



Department of  
Energy and Economic  
Diversification

Energy  
Policy WA

# DSP Load Association, Testing and Refunds Provisions

Consultation Paper

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Working together for a **brighter** energy future.

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# 1. Introduction

## 1.1 Background

As a result of the Reserve Capacity Mechanism (RCM) Review and Demand Side Response (DSR) Review, the Minister made changes to the participation of Demand Side Programmes (DSPs) in the RCM through the following Amending Rules:

- Wholesale Electricity Market Amendment (Reserve Capacity Reform) Rules 2023;
- Wholesale Electricity Market Amendment (Miscellaneous Amendments No 3) Rules 2024;
- Wholesale Electricity Market Amendment (RCM Reviews Sequencing) Rules 2025; and
- Electricity System and Market Amendment (Tranche 8) Rules 2025.

The changes to the regime were designed to facilitate the provision of reserve capacity by DSPs that are an aggregation of smaller loads or Distributed Energy Resources. The enhanced regime applies from the 2024 Reserve Capacity Cycle (from the 2026 Capacity Year).

While working on the implementation of these changes, AEMO identified some issues affecting the implementation and, potentially, the effective operation of DSPs in the RCM.

To address these issues EPWA, in consultation with AEMO, has developed further proposed changes to the new regime outlined in this consultation paper.

## 1.2 Call for Submissions

Stakeholder feedback is invited on the proposals outlined in section 4 of this consultation paper. Submissions can be emailed to [energymarkets@deed.wa.gov.au](mailto:energymarkets@deed.wa.gov.au).

Any submissions received will be made publicly available on [www.energy.wa.gov.au](http://www.energy.wa.gov.au), unless requested otherwise.

The consultation period closes at 5:00pm (WST) on 30 September 2025. Late submissions may not be considered.

## 2. Provisions Relevant to Reserve Capacity Tests, Shortfalls and Refunds for DSPs

The below summary outlines the regime for DSPs in relation to Reserve Capacity Tests, Shortfalls and Refunds for the 2026 Capacity Year as per the relevant Amending Rules already made, including rules that have not yet commenced.

All clause references provided are to the Electricity System and Market (ESM) Rules as they will be in place on 1 October 2026 including Amending Rules made but not yet commenced.

### 2.1 Reserve Capacity Tests

From the 2026 Capacity Year, DSPs will no longer be required to undergo a verification test, but AEMO will be required to verify that the DSP can decrease its consumption to its Required Level (adjusted to the level of Peak Capacity Credits held) at least once during each of the periods:

- 1 October to 31 March; and
- 1 April to 30 September.

The Required Level for a DSP in a Trading Interval is defined as the Relevant Demand for the Facility in that Trading Interval minus its Peak Capacity Credits (clause 4.11.3BB).

The Relevant Demand for a DSP is determined by using the Unadjusted Baseline Method or the Adjusted Baseline Method in accordance with Appendix 10 of the ESM Rules.<sup>1</sup>

Clause 4.25.2(b) allows AEMO to verify the DSP's capability through either:

- observing the DSP's response to a Dispatch Instruction for at least two consecutive Trading Intervals; or
- subjecting the DSP to a Reserve Capacity Test for at least two consecutive Trading Intervals.

AEMO must subject a DSP to another Reserve Capacity Test for at least two consecutive Trading Intervals (clause 4.25.2B(d)), if it has failed to operate at the Required Level in response to:

- a Reserve Capacity Test; or
- a Dispatch Instruction.

Clause 4.25.4 requires that AEMO re-tests a Facility that has failed a Reserve Capacity Test not earlier than 14 days and not later than 28 days after the failed Reserve Capacity Test.

Unless a DSP has already failed four Reserve Capacity Tests in a Capacity Year, following a failed Reserve Capacity Test the Market Participant can request a re-test of the DSP. AEMO must perform the re-test during the seven days following the request (clause 4.25.4I).

### 2.2 Shortfalls and Refunds

For any Trading Interval the Reserve Capacity Deficit for a DSP is the greater of the Peak DSP Test Shortfall and the Peak DSP Delivery Shortfall.

