

AER price-responsive reporting guideline

Explanatory statement

9 September 2025

© Commonwealth of Australia 2025

This work is copyright. In addition to any use permitted under the *Copyright Act 1968* all material contained within this work is provided under a Creative Commons Attributions 4.0 Australia licence with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website as is the full legal code for the CC BY 4.0 AU licence.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice. You should seek legal advice or other professional advice in relation to your particular circumstances.

The AER has made every reasonable effort to provide current and accurate information, but it does not warrant or make any guarantees about the accuracy, currency or completeness of information in this publication.

Parties who wish to re-publish or otherwise use the information in this publication should check the information for currency and accuracy prior to publication.

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

AER reference: AER25010907

Amendment record

Version	Date	Pages
1	9 September 2025	12

Contents

Shortened forms and definitions	4
Invitation for submissions	5
1 Executive summary	6
1.1 Role of the AER price-responsive guideline	6
2 Approach to the guideline	8
2.1 Non-material proposal	8
2.2 Procedure change requests	8
2.3 Consultation timeline	9
3 Proposed approaches in the draft guideline	10

Shortened forms and definitions

Term	Definition
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Demand response service providers	Demand response service providers classify and aggregate the demand response capability of large market loads for dispatch through the NEM's standard bidding and scheduling processes as part of the wholesale demand response mechanism.
FCAS	Frequency control ancillary services
Forecast deviation	The difference between forecast load for a particular trading interval, developed for pre-dispatch and for dispatch, and the actual load during that trading interval.
Guideline	AER price-responsive reporting guideline
Integrated resource providers	Integrated resource providers own, control or operate an integrated resource system connected to a transmission or distribution network.
MW	Megawatt
MWh	Megawatt hour
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
Report	AER price-responsive reporting
RERT	Reliability and emergency reserve trader
Unscheduled price-responsive resource	A resource that: <ol style="list-style-type: none"> 1) is not a scheduled resource 2) is capable of changing output or consumption depending on changes in forecast or actual spot prices 3) includes a voluntarily scheduled resource only if it is a hibernated voluntarily scheduled resource.
WDR	Wholesale demand response

Invitation for submissions

Interested parties are invited to make written submissions on the draft AER price-responsive reporting guideline by close of business 8 October 2025. We are using the expedited rules consultation procedure for our review; the due date for any requests to use the standard rules consultation procedure is 23 September 2025.

Submissions should be sent to: AERElectricityPerformanceReporting@accc.gov.au

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information are requested to:

- Clearly identify the information that is the subject of the confidentiality claim.
- Provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential information will be published on the AER website. For further information on submissions and our use and disclosure of the information provided to us, see the [ACCC/AER Information Policy](#).

Enquiries about the guideline or about lodging submissions should be directed to the Electricity Performance Reporting team of the AER on 1300 585 165 or AERElectricityPerformanceReporting@accc.gov.au.

1 Executive summary

The Australian Energy Regulator (AER) is seeking feedback on the draft AER price-responsive reporting guideline (guideline) in response to a recent rule change to the National Electricity Rules (NER). This document accompanies the draft guideline and sets out the proposed approach and consultation process. Stakeholder input will be collated and used to inform the final version of the guideline.

On 19 December 2024, the Australian Energy Market Commission (AEMC) made a final determination on the [Integrating price-responsive resources into the NEM rule change](#) that seeks to address the growing amount of unscheduled price-responsive resources in the National Electricity Market (NEM). The determination introduced new AER and AEMO monitoring and reporting functions to understand the forecasting challenges and errors from unscheduled price-responsive resources. The AEMC's determination also allows aggregated consumer energy resources (CER), demand response and independent small generators/batteries to be scheduled and dispatchable in the NEM.

Unscheduled price-responsive resources refer to a wide range of energy resources and load that are unscheduled but can and/or do respond to the market price (individually or through aggregation). These include:

- household consumer energy resources (CER), such as batteries, electric vehicles, flexible hot water systems and pool pumps
- home energy management systems that control traditional assets, such as hot water systems and air conditioners
- industrial assets with components of controllable demand, such as smelters, foundries and manufacturing facilities
- small unscheduled generation and storage units, such as backup generators and community batteries below 5 MW.¹

The rule change also requires the AER to develop and publish the AER price-responsive reporting guideline under rule 3.10C.3(g) of the NER.²

In developing and publishing the guideline, the AER must follow the Rules consultation procedures.³ The AER considers it appropriate to use the expedited consultation procedure as we consider the guideline constitutes a 'non-material proposal' because it provides transparency on the approaches we will take to meet our obligations.

