



## **Draft National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019**

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015 of the Northern Territory; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce  
Chairman  
Australian Energy Market Commission

## **Draft National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019**

### **1 Title of Rule**

This Rule is the *Draft National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019*.

### **2 Commencement**

Schedules 1, 2 and 3 commence operation on [12 December 2019].

### **3 Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 1.

### **4 Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 2.

### **5 Savings and Transitional Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 3.

## **Schedule 1      Amendment to the National Electricity Rules**

(Clause 3)

### **[1] Clause 6.6.3A      Demand management innovation allowance mechanism**

In clause 6.6.3A(a), after the words "*demand management innovation allowance mechanism*", insert "*for Distribution Network Service Providers*".

### **[2] Clause 6A.4.2      Contents of revenue determination**

In clause 6A.4.2(a)(6A), omit "*or small-scale incentive scheme*" and substitute "*, small-scale incentive scheme or demand management innovation allowance mechanism*".

### **[3] Clause 6A.5.4      Building blocks approach**

In clause 6A.5.4(a)(5), omit "*or small-scale incentive scheme*" and substitute "*, small-scale incentive scheme or demand management innovation allowance mechanism*".

### **[4] Clause 6A.5.4      Building blocks approach**

Omit clause 6A.5.4(b)(5) and substitute:

- (5) the revenue increment or decrements referred to in subparagraph (a)(5) are those that arise as a result of the operation of any applicable *efficiency benefit sharing scheme, capital expenditure sharing scheme, service target performance incentive scheme, small-scale incentive scheme or demand management innovation allowance mechanism*, as referred to in clauses 6A.6.5, 6A.6.5A, 6A.7.4, 6A.7.5 or 6A.7.6.

### **[5] Clause 6A.6.6      Forecast operating expenditure**

In clause 6A.6.6(e)(8), omit "*6A.7.4 or 6A.7.5;*" and substitute "*6A.7.4, 6A.7.5 or 6A.7.6;*".

### **[6] Clause 6A.6.7      Forecast capital expenditure**

In clause 6A.6.7(e)(8), omit "*6A.7.4 or 6A.7.5;*" and substitute "*6A.7.4, 6A.7.5 or 6A.7.6;*".

### **[7] New clause 6A.7.6      Demand management innovation allowance mechanism**

After clause 6A.7.5, insert:

### 6A.7.6 Demand management innovation allowance mechanism

- (a) The *AER* must develop a *demand management innovation allowance mechanism* for *Transmission Network Service Providers* consistent with the *demand management innovation allowance objective*.
- (b) The objective of the *demand management innovation allowance mechanism* is to provide *Transmission Network Service Providers* with funding for research and development in demand management projects that have the potential to reduce long term *network* costs (the *demand management innovation allowance objective*).
- (c) In developing and applying any *demand management innovation allowance mechanism*, the *AER* must take into account the following:
  - (1) the mechanism should be applied in a manner that contributes to the achievement of the *demand management innovation allowance objective*;
  - (2) demand management projects, the subject of the allowance, should:
    - (i) have the potential to manage ongoing changes in demand; and
    - (ii) be innovative and not be otherwise efficient and prudent *non-network options* that a *Transmission Network Service Provider* should have provided for in its *Revenue Proposal*;
  - (3) the level of the allowance:
    - (i) should be reasonable, considering the long term benefit to *retail customers*;
    - (ii) should only provide funding that is not available from any other source, including under a relevant *revenue determination*; and
    - (iii) may vary by *Transmission Network Service Provider* and over time;
  - (4) the allowance may fund demand management projects which occur over a period longer than a *regulatory control period*.
- (d) Any *demand management innovation allowance mechanism* developed and applied by the *AER* must require *Transmission Network Service Providers* to publish reports on the nature and results of demand management projects that are the subject of the allowance.
- (e) The *AER*:
  - (1) must develop and *publish* the *demand management innovation allowance mechanism*; and

- (2) may, from time to time, amend or replace any *demand management innovation allowance mechanism* developed and *published* under this clause,

in accordance with the *transmission consultation procedures*.

**[8] Clause 6A.8.2 Amendment of revenue determination for contingent project**

In clause 6A.8.2(g)(9), omit "6A.7.4 or 6A.7.5." and substitute "6A.7.4, 6A.7.5 or 6A.7.6."

**[9] Clause 6A.10.1A AER's framework and approach paper**

In clause 6A.10.1A(b)(5), omit "and".

**[10] Clause 6A.10.1A AER's framework and approach paper**

In clause 6A.10.1A(b)(6), omit "." and substitute "; and".

**[11] Clause 6A.10.1A AER's framework and approach paper**

After clause 6A.10.1A(b)(6), insert:

- (7) the application to the *Transmission Network Service Provider* of any *demand management innovation allowance mechanism*.

**[12] Clause 6A.14.1 Contents of decisions**

In clause 6A.14.1(5A), omit "or *small-scale incentive scheme*" and substitute ", *small-scale incentive scheme* or *demand management innovation allowance mechanism*".

**[13] Clause 6A.17.1 Information to be provided to AER**

In clause 6A.17.1(d)(4), omit "6A.7.4 or 6A.7.5;" and substitute "6A.7.4, 6A.7.5 or 6A.7.6;".

**[14] Clause S6A.1.3 Additional information and matters**

After clause S6A.1.3(3B), insert:

- (3C) a description, including relevant explanatory material, of how the *Transmission Network Service Provider* proposes any *demand management innovation allowance mechanism* that has been specified in a *framework and approach paper* that applies in respect of the forthcoming *revenue determination* should apply to it;

## **Schedule 2          Amendment to the National Electricity Rules**

(Clause 4)

### **[1] Chapter 10          Substituted Definitions**

In Chapter 10, substitute the following definitions:

***demand management innovation allowance mechanism***

A mechanism developed and *published* by the *AER* under clause 6.6.3A or 6A.7.6, as the case may be.

***demand management innovation allowance objective***

Has the meaning given to it by clause 6.6.3A(b) or 6A.7.6(b), as the case may be.

## **Schedule 3 Savings and Transitional Amendment to the National Electricity Rules**

(Clause 5)

### **[1] Chapter 11 Savings and Transitional Amendments to the National Electricity Rules**

In chapter 11, after Part [ZZZT], insert:

#### **Part [ZZZU] Demand management incentive scheme and innovation allowance for TNSPs**

##### **11.[119] Rules consequential on the making of the National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019**

###### **11.[119].1 Definitions**

- (a) In this rule 11.[119]:

**Amending Rule** means the National Electricity Amendment (Demand management incentive scheme and innovation allowance for TNSPs) Rule 2019.

**commencement date** means the date Schedules 1, 2 and 3 of the Amending Rule commence.

**new clause 6A.7.6** means clause 6A.7.6 of the *Rules* as in force immediately after the commencement date.

- (b) Italicised terms used in this rule have the same meaning as under Schedule 2 of the Amending Rule.

###### **11.[119].2 AER to develop and publish the demand management innovation allowance mechanism**

- (a) By 31 March 2021, the *AER* must develop and *publish* the first *demand management innovation allowance mechanism* required under new clause 6A.7.6.