

Update on Reliability Emergency Reserve Trader (RERT) class waiver via voltage management

Background

Reliability Emergency Reserve Trader (RERT) is a function conferred on the Australian Energy Market Operator (AEMO) to maintain power system reliability and system security. RERT is an intervention mechanism under the National Electricity Rules (NER) that allows AEMO to contract for additional supply, such as generation or demand response, which is not otherwise available in the market. In accordance with the provision 3.2 of the NER, AEMO must take all reasonable actions to ensure reliability of supply by negotiating and entering into contracts to secure the availability of reserves under reserve contracts (RERT).

The Ring-fencing Guideline (electricity distribution) ('the guideline') prevents distribution network service providers (DNSPs) from offering contestable services, including RERT, without a ring-fencing waiver. In December 2022, the AER granted a ring-fencing class waiver, effective from 14 December 2022 to 15 April 2025, to allow DNSPs to contract with AEMO to provide short notice RERT services via voltage management. This class waiver has now expired.

Since the class waiver was granted by the AER, only one DNSP (Endeavour Energy) has registered to the RERT panel, but it has not participated¹ in providing RERT services to date.

Consultation on the future of the RERT class waiver

The RERT class waiver expired on 15 April 2025. Ahead of the class waiver expiring, the AER wanted to understand the future RERT markets and the reliability gaps, reasons for limited use of the class waiver and to assess whether individual waivers are preferable to a class waiver.

In November 2024, the AER published a consultation paper seeking stakeholder feedback regarding:

- reliability gaps and the significance of DNSPs providing RERT services via voltage management.
- technological developments around voltage management and demand management
- industry's appetite for individual waivers for DNSPs for provision of RERT services
- impact on consumers if more DNSPs were to participate in RERT markets.

¹ Endeavour registered to the RERT panel and there have been 2 instances where they were contracted for provision of RERT – in March 2023 and November 2024 – but in both cases they were not activated.

We received nine submissions in response to our consultation paper.

In support for the continuation of the class waiver

DNSPs and Energy Networks Australia supported the continuation of the class waiver. This group of stakeholders stated that there is value in low-cost RERT being offered by DNSPs, citing a future likelihood of reliability gaps and the benefits of AEMO having greater access to diverse RERT providers.

Stakeholder submissions made the following key points:

1. The duration of the class waiver did not provide DNSPs with sufficient investment certainty to invest in undertaking several tasks to establish compliance with the RERT-provision requirements.
2. The Electricity Statement of Opportunities (ESOO) 2024 demonstrates future reliability gaps in the National Electricity Market (NEM) and greater levels of RERT in the future could be beneficial for AEMO in managing power system reliability and system security.
3. DNSPs suggested that they should be able to provide RERT through all means available, not just voltage management, and that there are merits in reclassifying a broader suite of system support services as standard control services.

In support of not continuing the class waiver

Submissions from Origin and Enel X did not support to continue the class waiver or DNSPs providing RERT services. These stakeholders pointed to the risks associated with DNSPs performing in contestable markets and noted that limited use of the class waiver by DNSPs is the evidence that the class waiver is not needed.

AGL supported DNSPs' provision of RERT services via voltage management but advocated for individual waivers to achieve this over continuing the class waiver.

Stakeholder submissions made the following key points:

1. Although the ESOO 2024 shows future reliability gaps in the NEM, it is possible that parallel technological developments may impact the demand for RERT services and reduce the need to contract RERT.
2. If DNSPs are to offer RERT services either via a continued class waiver or an individual waiver, stakeholders considered it is necessary to safeguard consumer interests to protect them from negative impacts of voltage management such as poor service quality outcomes. In such cases stakeholders suggested increased monitoring should be implemented.
3. Origin, Engie and AGL raised concerns about DNSPs having access to unregulated revenue streams associated with the use of regulated assets and questioned the interaction of RERT with treatment of unregulated revenues.
4. AGL consider that individual waivers can ensure data collected by DNSPs as they invest in grid modernisation can be shared with third parties who wish to offer non-network solutions. AGL considers while DNSPs should be allowed to perform RERT services, sharing of knowledge and learning with third parties will boost the understanding of voltage management and network constraints.
5. Some stakeholders were concerned class waivers, without specific geographic reference, limit the opportunity for the AER to consider the potential impact of

activities such as voltage management on other active RERT aggregations within the region. Furthermore, if DNSPs were to expand activities into commercial and industrial sector, these customers would not have access to other market facing opportunities such as Wholesale Demand Response Mechanism². Aggressive voltage management has the potential to impact performance of the baseline methodologies applied to 'in-market' Wholesale Demand Response Mechanism resources.³ It means the benefit from consumers directly engaging in wholesale market activities may reduce with more DNSPs participation in RERT via voltage management.

6. The AER also sought feedback from AEMO. They informed us that it does not support continuation of the class waiver and would prefer for DNSPs to perform their own assessment, work with the AER to ensure compliance with the guideline and explore individual waivers for provision of RERT services in future.

Our decision

The AER decided to allow the class waiver to lapse. We believe that there continues to be a case for DNSPs to offer short notice RERT services via voltage management, particularly if this can reduce the cost of delivering RERT and lead to consumer benefits. However, we do not believe that there is sufficient evidence to demonstrate that the benefits of the class waiver outweigh the potential risks.

