

Purpose

This briefing paper has been prepared for Powerlink’s 2027-32 Revenue Proposal Reference Group (RPRG) in response to an action taken at the [15 October 2025](#) meeting, which was for:

“... Powerlink to review advice provided by the previous RPRG regarding DMIAM during the 2022-27 revenue determination process, and report back on any innovations developed as business as usual.”

This paper describes the Demand Management Innovation Allowance Mechanism (DMIAM), summarises key insights from Powerlink's initial phase of work on flexible load services (i.e. demand management innovation), and outlines an approach to keeping the Customer Panel updated on progress.

Background

Powerlink initially outlined how the DMIAM might apply in its January 2021 Revenue Proposal but later [wrote to the AER in July 2021](#) requesting the mechanism not be applied to its 2023–27 regulatory period.

“We have reviewed the Final DMIAM Guideline and further considered the types of projects we might undertake as a transmission business under the DMIAM. We concluded that we should either pursue these types of projects in the normal course of business including through use of our innovation framework where they provide benefits to customers or, where these projects are not efficient, they should not proceed. This approach is consistent with our commitment to driving ongoing efficiency in our business and affordability for customers.”¹

In the course of preparing its Draft Decision, the AER consulted the Consumer Challenge Panel, “which supported Powerlink’s proposed approach to provide additional information to the AER as part of its revised revenue proposal.”² At the Revenue Proposal Reference Group (RPRG) meeting on 17 September 2021, Powerlink proposed that the Customer Panel decide whether, in its view, Powerlink should seek to apply or not apply the DMIAM in the 2023-27 regulatory period.

Powerlink’s Customer Panel formally recommended against applying the allowance, a position Powerlink adopted in its Revised Revenue Proposal.³ In their letter, the Customer Panel requested that at a future meeting, “a briefing on studies undertaken and/or learnings from other TNSPs on DMIAM projects be provided to the panel.”⁴

Powerlink has maintained this position on DMIAM for its 2027-32 Revenue Proposal. In response, the RPRG has asked Powerlink to review previous advice and provide an update on any demand management innovations undertaken during the period.

¹ Powerlink, [Application of the DMIAM to Powerlink’s 2023–27 Regulatory Period](#), July 2021 (Redacted).

² AER Draft Decision, Powerlink Queensland Transmission Determination 2022–27, [Attachment 13: Demand Management Innovation Allowance Mechanism](#), September 2021.

³ Powerlink, [2023–27 Revenue Proposal](#), January 2021, pp. 166–167.

⁴ Page 3, Powerlink, [TRP 2022–27 – Appendix 17.01: Customer Panel Statement on DMIAM](#), October 2021 (Public).

What is DMIAM?

The DMIAM provides Transmission Network Service Providers (TNSPs) and Distribution Network Service Providers (DNSPs) with funding for research and development in demand management projects that have the potential to reduce long-term network costs, typically through customer participation (e.g., demand response or other demand-side measures).⁵

“Demand management projects should have the potential to deliver ongoing reductions in demand, and be innovative and not otherwise efficient and prudent non-network options that a transmission network service provider should have provided in its revenue proposal...” (Page 4, [AER - Transmission DMIAM, May 2021](#))

Applying for a DMIAM provides networks with dedicated funding for demand management innovation, creating flexibility to trial new approaches and share learnings across the sector. However, it also involves annual compliance reporting—even if no funds are spent—and upfront planning to justify the allowance.

Since its introduction for transmission networks in 2021, the mechanism has been included in most transmission revenue determinations in the National Electricity Market, but there are no publicly reported examples of completed, compliant projects to date. AusNet has confirmed zero expenditure in its current period, while other TNSPs (TransGrid, ElectraNet, TasNetworks) have allowances in place but have not reported funded projects in AER compliance summaries.

While the mechanism aims to encourage demand-side innovation, uptake has been limited so far, reflecting the challenge of aligning eligibility criteria with practical opportunities at the transmission level.

Refer to Appendix I for eligibility requirements.

Cost recovery methodology

The DMIAM is determined individually as part of a revenue determination. The Australian Energy Regulator (AER) sets the maximum DMIAM allowance for the regulatory control period as:

1. An optional one-off amount of \$200,000 for independent assessment costs, indexed for inflation using actual Consumer Price Index (CPI) as per the methodology applied to allowed revenue; plus,
2. 0.1% of the total Annual Building Block Revenue Requirement (ABBRR)⁶ for the period, as specified in the revenue determination.

Recovery is not automatic. Each year, the AER conducts a review of costs, and only eligible, incurred costs can be recovered, ensuring electricity consumers only pay for actual, compliant project costs.

⁵ Powerlink continues work to progress operational technology uplift—such as Wide Area Monitoring, Protection and Control, dynamic line ratings, and advanced weather forecasting—to improve network utilisation. These initiatives optimise system performance but do not directly influence the underlying drivers of network usage patterns (e.g., reducing or shifting demand).

⁶ The ABBRR represents the total revenue a TNSP is allowed to recover for each regulatory year within a regulatory period. It is calculated using the building block approach, which includes a number of components. The ABBRR then feeds into the calculation of Maximum Allowed Revenue (MAR), which determines prescribed transmission service prices for network users.

Appendix I – DMIAM Eligibility Requirements

Demand Management Focus

The project must research, develop, or implement demand management capability or capacity (e.g., reducing or shifting electricity demand to avoid network investment).

Innovation Requirement

Must be pre-commercial (not widely adopted or fully proven), meaning it must be:

- Based on new or original concepts,
- Uses technology or techniques not previously implemented in the market, or
- Targets a significantly different customer segment or geographic area.

Potential to Reduce Network Costs

Projects must have the potential to lower long-term network costs, if proved viable.

Non-Recoverable Costs

Costs are ineligible if recoverable under other schemes or already included in approved capital or operating expenditure. Only operational costs, or prudent expenses for independent assessment, are eligible; capex is excluded. Joint projects are permitted, but each TNSP may claim only its own eligible operating costs.

Support for Ongoing Change and Industry Knowledge

Projects should promote lasting demand changes and contribute to broader industry learning.

Commitment to Public Reporting

Recipients must publicly share learnings and comply with reporting requirements, including project-specific reports.

Independent Endorsement (Strongly Encouraged)

Endorsement can be sought via an independent advisory panel or a customer panel supported by an independent, qualified electrical engineer.

Annual Reporting and Review

- The AER reviews expenditure annually to confirm compliance.
- Eligible costs alone can be recovered.

See: [AER - Demand management innovation allowance mechanism - Transmission - May 2021 | Australian Energy Regulator \(AER\)](#)