



# INFORMATION

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 15, 60 CASTLEREAGH STREET SYDNEY NSW 2000  
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

## Review of the Wholesale Demand Response Mechanism

The Australian Energy Market Commission (AEMC) has published a consultation paper and terms of reference for a self-initiated review into the Wholesale Demand Response Mechanism (WDRM). The review will examine the costs, benefits and effectiveness of the WDRM to determine whether it should remain, be changed or phased out.

Submissions to the consultation paper are due by 24 April 2025.

### The review will consider the future for the WDRM

The AEMC is required to review the WDRM under Chapter 3 of the National Electricity Rules (NER), and will consider the role of the WDRM in enabling demand-side participation and its performance to date. In assessing the future of the WDRM we will have regard to:

- whether recent regulatory and market developments have promoted a two-sided market and whether this has reduced or removed the need for the WDRM
- stakeholder feedback on participating in the WDRM and whether changes could increase participation in and the effectiveness of the WDRM.

Our consultation paper sets out questions for stakeholders on three areas of the WDRM:

- The benefits and costs of the WDRM: We have proposed a methodology to determine the efficiency gains from WDRM dispatch and will investigate the impact the WDRM has had on retailer offerings. We will also consider the ongoing costs and risks associated with changes to the WDRM in making our recommendations.
- Whether changes should be made to the design of the WDRM: We are seeking feedback on whether changes can and should be made to the design of the WDRM to promote the efficient operation of the mechanism or increase participation.
- The accuracy and suitability of baselines used in the WDRM: The AEMC will assess and seek feedback on the accuracy of current baseline methodologies and whether baselines are appropriate for a future with increasing levels of CER.

Stakeholder feedback and analysis will inform the Commission on whether the WDRM should be changed, remain as is, or be phased out.

### A two-sided market is the enduring solution

In establishing the WDRM, the Commission considered that if there was a move to a two-sided market, this should replace the WDRM. A two-sided market involves active participation of the supply and demand side in the NEM wholesale market (through the dispatch process, which sets wholesale electricity prices).

Last year, we made two final rules that progressed two-sided market arrangements:

- *Unlocking CER benefits through flexible trading*, which established the metering arrangements for small and large electricity customers to separate 'flexible' CER (such as EV chargers and batteries) from 'passive' loads, which are less responsive to price changes
- *Integrating Price-responsive resources in the NEM*, enables the demand side, including CER and large flexible loads, to be scheduled and dispatchable in the NEM, in aggregations or individually.

## The WDRM allows demand response to be offered into the NEM

The WDRM was established through a rule made on 11 June 2020 and commenced operation in the NEM on 24 October 2021. It enables demand response service providers (DRSP) to offer demand response into the NEM's wholesale market, where it can be dispatched and paid like generators.

The rule change request to establish a wholesale demand response mechanism argued that there were barriers for retailers to engage with consumers to provide demand response. Third parties (that is, non-retailers), by contrast, can specialise in offering demand response services to customers to extract the value of this response. This necessitated the transfer of value of wholesale demand response from the existing retailer to a DRSP, who may be the customer or a third-party service provider engaged by the customer.

Since the WDRM started on 24 October 2021, we have seen limited use. Only two DRSPs have registered a combined 74 MW of response across 20 wholesale demand response units (WDRUs), which have been dispatched for 1,258 MWh of response.

## Submissions are due by 24 April 2025

Written submissions to the consultation paper are requested by COB Thursday, 24 April 2025. The consultation paper sets out how to make a submission.

For information contact:

**Harry Gibbs:** [harrison.gibbs@aemc.gov.au](mailto:harrison.gibbs@aemc.gov.au)

Media: [media@aemc.gov.au](mailto:media@aemc.gov.au)

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