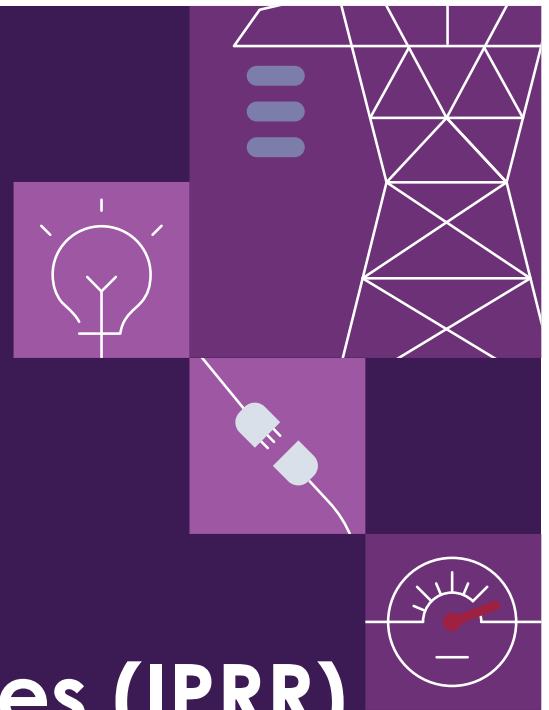




Integrating Price-Responsive Resources (IPRR) Reform Implementation Project

Development of a staged delivery path

Consultation paper

1 June 2026

aemo.com.au

New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

Australian Energy Market Operator Ltd ABN 94 072 010 327

Explanatory statement and consultation notice

This consultation paper supports the development of an alternative delivery path for the Integrating price-responsive resources (IPRR) into the National Electricity Market (NEM) reform project. This alternative path is proposed to be delivered through a staged approach, allowing functionality and learnings to evolve progressively.

AEMO has proposed a reset of IPRR in response to competing priorities across reform projects and insights gained during implementation planning on solution complexity. The staged delivery path aims to improve certainty and reduce disruption for industry, while maintaining the value of the IPRR reform and continuing to deliver market benefits to consumers.

On 19 December 2024, the Australian Energy Market Commission (AEMC) made the [National Electricity Amendment \(Integrating price-responsive resources into the NEM\) Rule 2024](#) (IPRR Rule) to allow non-scheduled aggregated, stand-alone or consumer energy resources (CER) to be scheduled and dispatchable in the NEM. These resources are termed Voluntarily Scheduled Resources (VSRs). The IPRR Rule set:

- the incentive period for the VSR Incentive Mechanism (VIM) to commence on 1 April 2026 and finish on 31 December 2031, and
- dispatch mode to commence on 23 May 2027.

The alternative delivery path would adjust these dates and introduce a staged approach.

This paper sets out AEMO's considerations on the alternative delivery path and seeks feedback from industry on the scope and feasibility of the proposed stages.

Consultation notice

AEMO invites written submissions on this consultation paper to NEMReform@aemo.com.au by **5:00pm (AEST) on 15 June 2026**.

Submissions may make alternative or additional proposals you consider may better meet the objectives of this consultation and the National Electricity Objective in section 7 of the National Electricity Law. Please include supporting reasons.

Before making a submission, please read and take note of AEMO's consultation submission guidelines, which can be found at <https://aemo.com.au/consultations>. Submissions and a summary report outlining key themes and insights may be published on AEMO's website subject to those guidelines.

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so. Material identified as confidential may be given less weight in the decision-making process than material that is published.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

Interested persons can request a meeting with AEMO to discuss any particularly complex, sensitive or confidential matters relating to the proposal. Meeting requests must be received by the end of the submission period and include reasons for the request. We will try to accommodate reasonable meeting requests but, where appropriate, we may hold joint meetings with other stakeholders or convene a meeting with a broader industry group. Subject to confidentiality restrictions, AEMO may publish a summary of matters discussed at stakeholder meetings.

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1 Stakeholder consultation process

This consultation paper is part of a consultation process conducted by AEMO to review and seek feedback on a staged delivery path for IPRR.

The overall intent of this consultation process is to assess the feasibility for industry of the proposed IPRR implementation reset.

Please note that this document uses terms defined in the National Electricity Rules (NER), which are intended to have the same meanings. There is a glossary of additional terms and abbreviations in Appendix A.

1.1 Purpose of this consultation paper

This consultation paper is intended to facilitate industry comment and input. The primary focus is to seek feedback on the scope and feasibility of Stage 1, including the AER regulatory sandbox waiver proposal. The consultation also seeks feedback on the scope and feasibility of Stage 2, to inform a rule change request to the AEMC.

1.2 Consultation process and timeline

AEMO's indicative process and timeline for this consultation are outlined below. Future dates may be adjusted and additional steps may be included if necessary, as the consultation progresses.

Consultation steps	Dates
IPRR Industry Briefing Session – Requesting feedback	Friday 15 May 2026
AEMO one-on-one sessions with participants	Monday 18 May – 12 June 2026
Consultation paper published (this document)	Monday 1 June 2026
Submissions due on consultation paper	Monday 15 June 2026
IPRR Industry Briefing Session – Outcomes of consultation	Friday 3 July 2026

2 Background

AEMO is proposing to deliver dispatch mode for IPRR using a staged approach.

Given the identified delivery challenges, implementing IPRR as planned would place significant pressure on delivery timelines, cost, and resources. Challenges include competing demands for IT and resources from other reform projects, and increased project complexity, cost and risk identified during implementation planning. To address this, AEMO proposes a staged approach to manage costs more effectively, maximise learning for stakeholders, and support more efficient market outcomes.

