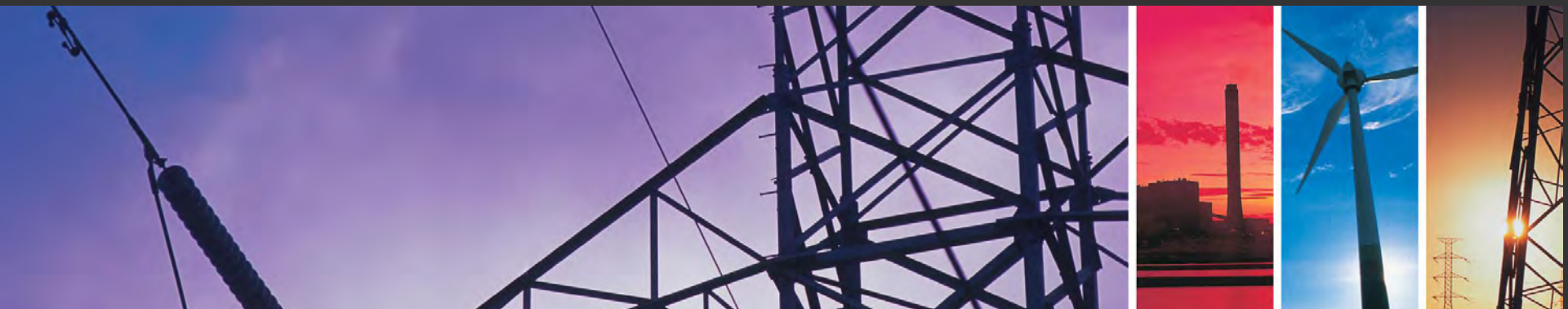


# Supporting demand side participation in electricity markets

Australian Institute of Energy

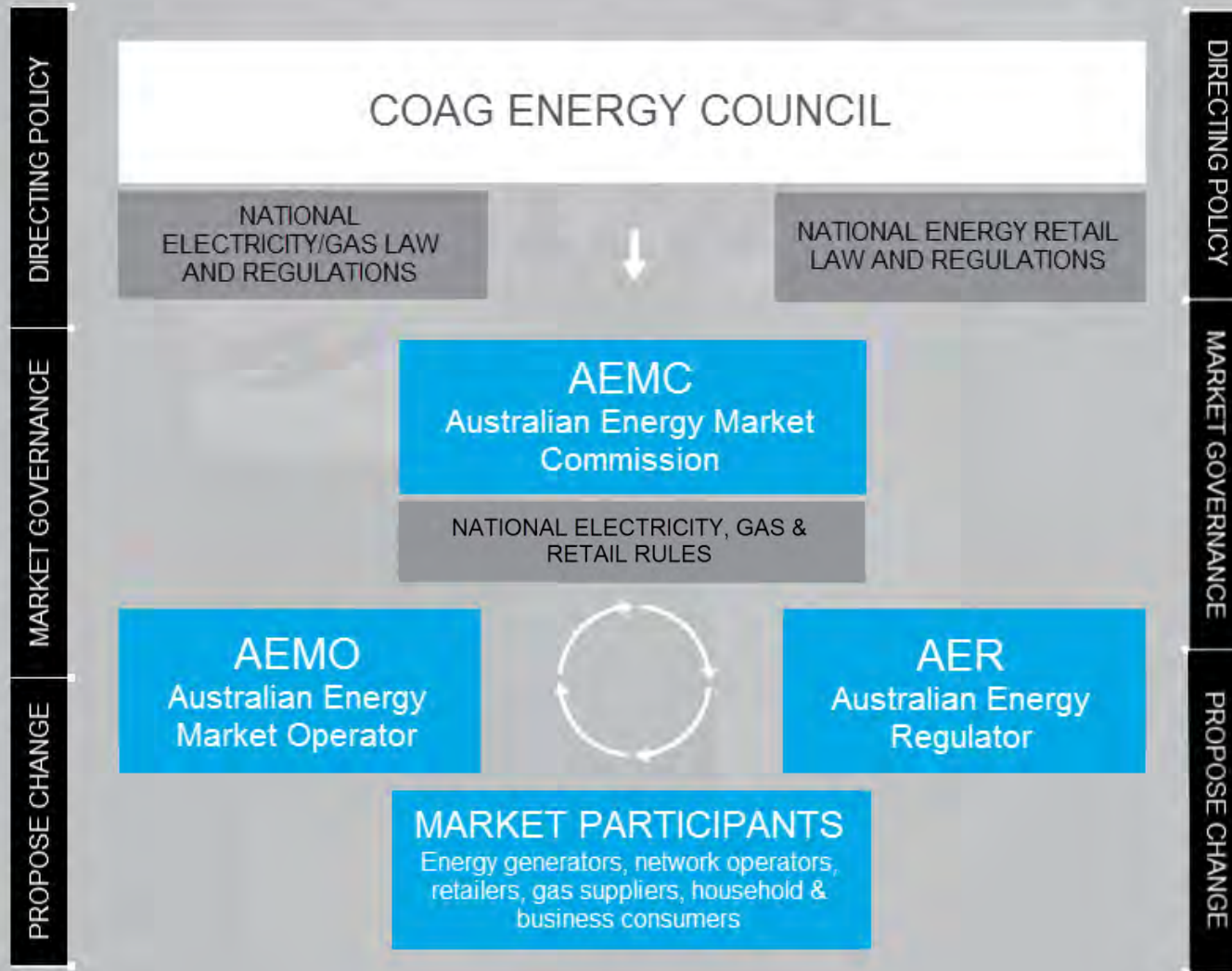


Monday 20 April 2015

Elisabeth Ross, Director, Australian Energy Market Commission

