



EAGA
EASTERN ALLIANCE
FOR GREENHOUSE ACTION

Maroondah City Council
Braeside Ave
Ringwood VIC 3134
www.eaga.com.au
Ph: 03 9298 4250
Mob: 0431 133 592

Mr John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Online: www.aemc.gov.au

1st April 2015

Dear Mr Pierce,

Re: ERC0177 - Demand Management Incentive Scheme Rule Change Consultation

The Eastern Alliance for Greenhouse Action (EAGA) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the proposed changes to the National Electricity Rules for demand management incentives. EAGA is a formal Alliance of seven councils in Melbourne's East, including:

- City of Boroondara
- Knox City Council
- Maroondah City Council
- City of Monash
- City of Stonnington
- City of Whitehorse
- Yarra Ranges Council

EAGA is committed to delivering mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities. Our councils recognise the importance of regulatory and market based mechanisms in overcoming the barriers preventing distribution businesses from undertaking demand management projects as an alternative to building new network infrastructure. We therefore support the proposed rule change which will address these barriers, reduce the overall long term cost of supplying electricity to consumers and generate significant greenhouse gas reductions.

The proposed rule change comes at a time when the Victorian energy industry is facing unprecedented change. The rapid advancements and widespread adoption of solar PV and smart technologies combined with a fall in electricity use is already having a material impact on energy providers and consumers. Unlocking investment in demand management will therefore be critical in ensuring a smooth transition to more sustainable, intelligent energy networks.

To make this transition, energy providers will need to build new capabilities that enable them to capture and scale up new opportunities and tap into unconventional markets. This will mean establishing business models with stakeholders with whom they have previously had little interaction, including local government agencies.

To assist local government establish a shared vision for this transition, EAGA partnered with Victoria's Greenhouse Alliances to develop a series of policy statements which detail the specific outcomes that councils are seeking to achieve through establishing a coordinated engagement program with the energy distribution sector.¹ Over 35 councils contributed to the policy framework which sets out the following overarching goals:

- Work collaboratively on initiatives that reduce energy consumption, generate significant reductions in greenhouse gas emissions and save Victorians money
- Fast track the roll out of sustainable public lighting across the State
- Facilitate trials and assist in scaling up the deployment of new technologies and distributed energy generation
- Share data between sectors to deliver improved forecasting, more efficient infrastructure planning and improve reporting and communication capabilities
- Increase the physical resilience of infrastructure and proactively address climate change risks

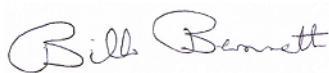
In addition, EAGA's regional climate change adaption plan identifies that working collaboratively with electricity distributors on demand management initiatives (and others) will be critical for addressing a range of climate change risks common to each municipality.²

Under the current rules, there are no clear financial drivers for network businesses to pursue activities within these areas in any substantive way (for the reasons described in Section 3.2 of the discussion paper). Critically, the proposed rule change will ensure that energy sector investment can be leveraged into Victoria's communities and council programs by enabling demand management activities to be profitable and de-risking new innovations and longer term approaches to managing network demand.

For the reasons given in this submission, we consider the rule change as fundamental and necessary market reform. EAGA is willing to work with AEMC to ensure that equitable and consistent approaches to demand management incentives which represent the best value proposition for the community, industry and all levels of Government.

Should you have queries or questions relating to this letter, please contact Scott McKenry, EAGA Regional Coordinator on scott.mckenry@maroonodah.vic.go.au or 03 9298 4250.

Kind regards,



Cr Bill Bennett
Executive Committee Chair
Eastern Alliance for Greenhouse Action
Councillor, Whitehorse City Council



¹ <http://eaga.com.au/projects/dnsp-engagement-program/>

² <http://eaga.com.au/wp-content/uploads/FINAL-ROADMAP-web1.pdf> (page 20)