Noting the class waiver expired on 15 April 2025, the AER is open to receiving individual waiver applications from DNSPs interested in offering RERT services. Individual waiver assessments could allow the AER to reflect DNSP preferences, specific network arrangements and include bespoke conditions to help understand impacts of DNSPs performing RERT.

AER assessment and reasons for our decision

The guideline specifies that in assessing whether to grant a waiver, the AER must have regard to the National Electricity Objective (NEO), the potential for cross-subsidisation and discrimination, and the benefit, or likely benefit, to consumers from a DNSP complying with the obligation, relative to the cost to a DNSP of complying with the obligation. The guideline also provides the AER discretion to consider any other relevant matters.

Alignment with the NEO

The NEO⁴ promotes efficient investment in, and efficient operation and use of, electricity services for the long-term interests of electricity consumers with respect to:

- price, quality, safety and reliability and security of supply of electricity.
- the reliability, safety and security of the national electricity system.

² Wholesale Demand Response mechanism started in June 2020, following a rule change from AEMC, managed by AEMO allowing demand side participation in wholesale market mostly during high price events.

³ Enel X submission, response to question 9, page 3, December 2024.

⁴ AEMC, National Energy objectives, <https://www.aemc.gov.au/regulation/neo#NEO>.

- the achievement of targets set by a participating jurisdiction-
 - for reducing Australia’s greenhouse gas emissions
 - that are likely to contribute of reducing Australia’s greenhouse gas emissions.

The AER granted the original RERT class waiver because, based on the information at the time, it considered it would promote the NEO by protecting the reliability of the supply of electricity, while also minimising the costs of RERT and the price of electricity for consumers.

We acknowledge the feedback from distribution networks that extension of the class waiver may provide additional and potentially less expensive short notice RERT services. However, we note that AEMO has sufficient participation in the short notice RERT market and the ESOO 2024 indicates an improved reliability outlook relative to 2023.

The AER considers that the reliability drivers underpinning granting of the original RERT class waiver are not as strong compared to 2022. In addition, while the class waiver is no longer available, DNSPs will be able to apply for individual waivers. This may support the achievement of the NEO to the extent that it results in DNSPs developing low-cost, short notice RERT services, delivering more efficient RERT market outcomes.

Cross-subsidisation and discrimination matters

Several stakeholders raised concerns in their submissions⁵ that DNSPs would be able to cross-subsidise their provision of RERT services by using regulated electricity supply assets that will be paid for by all consumers. DNSPs argued that they would share unregulated revenue earned through provision of RERT services with consumers⁶, in line with the provisions of the shared asset guideline⁷. Overall, with limited use of the class waiver and not having gathered information on DNSP’s participation in RERT market, it is unclear in a class waiver context, how much revenue would be generated by distributors from RERT services, or what the cost savings could be in the wholesale market from this as opposed to other sources of RERT.

The AER also considers that the potential impact of discrimination from DNSPs’ provision of RERT services on other RERT service providers would depend on the nature and location of the voltage management services being offered.

We consider that these risks of cross-subsidisation and discriminations would be better managed via individual waiver applications, as the AER can assess the specifics of each proposal and consider bespoke conditions.

Impact on consumers

There was limited use of the previous RERT class waiver, which meant we weren’t able to test the potential efficiencies or concerns regarding the quality of supply received by consumers. Some stakeholder submissions suggested that if the class waiver was continued

⁵ Submission from Enel X, Origin and Engie.

⁶ Submission from Citi Power, United Energy and PowerCor to RERT consultation paper, November-December 2024.

⁷ Under the shared asset guideline, a DNSP’s annual revenue requirement will only be reduced if the average of cumulative unregulated revenue earned during a regulatory control period through the use of shared assets exceeds 1% of the DNSP’s total annual regulated revenue requirement. When the cumulative unregulated revenue for a particular annual year does not meet this threshold, the DNSPs are not required to share the profits earned through RERT.

beyond 15 April 2025, there should also be increased monitoring of power quality data, including data on voltage levels.

The AER considers that assessment of individual waivers allows a more granular analysis of costs, benefits and risks within regions of the NEM. Individual waivers would enable a better assessment of how voltage management could be implemented and monitored, and how it might impact customers (e.g. if there are supply quality concerns) and demand management service providers in the relevant DNSP network. This would include through consideration of any conditions applied to waivers. Individual waivers may also be able to 'contain' the impact of any such risks to the geographic area of the individual DNSP.

Technological considerations

New technologies have the potential to create better oversight and understanding of voltage management, and its impacts on consumers. Voltage surveys, dynamic voltage management, battery storage, and smart grid solutions were all mentioned as examples of the future of voltage management. DNSPs also told us that there may be a range of ways that they can support RERT markets, not limited to the terms of the previous class waiver.

The AER notes that other alternate technologies are developing and will continue to evolve with time. The AER will consider how new changes could deliver benefits to consumers when evaluating future waiver applications.

Glossary

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CER	Consumer energy resources
DNSP	Distribution network service provider
ESOO	Electricity Statement of Opportunities
NEM	National Electricity Market
NEO	National Electricity Objective
RERT	Reliability Emergency Reserve Trader

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