1.1 Role of the AER price-responsive guideline

The guideline specifies how we will meet our monitoring and reporting obligations under rule 3.10C.3(b) of the NER to prepare and publish annual reports that analyse the impact of unscheduled price-responsive resources on forecast deviations and the consequential

¹ AEMC, Rule Determination, Integrating price-responsive resources into the NEM, 2024, p 6

² NER, cl 11.180.3(b).

³ NER, cl 3.10C.3(g) and cl 11.180.3(b).

impacts on the efficiency of the market.⁴ The objective of our monitoring and reporting obligations is to provide transparency on the impacts of unscheduled price-responsive resources on efficient market outcomes to inform future market reform.⁵

The draft guideline sets out our proposed approaches and considerations to meet our obligation to prepare and publish an annual report in respect of the previous financial year by 31 December each year, in accordance with the AER price-responsive reporting guideline. The rule determination requires the AER's reporting must analyse the impact of unscheduled price responsive resources on forecast deviations, and the consequential impacts on the efficiency of the market, including estimates in relation to:

- 1) additional amounts paid to generators, integrated resource providers and demand response service providers for different quantities and prices of electricity and wholesale demand response that are dispatched
- 2) the costs incurred by generators, integrated resource providers and demand response service providers for different quantities and prices of electricity and wholesale demand response that are dispatched
- 3) additional amounts paid to:
 - i. ancillary service providers for additional market ancillary services that are enabled
 - ii. cost recovery market participants for ancillary service transaction payments under clause 3.15.6AA
- 4) additional amounts paid under the RERT for scheduled reserves that are dispatched and unscheduled reserves that are activated
- 5) additional greenhouse gas emissions resulting from the relative increases referred to above

The report must also include:

- 6) identification of trends and outcomes on the efficiency of the market as a result of the matters set out above when compared to previous financial years (as applicable)
- 7) the AER's recommendations for how to improve the efficiency of the market in respect of the matters set out above
- 8) any other relevant information the AER considers necessary or convenient to include in the report.

⁴ NER, cl 3.10C.3(h).

⁵ NER, 3.10C.3(a).

2 Approach to the guideline

The rule change requires the AER to either:

- publish a stand-alone guideline in accordance with the Rules consultation procedures, or
- include the guideline as part of the Wholesale Market Monitoring and Reporting Guideline, in which case, the AER must consult on the amendment in accordance with clause 8.7.2 (and the Rules consultation procedures do not apply).⁶

Given the need to develop and publish the guideline by 31 December 2025, and the specific scope of the guideline, we consider it appropriate to publish a stand-alone guideline in accordance with the Rules consultation procedures.

2.1 Non-material proposal

We are using the expedited rules consultation procedures for the development and publication of the AER price-responsive reporting guideline. This is because we consider the guideline to be a ‘non-material proposal’ and is not an amendment of a minor or administrative nature. Non-material proposal means that the guideline, if implemented, will be unlikely to have a significant effect on the National Electricity Market (NEM) or on the activities of Registered Participants to which the guideline relates.⁷

The purpose of the guideline is to provide transparency on the approach we will take to meet our new monitoring and reporting functions under rule 3.10C.3(b) of the NER. These monitoring and reporting functions do not place any requirements on Registered Participants nor effect operation or participation in the NEM. Our annual report will provide information on the impact of unscheduled price-responsive resources on the efficient operation of the NEM relevant to AEMC’s consideration of additional market reforms.

2.2 Procedure change requests

If you consider the guideline is not a non-material proposal, you may request that we use the standard rules consultation procedure instead of the expedited rules consultation procedure.

Any such request must be in writing, sent to AERElectricityPerformanceReporting@accc.gov.au by close of business 23 September 2025. The request must contain reasons why the person considers this guideline is not a non-material proposal and may contain other reasons why the person considers the consulting party should use the standard rules consultation procedure.

If we receive a procedure change request, we will consider the reasons given and decide whether we still assess the guideline to be a non-material proposal. We will publish the request, a notice of our decision and the reasons for our decision as soon as practicable.

⁶ NER, cl 3.10C.3(g) and (i), cl 11.180.3.(b).

⁷ NER, cl 8.9.1(a).

2.3 Consultation timeline

Table 1 outlines the proposed timeline for the development and publication of the guideline.

Table 1 Indicative timeline for the guideline

Milestone	Date
Publish draft guideline	9 September 2025
Open for submissions	9 September 2025
Procedure change requests due	23 September 2025 (10 business days after the date of the draft guideline)
Submissions due	8 October 2025 (20 business days after the date of the draft guideline)
Final guideline published	13 November 2025 (no later than 50 business days after the date of publication of the draft guideline)
Final date the guideline must be published by	31 December 2025

We aim to publish the final version of the guideline on 13 November 2025 and propose the guideline take effect immediately on publication.

