

10 February 2021

Ms Kami Kaur
Acting General Manager
Australian Energy Regulator



Sent via email

Dear Ms Kaur,

Submission to draft Demand Management Incentive Allowance Mechanism for transmission

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 welcomes the opportunity to respond to the Australian Energy Regulator's (AER) draft guideline for a Demand Management Incentive Allowance Mechanism (DMIAM) for Transmission Network Service Providers (TNSP).

PIAC broadly supports the AER's draft DMIAM. In particular, we support that it is opex-only, does not include an uplift and the project allowance constitutes only 0.1% of a TNSP's Maximum Allowed Revenue.

PIAC emphasises the importance of making information public following DMIAM projects. As with any innovative project, success is not guaranteed and there is potentially as much longer-term value from a failed project as from a successful one. Therefore, any lessons from innovation projects that are funded by consumers, in particular ones that provide insights on effectiveness and rough costs, must be shared and made public to ensure that consumers will ultimately benefit. While some specific data may be confidential, this can be managed by anonymising data or providing ranges that strike an appropriate balance between protecting confidentiality while ensuring transparency that is in consumers' interests.

Independent Advisory Panel

PIAC strongly supports the use of an Independent Advisory Panel with consumer or community representatives in addition to members with relevant technical knowledge. Having both consumer and technical representation on the panel will help ensure projects are both innovative and promote consumers' interests. The balance of consumer and technical representation on the panel, as well as its governance, are important details that must be developed for the panel to be as effective as possible.

The panel should also be used by TNSPs to help build trust in the DMIAM more generally and should complement, but not replace, the AER's own assessment of the projects as an expert regulator.

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PIAC recommends that TNSPs be required to form an Independent Advisory Panel to review and endorse any innovation projects under the DMIAM. Even without a formal requirement to do so, forming such a panel would be a prudent measure for TNSPs to help maximise the benefits from innovation projects and to minimise the risk that an ex-post review rejects the projects.

PIAC also considers it would be prudent to form a panel across multiple TNSPs as this would not only help minimise the cost to each business but also lead to a more effective panel. For instance, it would allow panel members to better compare the projects being proposed to ensure they were truly innovative and not duplicating earlier work.

Continued engagement

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

Yours sincerely,

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