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Australian Energy Market Commission

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Review of the Wholesale Demand Response Mechanism

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Review of the Wholesale Demand Response Mechanism (WDRM).

About AGL

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move, and work. Proudly Australian for more than 185 years, AGL supplies around 4.5[1] million energy, telecommunications, and Netflix customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

AGL supports demand response

AGL supports demand response in the NEM and has been supporting our commercial and industrial customers through demand response contracts for some time. AGL has provided value to our customers through our demand response programs without the WDRM as an intermediary.

The WDRM has not been effective in facilitating demand response

Given only two demand response service providers (DRSPs) have participated in the WDRM since it commenced operation on 24 October 2021, with 74MW of response across 20 wholesale demand response units (WDRUs), which have been dispatched for a total of 1,258 MWh of response, we consider the WDRM has not been an effective mechanism in enabling demand response in the NEM. [2]

We also note the inherent complexities in predicting baselines especially with increasing uptake of consumer energy resources (CER). Higher CER penetration is expected to cause higher rates of load volatility, thereby making it a lot harder to predict baselines. This will continue to hinder the effectiveness of the WDRM and may deter future participation.

We note, generally, that the many retail customers are not likely to be eligible for the WDRM due to variability that would not meet the Predictability Of Load (POL) test.

WDRM eligibility criteria should not be relaxed

We consider the current eligibility criteria for WRDM program should at least be maintained as is to ensure consumers are not required to pay for curtailment that is spurious or unverifiable.

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[1] Services to customers number is as at 31 December 2024.
[2] https://www.aemc.gov.au/sites/default/files/2025-03/EPR0099%20-%20Review%20of%20the%20WDRM%20-%20Consultation%20paper.pdf

The intent of the current eligibility criteria is to ensure sure the quantum of load reduction is predictable. If the eligibility criteria were to be relaxed to enable greater participation, then the load would be less predictable, and this would have flow on effects on the NEM e.g. AEMO might have to procure more regulation FCAS. Ultimately the costs would be borne by the market i.e. generators and consumers.

No further investments should be made in WDRM

We do not consider further time, investment, or resourcing should be allocated to the WDRM given its low uptake and negligible impact on NEM demand and wholesale prices.

AEMO estimates its cost of implementing the WDRM as $13 million to $17 million[3]. This is in addition to costs to participants for systems and process upgrades and ongoing maintenance costs for all parties. Administering the WDRM also represents an ongoing cost for AEMO which is subsequently passed onto market participants and ultimately to customers.

We do not consider further changes to existing methodologies or processes in an attempt to rectify the WDRM would provide positive cost-benefit outcomes. Regulatory time and resources are better spent on other reforms which delivery greater benefit to consumers and the market. Consequently, we consider the WDRM should ideally be phased out or left as is.

There are other avenue for demand response. The two-sided market is continuing to develop

Recent regulatory changes such as the Unlocking CER benefits through flexible trading (CER benefits) and Integrating price-responsive resources into the NEM (IPRR) represent progress towards two-sided market arrangements. Retailers, including AGL, are also increasingly offering innovative products and services to facilitate demand response.

Large loads face physical, organisational and financial constraints that may prevent them from participating flexibly in electricity markets

The level of rigidity and structure required to participate in central dispatch may not be achievable for the vast majority of loads in the NEM as their primary business is typically not related to being a demand response participant. In this regard, retailers are able to offer competitive demand response contracts to these customers that bridge the gap and are optimised through a wider portfolio.

Furthermore, customers on voluntary demand response arrangements may become less engaged if the market is stable for a long period such that there are no/few events and their demand response revenue is below their expectation.

If you have queries about this submission, please contact Alifur Rahman at ARahman3@agl.com.au.

Yours sincerely,

Chris Streets

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[3] https://aemo.com.au/-/media/files/initiatives/submissions/2020/wdrm/wdrm-high-level-design-june-2020.pdf