3 Proposed approaches in the draft guideline

The proposed approaches in the draft guideline are driven by the objective of our monitoring and reporting functions, and the new clause 3.10C.3(b), which sets out the information required to be analysed under these. A summary of the proposed approaches and considerations in the draft guideline is contained in Table 2.

Table 2 Summary of proposed approaches in the draft guideline

Section	Proposed approach
Defining efficient market outcomes	<p>To examine the extent to which unscheduled price-responsive resources impact whether the market is functioning efficiently, we will analyse and discuss inefficiencies in the market, their causes and whether they are likely to be detrimental to the efficient functioning of the market in the long term. Inefficiencies may include:</p> <ul style="list-style-type: none"> • higher spot prices and FCAS and RERT costs that lead to higher costs for consumers • lower spot prices that create inaccurate price signal for resource availability. <p>While the National Energy Laws (NEL) do not provide an explicit definition of efficiency, it is a well understood concept in economic literature. Economic efficiency is concerned with maximising overall welfare (or the sum of consumer and producer surplus) in a market given the available resources. Consumer surplus is the difference between the value consumers place on a good or service and the price they actually pay. Producer surplus is the difference between the price producers receive and their marginal costs of production. Economic efficiency has 3 dimensions:</p> <ul style="list-style-type: none"> • allocative efficiency – resources are allocated to their highest valued uses • productive efficiency – the value of resources used are minimised for a given level of outputs • dynamic efficiency – resources are allocated efficiently over time. <p>We will discuss the impact of unscheduled price-responsive resources however, a range of factors, such as participant conduct, market design and other external features, can also create inefficiencies in each of these categories.</p>
Impact of unscheduled price-responsive resources on forecast deviations	<p>While the scale of the forecast deviations is known, the amount caused by unscheduled price-responsive resources is not known.</p>

	<p>We propose to quantify the impact of unscheduled price-responsive resources on forecast deviations by estimating the portion of the forecast deviation due to unscheduled price-responsive resources. The portions will be informed by AEMO's price-responsive reporting, forecast deviations and any other relevant information.</p> <p>Given the challenges with estimating an unknown portion, we may use a range to account for the uncertainty of the estimate.</p>
Additional amounts paid to generators, IRPs and DRSPs	<p>We propose to use a 'simplified bid stack approach' to estimate a counterfactual spot price that is representative of a scenario where AEMO was able to account for unscheduled price-responsive resources in its demand forecast. The simplified bid stack approach estimates which participants would have been dispatched, and thus set the spot price, if the demand forecast included the estimated impact of unscheduled price-responsive resources.</p> <p>This counterfactual spot price would then be multiplied by the metered quantity of generated energy and wholesale demand response (WDR) to estimate the additional amounts paid.</p>
Costs incurred by generators, IRPs and DRSPs	<p>We consider any additional costs incurred by generators, IRPs and DRSPs for additional generation and WDR dispatched due to the impact of unscheduled price-responsive resources on forecast deviations are likely to be immaterial.</p> <p>This is because the costs on generators for operating at sub-optimal levels is expected to be immaterial and the market distributes the burden of balancing supply and demand across many generators.</p>
Additional amounts paid to ancillary service providers and cost recovery market participants	<p>We propose to re-publish, attribute and discuss AEMO's estimates of the additional amounts paid to market ancillary service providers and cost recovery market participants.</p> <p>This approach ensures consistency and supports AEMO's role as the single source of information for the impact of unscheduled price responsive resources.</p>
Additional amounts paid under RERT	<p>We propose to compare the estimated impact of unscheduled price-responsive resources on forecast deviations with the quantity of RERT dispatched. We will then assign a portion of the total RERT costs to the impact of unscheduled price-responsive resources.</p>
Additional greenhouse gas emissions	<p>We consider any additional greenhouse gas emissions due to the impact of unscheduled price-responsive resources on forecast deviations are likely to be immaterial.</p>

	<p>This is because the effect of the deviation in generation mix is expected to be immaterial and the market distributes the balancing of supply and demand across many generators.</p>
<p>Identification of trends and outcomes on the efficiency of the market and recommendations for how to improve the efficiency of the market</p>	<p>We propose to use the information produced above and in AEMO's reporting on the impacts of unscheduled price-responsive resources to identify and discuss trends and outcomes on the efficiency of the market.</p> <p>We will provide recommendations for how to improve the efficiency of the market based on the identified information and trends.</p>