The Peak DSP Test Shortfall is based on the DSP's best performance during the failed Reserve Capacity Test (clause 4.25.3D).

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<sup>1</sup> The Relevant Market Participant can nominate which of the two methods to use in accordance with the provisions in section 2.29 of the ESM Rules.

The Peak DSP Test Shortfall applies to the DSP from the Trading Day following the failed Reserve Capacity Test until the end of the Trading Day on which the DSP passes a Reserve Capacity Test (clause 4.25.3D).

The Peak DSP Delivery Shortfall is calculated as the average shortfall in Peak Capacity related to meeting Dispatch Instructions for all Trading Intervals the DSP was dispatched for since it last passed a Reserve Capacity Test.

Under clause 4.26.1A, a Market Participant incurs a Reserve Capacity Deficit Refund for its DSP for each Trading Interval for which a Reserve Capacity Deficit is determined for the DSP.

### **3. Requirement to associate loads before the start of the Capacity Year**

The below summary outlines relevant clauses for the association of Loads to DSPs that are aggregations of small loads or DER for the 2024 Reserve Capacity Cycle (2026 Capacity Year) as per the relevant Amending Rules made but not yet commenced.

All clause references provided are to the Electricity System and Market (ESM) Rules as they will be in place on 1 January 2026, including Amending Rules made but not yet commenced.

Clause 4.10.1(f)(viii) requires that a Market Participant that applies for Certified Reserve Capacity for a DSP provides the single Transmission Node Identifier for the Facility.

Clause 4.10.1B provides an exemption for the requirement to provide a single Transmission Node Identifier under clause 4.10.1(f)(viii) if the DSP will have more than one Associated Load behind a Transmission Node and the expected Peak Capacity for each Associated Load is less than 5MW.

Under clause 4.11.1(j) and (jA), AEMO must assign Certified Reserve Capacity to a DSP with multiple Associated Loads reflecting the quantity nominated by the relevant Market Participant for that DSP.

Under clause 2.29.5AB, a Market Participant that was assigned Capacity Credits for a DSP that was subject to clause 4.10.1B must, no later than three months before the start of the relevant Capacity Year, notify AEMO of the number of Capacity Credits that are to be associated with one or more DSPs that are registered. It must also associate Non-Dispatchable Loads with the registered DSPs to commence by 1 October of the relevant Capacity Year.

Under clause 2.29.5B, a Market Participant asking AEMO to associate a Non-Dispatchable Load that it has contracted to participate in its DSP must provide the contract start and end date.

## 4. Issues Identified and Proposed Solutions

Background	Issues	Proposed Change
<p>In accordance with the ESM Rules, the performance of DSPs is measured based on Meter Data Submissions from Western Power.</p> <p>The meter data deadline for a Trading Day is 17 to 24 days after that Trading Day.</p> <p>Meter Data is subject to adjustments.</p>	<p>1. AEMO cannot meet the timeline for scheduling re-tests for DSPs set out in the ESM Rules.</p> <p>2. A Market Participant cannot request a re-test of its DSP until more than three weeks after failing the previous test.</p> <p>3. It is ambiguous how the adjustment of meter data affects the outcomes of Reserve Capacity Tests for DSPs (including verification by observation).</p>	<p>1. Align Reserve Capacity Tests and test via observation through Dispatch Instructions so every set of contiguous Trading Intervals a DSP was dispatched represents a Reserve Capacity Test.</p> <p>This change will provide clarity about testing by observation.</p> <p>2. Allow Market Participants to request AEMO to schedule a re-Test any time after a Reserve Capacity Test or Dispatch Instruction.</p> <p>The Market Participant is best placed to assess whether the DSP has passed the test before meter data from Western Power is available. This allows the Market Participant to limit the Trading Intervals for which it incurs Reserve Capacity Deficit Refunds.</p>
<p>The ESM Rules allow AEMO to verify that a DSP can reduce its consumption by observation.</p>	<p>4. It is unclear how AEMO would verify the DSPs capability, in particular, because a DSP Dispatch Instruction is usually for longer than two Trading Intervals.</p>	
<p>The ESM Rules require AEMO to determine a capacity shortfall for a DSP under the following circumstances:</p> <ul style="list-style-type: none"> <li>If it fails a Reserve Capacity Test. Based on the Trading Interval with the best performance of the test.</li> <li>If it does not adhere to the dispatch target from a Dispatch Instruction. Based</li> </ul>	<p>5. The capacity shortfall for a Reserve Capacity Test and for not meeting the Required Level when responding to a Dispatch Instruction are inconsistent.</p> <p>6. The capacity shortfall for a DSP that failed a Reserve Capacity Test can be zero if it met the Required Level in just one Trading Interval of the test. This is against the policy intent.</p>	<p>3. Apply a consistent method for the determination of a capacity shortfall for a DSP during Reserve Capacity Tests and intervals in which Dispatch Instructions apply:</p> <p>If the DSP is subject to a capacity shortfall based on its performance in the last Reserve Capacity Test or set of contiguous Trading Interval during which it was dispatched, the capacity shortfall will reflect the best performance during any of the failed Trading Intervals of the Reserve Capacity Test or the set of contiguous Trading Intervals during which the DSP</p>