# Who does what in the NEM?

## NEM Regulation and Governance



# Who does what in the NEM?

## Role and Functions of the AEMC



**Rules**



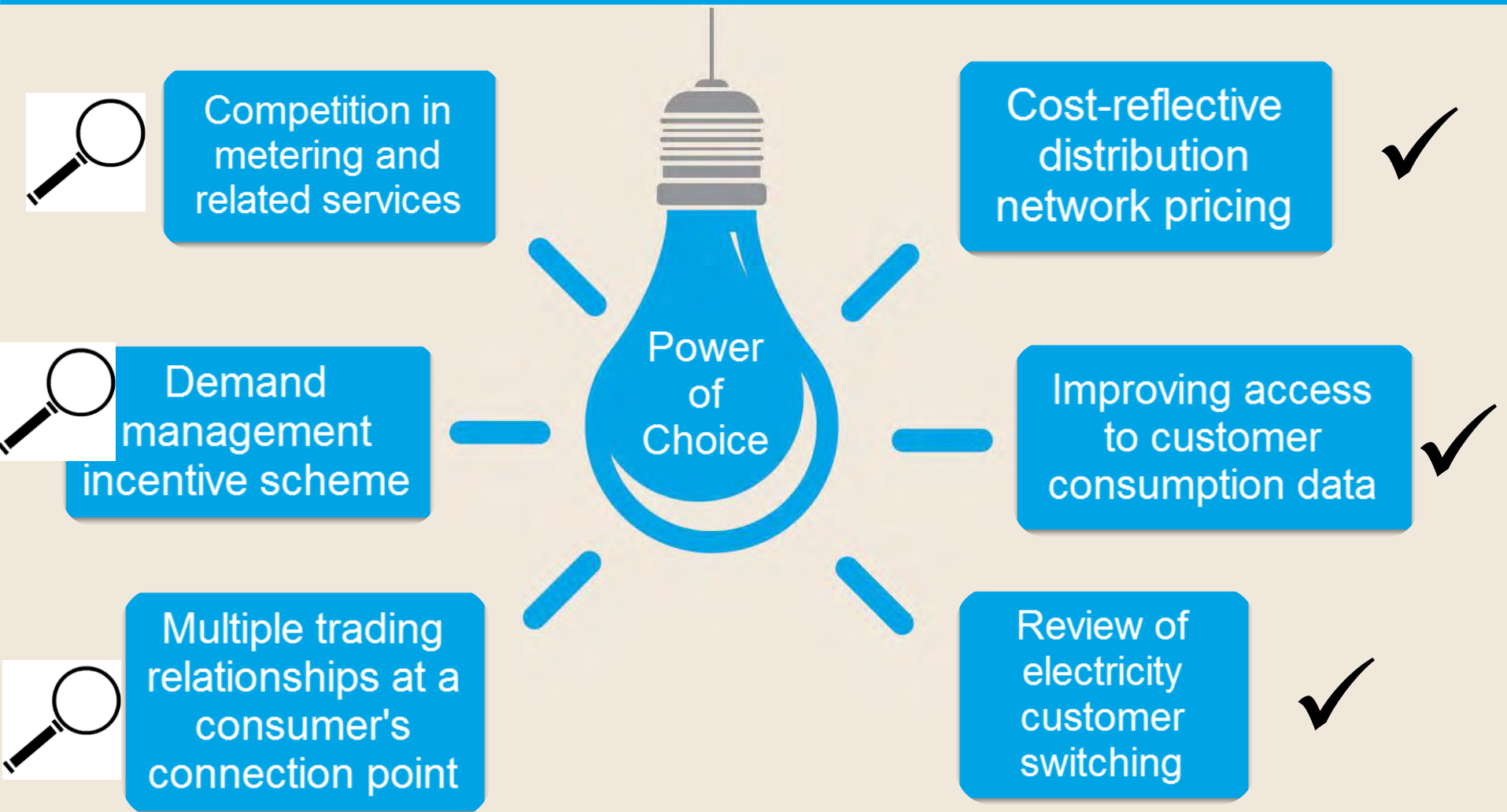
**Reviews**

Guided by national objectives for electricity, gas and energy retail:

**“...to promote efficient investment in, and efficient operation and use of, electricity, natural gas and energy services for the long term interests of consumers with respect to price, quality, safety, reliability and security of supply...”**

