The Demand Response Mechanism (DRM) was a recommendation of the Australian Energy Market Commission (AEMC) in the 2012 Power of Choice review.

The DRM was intended to facilitate large energy users to act as though they were non-scheduled generators in the wholesale market, and receive reimbursement for reducing energy demand in response to high price events. It was proposed to support an increase in demand side participation by large energy consumers, contribute to a reduction in wholesale market prices and defer generation and network investment in the long term interest of consumers.

In January 2013, the Standing Council on Energy and Resources (SCER) directed the Australian Energy Market Operator (AEMO) to develop a DRM rule change proposal for submission by 15 December 2013.

Cost benefit analysis of the DRM

At the 13 December 2013 SCER meeting, Ministers noted the change in market circumstances since the completion of the Power of Choice review. Ministers requested officials to undertake further work on the DRM, including a cost benefit study, and report back.

In May 2014, officials contracted Oakley Greenwood to undertake further analysis of the DRM, including market modelling. On 25 August 2014 a consultation paper on the approach and assumptions was published for stakeholder consultation. Submissions received as part of that process can be viewed here on the Energy Council website.

Presentation of Results

Oakley Greenwood will be presenting the results of its work on Thursday 30 October 2014 at the PARKROYAL Melbourne Airport from 1:30pm – 4:00pm. This presentation will cover the results of the cost benefit analysis and potential policy implications which will be used to inform advice to Ministers.

Stakeholders will have the opportunity to ask questions regarding the modelling results from Oakley Greenwood and raise any issues or concerns. These will be considered in the development of the final report. Given the timing of the next Council meeting, a draft report will not be circulated for further formal consultation.

The final report will inform Energy Ministers' decision at their December 2014 meeting on whether or not to ask AEMO to continue to develop a rule change proposal on the DRM.

If Ministers agree to proceed, this may include recommending a modified design and/or changing the implementation timeline.

If the decision is made to request AEMO to continue, stakeholders will have the opportunity to comment further through any AEMO processes to finalise a proposal and as part of any future AEMC rule change processes.

RSVPs to attend

Stakeholders wishing to attend this presentation are requested to register by emailing energycouncil@industry.gov.au by close of business Monday 27 October 2014.

17 October 2014