Background	Issues	Proposed Change
<p>on the average performance in all Trading Intervals the DSP was dispatched in.</p>		<p>was dispatched and failed to reach its Required Level.</p> <p>A failed Trading Interval is any Trading Interval in which the DSP did not perform at its Required Level.</p> <p>The capacity shortfall refund will apply from the next Trading Interval following the last interval of the Reserve Capacity Test or Dispatch Instruction and continues until the start of the next Reserve Capacity Test or Dispatch Event.</p> <p>Capacity shortfall refunds will be recalculated with the latest meter data during the settlement Adjustment Process.</p> <p>This approach provides an appropriate balance between reflecting the risk of the DSP failing to deliver and not being too punitive.</p>
<p>The ESM Rules limit the number of Reserve Capacity Tests for a DSP in a Capacity Year to four.</p> <p>The ESM Rules do not allow AEMO to consider failed Reserve Capacity Tests when choosing which DSPs to dispatch.</p>	<p>7. If a DSP has failed four Reserve Capacity Tests, there is a high likelihood that the DSP is not capable of operating at the Required Level.</p>	<p>4. Market Participants may only request up to 3 re-tests of a DSP in a capacity testing period.</p>
<p>The policy intent was to require a Market Participant to associate sufficient Loads across their registered DSPs, to fully cover the Capacity Credits originally assigned to the DSP subject to clause 4.10.1B.</p>	<p>8. A Market Participant could associate a single Load to each of the DSPs it is required to register and the sum of the contracted capacity of these Loads may be significantly lower than the Capacity Credits assigned to the DSP that was subject to clause 4.10.1B.</p>	<p>5. Require the Market Participant to:</p> <ul style="list-style-type: none"> <li>• associate sufficient loads to the DSPs they are required to register so that the sum of the contracted capacity of these loads equals at least the Capacity Credits assigned to the DSP that was subject to clause 4.10.1B; and</li> <li>• make changes to the association provisions in the ESM Rules (e.g. to clause 2.29.5B) to ensure all</li> </ul>



Background	Issues	Proposed Change
However, the ESM Rules (clause 2.29.5AB) currently don't provide for this.		necessary information about the contracted capacity of each load is provided.
The ESM Rules currently don't provide any obligations for a Market Participant to associate loads to a DSP that that was not subject to clause 4.10.1B	9. A Market Participant may not associate a load to a DSP that was not subject to clause 4.10.1B. and AEMO would not be able to take any actions until the DSP fails a dispatch event or Reserve Capacity Test.	6. Extend the requirement to associate loads to a DSP by 1 July of year 3 of the relevant Reserve Capacity Cycle (3 month before the start of the Capacity Year), including the requirements outlined in proposal 5, to all DSPs including those that were not subject to clause 4.10.1B.

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