# Supporting demand management

## AEMC's Power of Choice



# Supporting demand management

## Network business' role in demand management

DNSPs **facilitate** and procure DM

Distribution  
prices signals  
cost of network

Use of network  
influences  
network planning



# Supporting demand management

## Network business' role in demand management

DNSPs facilitate and **procure** DM

DNSPs procure demand management at a network level

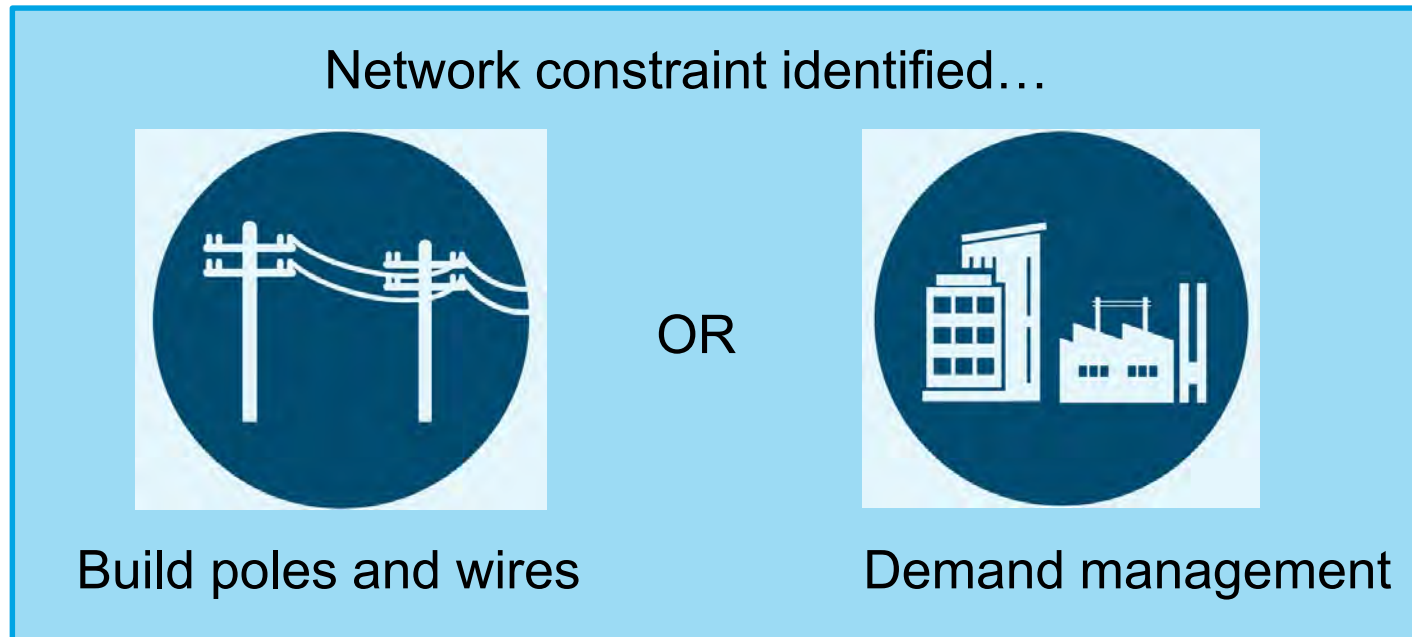


Load response reduces need for new network



# Supporting demand management

## Incentives to find demand management solutions

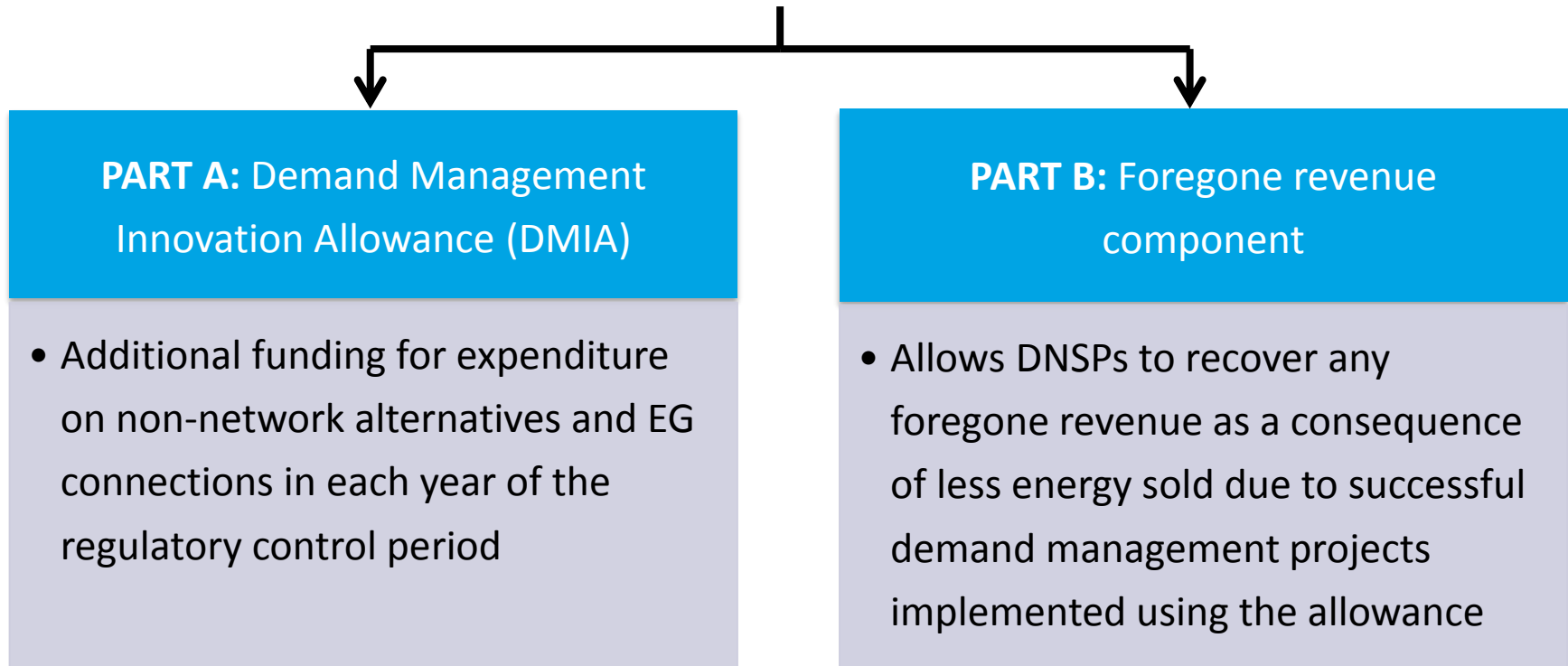


- **Regulatory Investment Test for Distribution**
  - Requires consideration of DM options if new capex >\$5m
- **DMEGCIS**
  - Scheme to balance bias in incentives

# Demand Management Incentive Scheme

## Current Scheme

Current DMEGCIS allows the AER to develop and apply a scheme to remove any bias towards capex over demand side responses.





# Demand Management Incentive Scheme

## Gaps identified by rule change proponents

*Rule change proponents:*

Total Environment Centre and COAG Energy Council

