



Australian Energy Market Commission

## SECTION 108A (NEL) / SECTION 269 (NERL) REPORT

### Wholesale demand response mechanism

#### **Rule Proponents**

Public Interest Advocacy Centre, Total Environment Centre, The Australia Institute

Australian Energy Council

South Australian Government

5 December 2019

RULE  
CHANGE

## Purpose of report

The Australian Energy Market Commission (Commission) is required under section 108A of the National Electricity Law (NEL) and section 269 of the National Electricity Retail Law (NERL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process.

This report relates to the *Wholesale demand response mechanism* rule change project (reference ERC0247) and the *Wholesale demand response mechanism (retail)* rule change project (reference RRC0023).

## Background

On 15 November 2018, the Commission commenced consultation on three rule change requests submitted by the Public Interest Advocacy Centre, Total Environment Centre and the Australia Institute; the Australian Energy Council; and the South Australian Government all seeking to facilitate wholesale demand response in the national electricity market (NEM).

The proponents submitted three proposals for the Commission's consideration:

- A wholesale demand response mechanism: a mechanism that would allow third parties to offer demand response into the wholesale electricity market in a transparent, scheduled manner.
- A wholesale demand response register: a proposal that would introduce an obligation for retailers to negotiate in good faith with third parties looking to provide wholesale demand response through a register.
- A separate wholesale demand response market: a proposal for the introduction of a transitional, separate market for wholesale demand response.

We received 38 formal submissions as part of the first round of consultation. We considered all issues raised by stakeholders in submissions.

## Reason for the final rule determination not being made within 12 months

On 7 February 2019 the Commission extended the period of time for making the draft determination to 18 July 2019 and extended the period of time for making a final determination until 14 November 2019. The Commission determined that an extension was necessary as:

- The Commission received three related rule change requests. These rule change requests presented different proposals all seeking to facilitate wholesale demand response in the NEM. Each proposal was complex and required considerable stakeholder engagement.
- Sufficient time was needed for developing a draft and final rule that would (if made) make significant amendments to the NER.

The extended timeframe also enabled the Commission to consult extensively with stakeholders on the issues raised in the rule change request, specifically to:

- hold a public forum on 5 March 2019
- convene a technical working group comprising of experts from consumer groups, large consumers, network businesses, retailers, technology providers, market bodies and AEMO. Three technical working group meetings were held prior to publication of the draft determination
- hold numerous other bilateral meetings on aspects of the rule change request.

On 18 July 2019, we published a draft rule and draft determination. The Commission received two requests, from ENGIE and SIMEC Energy, to hold a pre-final rule determination hearing in relation to the draft determination. The hearing was held on 6 August 2019. The Commission also held two stakeholder consultation workshops on the draft determination on 16 August and 22 August 2019.

We received 40 formal submissions as part of the second round of consultation.

On 10 October 2019, the Commission extended the time for making a final rule and final determination for the *Wholesale demand response mechanism* rule change request until 5 December

2019. This extension was necessary due to the complexity and volume of issues raised by stakeholders in submissions in relation to how the rule is put in place in the regulatory framework.

The extended timeframe also allowed the Commission to:

- convene a technical working group meeting on Friday 11 October, and more effectively incorporate feedback from the technical working group into the Commission's considerations regarding the rule change requests.

On 5 December 2019, the Commission extended the time for making a final rule and final determination to 11 June 2020. This extension follows the provision of supplementary information by the market operator, AEMO, suggesting more time is needed to consider the least-cost method to implement a mechanism. The Commission will undertake further work with stakeholders to develop a mechanism for the final rule and final determination.

### **Time for making final rule determination**

The Commission will publish a final determination and rule on 11 June 2020.