

A large, abstract graphic on the right side of the page, consisting of a large, curved, teal-colored shape that resembles a stylized 'C' or a swoosh, with a thin green line curving around it.

Submission to the Wholesale Demand Response Mechanism Review draft report

Submission to the Australian Energy
Market Commission

DATE: 14/08/2025



Introduction

Energy Consumers Australia (ECA) thanks the Australian Energy Market Commission (AEMC) for welcoming views on the Wholesale Demand Response Mechanism (WDRM) Review draft report. ECA is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system — one that meets everyone's needs and leaves no one behind on the journey to net zero.

We welcome the AEMC's decision to continue operating the WDRM given the ongoing net benefits from dispatch cost efficiencies (\$4.7 million), reduced spot prices (\$219.3 million), and emissions reduction (\$38,300) since its implementation in 2021.¹ This decision will give large energy consumers and demand response providers the certainty they need to increase participation in the mechanism, which we identified as a key barrier to further uptake in discussions while preparing our response to our initial submission.²

ECA also welcomes the recommendation that *Expanding eligibility under the WDRM*³ rule change request be initiated. This will unlock additional wholesale demand response from large customers with multiple connection points. We urge the AEMC to consider other eligibility criteria as part of this review to ensure that all cost-effective demand response can participate in the WDRM.

As we noted previously,⁴ the WDRM allows for a new class of entity to provide demand response products in addition to retailers, one whose incentives are more likely to be aligned with the participating customer than retailers. We note that the AEMC suggests that the WDRM may have helped to improve competition and consumer choice, thus encouraging retailers to offer more demand response products, but that it's difficult to clearly observe this effect.

We also welcome the AEMC's decision to include emissions reductions as a benefit of the WDRM.⁵

The AEMC should recognise the \$219.3 million wealth transfer as a consumer benefit

The AEMC's draft review identified that the WDRM has resulted in reduced spot prices by \$219.3 million (\$27.83/MWh) during periods of high wholesale prices, reducing the total costs of supplying consumers' demand for electricity.⁶ The final report should make it clearer that the \$219.3 million wealth transfer is a benefit to consumers. The AEMC's exclusion of the \$219.3 million wealth transfer from its benefits assessment⁷ fundamentally misrepresents the WDRM's value to consumers. This transfer directly reduces consumer costs and must be counted as a core benefit in a consumer-focused energy system.

The AEMC should remove language that undermines market confidence in the WDRM's future

We expect that the outcome of the draft report will increase participation in the mechanism through the increased certainty provided on its future. However, we believe that the below language in the draft report could be improved to enhance confidence in the mechanism:

¹ AEMC, 2025 – [Review of the Wholesale Demand Response Mechanism](#) p. 7

² ECA, 2025 – [Submission to the Wholesale Demand Response Mechanism Review](#) p. 7

³ Enel X, 2022 – [Expanding eligibility under the WDRM, Rule change request](#)

⁴ ECA, 2025 – [Submission to the Wholesale Demand Response Mechanism Review](#) p. 6

⁵ AEMC, 2025 – [Review of the Wholesale Demand Response Mechanism](#) p. 7

⁶ AEMC, 2025 – [Review of the Wholesale Demand Response Mechanism](#) p. 29

⁷ Ibid.



“...the WDRM is playing a role in engaging the demand side currently and may continue to provide this for a select group of users into the future. This niche role contributes to the total demand-side engagement in the NEM alongside the mechanisms introduced more recently.”⁸

This language doesn’t reflect the value provided by the WDRM both for participating customers and all consumers generally. Specifically, “may continue to provide this for a select group of users into the future” doesn’t instil confidence in a demand response provider or participating customer. We recommend the following language is used in the final report:

“The WDRM has delivered over \$200 million in quantified benefits since 2021 and continues to deliver proven value in engaging demand-side participation. The WDRM will remain an important mechanism for customers seeking flexible demand response options. The WDRM provides benefits for both participating customers and the broader NEM through reduced wholesale prices and competitive market outcomes.”

The AEMC should implement two-way demand response through the WDRM to capture value from increasing negative priced events

ECA identified the value of enabling two-way demand response — i.e. also increasing demand during periods of low operational demand — as part of the WDRM.⁹ We reiterate that the Commission should consider the long-term benefits of implementing two-way demand response against the implementation and ongoing costs.

The Commission notes that the WDRM is not suited to address Minimum System Load (MSL) conditions and that sufficiently negative prices don’t occur frequently enough to be effective.¹⁰ However, negative price events are both frequent and generally increasing in frequency as renewables penetration growth continues (Figure 1),¹¹ making two-way demand response increasingly valuable and important into the future. Further, there is value to be gained from incentivising increased demand during negative price events generally, not just during MSL, such as emissions benefits by incentivising more demand when generation is predominately solar, thus reducing curtailment, and benefits to consumers participating in the mechanism. The benefits of two-way demand response must be balanced against any increase in wholesale prices this has and the effect of that on consumer energy bills.