The current DMIS **does not provide sufficient incentive or certainty** for distributors to explore and develop efficient DM options

- Current focus on cost recovery
- Small innovation allowance
- Rewards not ongoing, unlike return on capital investment
- Market wide benefits not captured by DBs
- Uncertainty about treatment of DM expenditure

# Demand Management Incentive Scheme

## Rule change proposal

- Broadly, the rule change proposals seek to make it easier for the AER to design and implement an incentive scheme that strengthens incentives for DNSPs to undertake DM.
- The SCER and TEC rule change requests share a number of key features:
  - Separate the current scheme into an incentive scheme (**DMIS**) and an innovation allowance (**DMIA**)
  - Introduce a new objective and principles for the DMIS
  - Introduce principles for the DMIA
  - Require the AER to design a DMIS and DMIA
  - Provide scope for the AER to include different forms of financial reward under the scheme

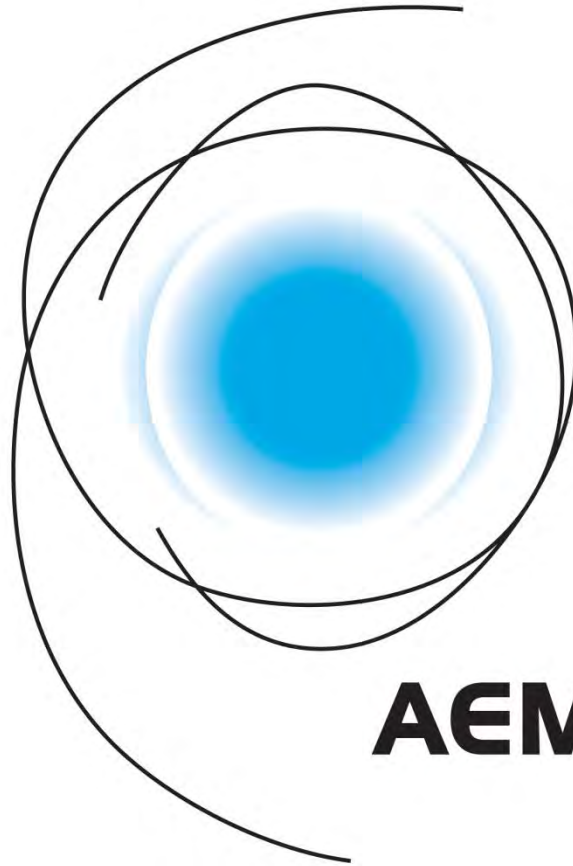
# Demand Management Incentive Scheme

## Where to from here?

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To get keep up to date with the process please visit  
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