DMIS and DMIA to TNSPs would play a role in setting the framework to create this diverse and readily accessed pool of DR in each NEM region.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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