We note the rule change request lodged by the Clean Energy Council (CEC) on an MSL reserve service,¹² which will serve a role in mitigating MSL events. This rule change should be explored in addition to enabling two-way demand response through the WDRM.

⁸ AEMC, 2025 – [Review of the Wholesale Demand Response Mechanism](#) p. 3.

⁹ ECA, 2025 – [Submission to the Wholesale Demand Response Mechanism Review](#) p. 7

¹⁰ AEMC, 2025 – [Review of the Wholesale Demand Response Mechanism](#) p. 14

¹¹ AER, 2024 – [State of the energy market 2024](#) p. 23

¹² CEC, 2025 – [Minimum System Load reserve service, rule change request](#)

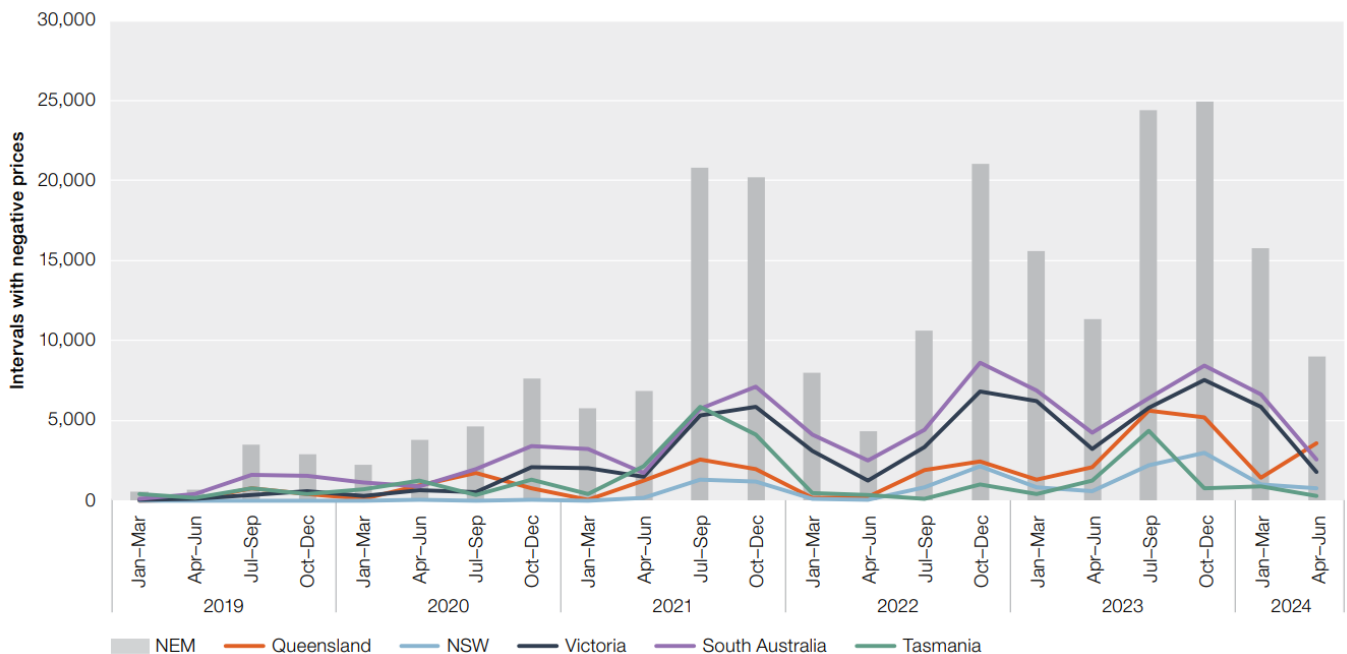


Figure 1 – Count of 5-minute prices below \$0 per MWh.¹³

The AEMC should provide clear comparison of demand response pathways for small consumers excluded from the WDRM

The AEMC has chosen to exclude small consumers from the WDRM without satisfactorily demonstrating how these consumers are otherwise supported. The AEMC should show the difference between the WDRM, the Voluntary Scheduled Resources (VSR) mechanism, and any other options for demand response by consumers in their final report. This should include the pros and cons of each and be broken down into small and large customers separately. The review has highlighted that there is a need for someone to clearly articulate how all the related reforms such as the WDRM and the integrating price-responsive resources (IPRR)¹⁴ reform fit together.

¹³ AER, 2024 – [State of the energy market 2024](#) p. 23. Source: AER; AEMO (data).

¹⁴ AEMC, 2024 – [Integrating price-responsive resources into the NEM, Rule determination](#)



Conclusion

We thank the AEMC for the opportunity to provide feedback and make ourselves available for further discussion throughout the Review process. Overall, ECA welcomes the AEMC's WDRM Review draft report. We see that the WDRM provides substantial benefits to consumers and has untapped potential that we expect to be unlocked with the recommendations of the Review. However, the AEMC must recognise the WDRM's full potential for consumer benefits and expand its scope.

For any questions or comments about our submission, please contact Michael Dello-Iacovo at Michael.d@energyconsumersaustralia.com.au.

Yours sincerely,

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