



Demand Response Mechanism and Ancillary Services Unbundling

AEMC starts consultation on rule change request from COAG Energy Council

The COAG Energy Council has proposed changes to the National Electricity Rules that would create a demand response mechanism in the National Electricity Market and unbundle the provision of ancillary services from the sale of electricity in the wholesale market.

The rule change request

The rule change request proposes a mechanism that would allow the demand side to participate in the wholesale market. A new class of market participant, a demand response aggregator, would be created who would facilitate customers' demand response participating in the wholesale market.

The proposed rule change would also allow a demand response aggregator to provide frequency control ancillary services to the market. The proposed rule would effectively unbundle the provision of demand response and ancillary services from the sale of electricity. The DRA would not be required to purchase electricity in order to offer services to its clients.

Issues for consultation

The rule change request is broad in scope and would affect many areas of the National Electricity Rules. The consultation paper seeks stakeholder feedback on:

- All major issues that, in stakeholders' views, should be considered by the Commission; and
- The detailed design of the proposed demand response mechanism prepared by the Australian Energy Market Operator and published in November 2013.

A consultation paper has been published along with the COAG Energy Council's rule change request. The consultation paper should be read in conjunction with the rule change request and its attachments. These documents are available on the project page for this rule change request.

Background

The COAG Energy Council submitted this rule change request to the AEMC following the completion by AEMO of a proposed design for the demand response mechanism. AEMO developed the design in consultation with stakeholders through a reference group. Also, Oakley Greenwood was engaged by the COAG Energy Council to undertake a cost benefit analysis of the proposed demand response mechanism.

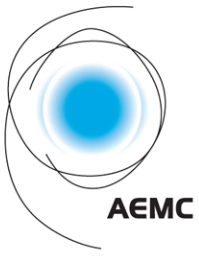
This work followed recommendations of the AEMC in its Power of Choice review that a demand response mechanism be developed for the wholesale market. There have been significant changes in energy markets since this review was completed in 2012. This will inform the Commission's assessment of the rule change request.

Process for consideration of rule change request

Stakeholders' submissions in this first round of consultation will inform the timeline and process for this rule change request. Once submissions to the consultation paper are considered, the Commission will notify the stakeholders of the timeline and process for the consideration of this rule change request.

Submissions are due by 10 December 2015.

For information contact:



INFORMATION

AEMC Senior Director, **Anne Pearson** (02) 8296 7800
AEMC Director, **Veronika Nemes** (02) 8296 0602
Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

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