

3 August 2021

By email to publicsubmissions@erawa.com.au

Consultation Paper on Demand Management Innovation Allowance

Thank you for the opportunity to make comment on the Demand Management Innovation Allowance Guideline proposed by the ERA for Western Power's next Access Arrangement. Transmission and distribution costs make up a large proportion of customers' bills so Perth Energy is very supportive of initiatives that are aimed at reducing these costs. At the same time, we are keen to see that any investment aimed at reducing costs is made wisely and is adequately reviewed. The guidelines proposed by the ERA appear well crafted to maximise the benefit that the DMIA can bring to customers.

Our specific comments are set out below.

1. Form of Mechanism

As advised within our response to the proposed framework and approach, Perth Energy considers that a sum of \$7million spread over the five year term of AA5 is appropriate. It should be sufficient to adequately fund a small number of initiatives giving Western Power appropriate experience with the innovation process while not encouraging a major administrative overhead.

We also support there being flexibility in how this is spent over the AA5 period. If the processes require development and testing it is unlikely that these can be adequately packaged into equal annual instalments.

2. Eligibility Requirements

Perth Energy endorses the approach proposed here by the ERA. We note that both Western Power and AEMO support the consideration of projects that support other factors such as network reliability, safety, stability, supply quality, visibility or forecasting. We agree that the mechanism objective contained in the Access Code refers only to the potential to reduce network costs and that this must be the driving objective of the DMIA. Certainly these other factors cannot be compromised but the prime focus must be on reducing long term network costs to deliver financial returns to customers.

In looking at costs and benefits Perth Energy fully supports the ERA's statement that:

However, the network affects the operation of the Wholesale Energy Market, including power system security and reliability. Consequently, forecast cost reductions must take account of any effects on other elements of electricity costs.

3. Process for up-front consideration of a project

Given that this will be a new initiative for Western Power, the ERA and the SWIS, as well as the relatively modest amount of money involved, Perth Energy agrees with the proposed approach of not defining a process for up-front consideration of any projects.

4. Compliance report

The ERA's proposed guidelines for the compliance report are comprehensive and should assure market participants and customers that the DMIA process has been undertaken effectively. There is a requirement that Western Power report in some detail if a project is successful. We suggest that reports should also be provided on any unsuccessful projects. Sometimes "failed" research can provide substantive learnings that may guide research into more productive areas or, at least, prevent further efforts that are unlikely to yield results.

We are pleased to see that the results of DMIA activities are to be published with the exception of any confidential information.

5. Summary

These are sound guidelines and should set the groundwork for effective use of the DMIA process. They give Western Power appropriate freedom to operate while ensuring that the interests of customers, and the general community, are assured.

Should you have any questions in respect to this submission please do not hesitate to contact me on 0437 209 972 or at p.peake@perthenergy.com.au.

Yours sincerely,

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