AEMC
Australian Energy Market Commission

INFORMATION

# Review of the Wholesale Demand Response Mechanism

## We have made two draft recommendations

**The Australian Energy Market Commission (AEMC) has reviewed the role and performance of the Wholesale Demand Response Mechanism (WDRM) and recommends that: the WDRM should continue operating; and the *Expanding eligibility under the WDRM* rule change request be initiated.**

**Submissions to the draft report are due by 14 August 2025.**

## The WDRM continues to play a useful role in the NEM

The AEMC maintains its commitment to strengthening demand-side participation in the national electricity market (NEM). The recent *Integrating price-responsive resources into the NEM* (IPRR) and *Unlocking CER benefits through flexible trading* (CER benefits) final rules will help with this.

While dispatch mode introduced through IPRR is a key vehicle to facilitate broad demand-side participation, the WDRM can provide important additional benefits alongside dispatch mode. The WDRM caters for demand response, that is, payment for reducing load. It is also the only mechanism that allows non financially responsible market participants to participate in the electricity market.

These features benefit some electricity users and enable their demand response participation to be effectively incorporated into market outcomes, which benefits all electricity consumers.

## Our draft recommendations support the operation of the WDRM

Based on our analysis and stakeholder feedback, the AEMC has made two draft recommendations:

- the wholesale demand response mechanism (WDRM) should continue operating
- the *Expanding eligibility under the WDRM* rule change request be initiated.

The draft recommendation that the WDRM continue provides certainty for participants and recognises that the demand side has an important role to play in the NEM. As part of this, the WDRM facilitates wholesale market participation from a subset of large loads. For instance, data centres are well-suited to participate in the WDRM, and their prospective growth in Australia provides an opportunity for the WDRM to grow.

Additionally, we recommend that the pending rule change request, *Expanding eligibility under the WDRM*, be initiated to assess whether sites with multiple connection points should be allowed to participate in the WDRM. This request has the potential to immediately allow new participation and does not propose material changes to the WDRM design. Progressing this request through the rule change process will determine the materiality of these benefits and compare them against the potential costs.

## WDRM's costs and benefits have informed the draft recommendations

The AEMC's analysis estimates that between October 2021 and March 2025, the WDRM has resulted in:

- $4.32 million ($1.30 million per year) of dispatch efficiency benefits
- $38,300 emissions reduction benefits.

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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

These benefits show that the WDRM is providing efficiency benefits greater than its operational costs of $350,000 - $500,000 per year. The WDRM has also contributed to downward pressure on wholesale prices, with average price savings of $27.83/MWh during WDR dispatch. In comparing the benefits and costs of the WDRM, we have also considered that its removal would incur a cost.

The consultation paper and stakeholder submissions identified several potential changes to the WDRM's design that could increase participation in and effectiveness of the WDRM. The AEMC has considered stakeholder views and carried out its own analysis and has concluded that further changes to the WDRM are not warranted at this time.

## Recent market reforms will boost demand-side participation

Demand-side participation refers to the actions a consumer can take regarding their energy consumption by responding to a wide range of incentives and events occurring in the market.The AEMC maintains its commitment to reforms that promote demand-side participation. The recent IPRR and CER benefits final rules have helped enable this, and their subsequent participation in the wholesale market:

- The CER benefits rule enables energy service providers for small and large customers to separately manage 'flexible' CER from 'passive' loads by establishing secondary settlement points in the energy market. Market participants will also be able to use built-in measurement capability in technology such as electric vehicle chargers and household batteries, removing the need to install a separate meter to the device.
- IPRR introduced a framework named 'dispatch mode' that allows currently unscheduled price-responsive resources to be scheduled and dispatchable in the NEM, in aggregations or individually. It allows virtual power plants (VPP), community batteries, flexible large loads and other price-responsive small resources to compete with large-scale generators and storage in the wholesale market.

Through the combination of these two reforms, participants can separate flexible and inflexible resources behind a connection point and participate in dispatch mode with the flexible or controllable resources. As a result, these two reforms provide a flexible and robust method for demand-side participation in the NEM dispatch process for many electricity users.

## We seek stakeholder feedback on our draft recommendations

We are seeking written stakeholder feedback on our draft recommendations, which must be lodged with the AEMC by **14 August 2025**. Publication of the final report is expected by 23 October 2025.

### For information contact:

Media enquiries: Media@aemc.gov.au

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