

# **Australia's Residential Energy Management Market to 2022: Victoria is the Place to Be**

**An Update Briefing for Strategic Research Clients**

## 1.0 Executive Summary

Energeia's review of Australia's Residential Energy Management (REM) market has found it poised for significant near to medium term growth in the key markets of Victoria and Queensland, but only once key policy, regulatory and institutional barriers are overcome. By 2022, we expect these two markets will lead Australia with a combined 1,100 megawatts (MW) of managed residential load covering nearly 1.9 million electricity consuming devices.

In this confidential Update Briefing for our Strategic Research Service clients, Energeia examines the key developments in the REM market and industry over the last 18 months and its current status. The report focuses on changes occurring since the last publication with regards to policy and regulation, customer segments and demand, products and services, industry and strategy, and their impact on our ten year outlook to 2022.

In our previous report, entitled *In Search of the Magic Formula*, Energeia highlighted the lack of a customer value proposition as a key barrier to the REM market. Since then, the U.S. market has seen two major developments that show a possible way forward for Australia, which is endlessly piloting technology even as it loses ground with the banning of storage based hot water services (the most popular residential energy management service in the country with 2.9 million services.)

The two key developments driving exponential growth in the U.S. REM market are the establishment of a standards based, third party smart meter access regime (the 'Green Button' initiative) and the deployment of a significant base of smart metering. Together, these two pieces of the puzzle have spawned an entirely new Cloud based energy services industry to serve the 27 million Green Button customers, and provide a model for unlocking the economic potential of smart metering in Victoria.

In Australia, state policymaking remains the prime REM market driver. Queensland's (QLD) new government shut down the state's ClimateSmart Homes scheme in April 2012, Australia's largest REM market to date with 350,000 in-house displays installed. Victoria opened the door to REM under its Victorian Energy Efficiency Target (VEET), though no products have been accredited to date. The Federal government's proposed mandatory Demand Response Enabling Device (DRED) standard for air conditioners, a key enabler of the REM market, has slipped and is now unlikely before 2014.

Energeia's review of Australian market activity has found a new generation of technology trials and service pilots have been launched over the last 18 months, focused on the latest generation of REM hardware platforms, DRED based appliances and smart grid infrastructure. Of these, Energex's trial of its automated AC demand management service and Origin's trial of Tendril's Cloud based energy management service stand out for their innovative, cutting edge approaches to appliance focused and Cloud based energy management services.

This report presents Energeia's first ten year outlook for the Australian REM market, which sees most activity focused in the near-term on the Victorian (VIC) and QLD opportunities in Cloud based services (VIC only) and DRED enabled appliances. In our view, the lack of investment in REM incentives and services in New South Wales (NSW) and South Australia (SA) will delay REM market investment in these states until 2019 at the earliest, the time it would take to establish a smart metering platform.

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Until SA, QLD and NSW deploy the necessary enabling infrastructure to support Cloud based energy management services, VIC will remain the place to be for Australia's REM industry. We also see appliance focused energy management services proliferating in VIC and QLD on the back of mandatory DRED regulations and private communications networks in these states. Longer-term, we expect the ubiquity of smart loads to herald in a REM Golden Age, which will ultimately lead to 1,200 MW and 2 million loads under management.

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