

## **Purpose of report**

The Australian Energy Market Commission (AEMC or Commission) is required under section 108A of the National Electricity Law (NEL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process, including the reason why that rule was not made within the timeframe.

## **Background**

On 30 March 2015, the AEMC received a rule change request to amend the National Electricity Rules from the COAG Energy to create a Demand Response Mechanism in the National Electricity Market, and unbundle the provision of ancillary services from the purchase and sale of electricity. On 5 November 2015 the Commission published a notice under section 95 of the NEL commencing the rule change process.

On 1 September 2016 the Commission published a notice under section 99 of the NEL of the making of a draft rule determination and related draft rule.

## **Reasons for the rule determination not being made within 12 months**

Under section 107 of the NEL, the Commission has three times extended the timeframe for making a draft determination due to the detailed and complex nature of the rule change request.

On 18 February 2016 the Commission extended the time for making a draft rule determination to 9 June 2016. The Commission considered the extension necessary because:

- The issues raised by the rule change requests, and those raised by stakeholders in submissions made to the consultation paper released with section 95 notice are complex and required substantial consideration to adequately assess; and
- Given the nature of issues raised the Commission considered it was necessary to consider current evolving market conditions relevant to demand response and in particular the status of the demand side management industry and the range of new products and services creating new demand side participation opportunities.

On 2 June and 21 July 2016 the Commission extended the time for making a draft rule determination to 28 July 2016 and 1 September 2016, respectively. The Commission considered the extension necessary to allow for qualitative economic analysis comparing the expected economic outcomes between the proposed DRM and the 'market-led' solutions to demand side participation. Such analysis was relevant to considering the nature of the claimed market failure raised in the rule change request and whether the proposed DRM could effectively address it.

## **Expected timing for final determination**

Based on the requirements in the NEL, the Commission expects to publish a final determination on 24 November 2016.