Under this approach, IPRR functionality would be introduced progressively across three stages:

- Stage 1: Initial operations under trial-like conditions
- Stage 2: Portfolio operations enabling broader participation
- Stage 3: Full delivery aligned with the IPRR rule.

2.1 Integrating price-responsive resources into the NEM

On 19 December 2024, the AEMC made a final determination in the [National Electricity Amendment \(Integrating price-responsive resources into the NEM\) rule change](#), which will allow aggregated CER, distributed energy resources and price-responsive loads to be scheduled and dispatchable in the NEM. The three components of IPRR are monitoring and reporting, the incentive framework, and dispatch mode. The first stage of the [monitoring and reporting framework](#) has been delivered and went live on 13 April 2026.¹

Currently, unscheduled price-responsive resources cannot participate in dispatch, meaning they are not effectively integrated into the NEM's planning and operation functions and are not visible to AEMO or the electricity market. Without the ability to participate in dispatch and energy markets, currently unscheduled price-responsive resources cannot contribute to real-time balancing of supply and demand, or access value streams available to scheduled resources. This limits the benefits that can be delivered to consumers who own CER, including participation in services such as regulation frequency control ancillary services (FCAS).

The AEMC's IPRR Rule is the last stage of the rule change request process that was initiated by AEMO's January 2023 rule change proposal for the 'Scheduled Lite Mechanism'. This rule change request was developed in accordance with the final recommendations made by the [Energy Security Board \(ESB\) to Energy Ministers as part of its Post 2025 Market Design work](#).

¹ See: <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/operational-forecasting/unscheduled-price-responsive-resources-monitoring-and-reporting/quarterly-reporting-dashboard>

2.2 Challenges with the current delivery approach

AEMO has identified delivery challenges with the current planned implementation of IPRR for dispatch mode. The challenges identified include:

- **Competing priorities** across reform projects are constraining delivery, with limited availability of key subject matter experts, particularly in NEM scheduling.
- **IT environment limitations** are creating congestion across concurrent initiatives, increasing delivery complexity, cost and timeframes.
- **Solution complexity** is greater than originally assessed, increasing delivery effort, duration and cost.

2.3 Objectives of a staged approach

To address the challenges with dispatch mode, AEMO proposes to deliver IPRR using a staged approach which aims to manage costs more effectively and maximise learning for industry and AEMO. The objectives are to:

- **Improve certainty** by aligning delivery with available resources and reform priorities.
- **Reduce delivery risk and cost** by avoiding full implementation in a constrained environment.
- **Deliver capability incrementally** to support learning and solution refinement.
- **Support learning and refinement** through early-stage implementation.
- **Maintain flexibility** to incorporate outcomes from related reforms.

3 Proposed Implementation Reset for IPRR

3.1 Overview of staged delivery

AEMO is proposing to introduce IPRR functionality progressively over three stages, increasing scope and complexity over time, as outlined in Table 1 below. The three stages include:

- **Stage 1 – Initial operations in trial-like conditions**
Limited implementation using existing systems and processes to enable targeted participation and provide operational insights.
- **Stage 2 – Portfolio operations**
Deliver a substantive subset of market system functionality, including portfolio management capability. Seek broader participation, particularly from aggregated resources such as VPPs (Virtual Power Plants), and introduce the VSR incentive mechanism (VIM).
- **Stage 3 – Full enablement**
Full implementation of IPRR functionality, including delivery of remaining capabilities and onboarding of eligible VSRs.

Table 1 Summary of the stages

Component	Stage 1 – early to mid-2027	Stage 2 – mid to late-2028	Stage 3 – late 2029
Incentive mechanism	No VIM tender. Participant may choose to seek external funding	VIM tender	VIM tender
Participation modes supported	Active only (scheduled)	Active only (scheduled)	Active, Inactive, and Hibernated
Portfolio management	None. Fixed group of NMIs within Dispatchable unit identifier (DUID)*	NMI composition is dynamically managed	NMI composition is dynamically managed
Regulatory basis	Sandboxing waiver to be sought from the AER	New IPRR rule	New IPRR rule
VSR zones	None. Single congestion zone for all resources in DUID	None. Single congestion zone for all resources in DUID	Resources in DUID may be across larger (VSR) zones
Mixed aggregation	None. Same technology for all resources in DUID*	None. Same technology for all resources in DUID*	Mixed technologies within DUID allowed
Non-energy cost recovery (NECR) exemption	Participation mode does not influence NECR	Participation mode does not influence NECR	Participating DUIDs in active mode are exempt from NECR
Unit classification	Temporarily classified as one of the existing scheduled categories, no dispatch subtype	Temporarily classified as one of the existing scheduled categories, no dispatch subtype	Individual resource reverts to original non-scheduled category, new, VSR DUID is created.
Example resources	Large sub-30MW non-scheduled generators, BDUs or aggregations of small ones (single tech type), limited # of residential VPPs	Same as for Stage 1 plus multiple residential VPPs	All eligible VSRs

* For this requirement, an exception is made for a single residential VPP to participate in Stage 1.

3.2 Indicative high-level timings

The indicative timeline for the IPRR staged delivery path has been developed to address delivery constraints, including IT and resource congestion and the increased complexity of the reform. The proposed timings provide sufficient time to implement the necessary system and procedural changes, while aligning delivery with the broader program of reform projects across the NEM, such as the CER Data Exchange.

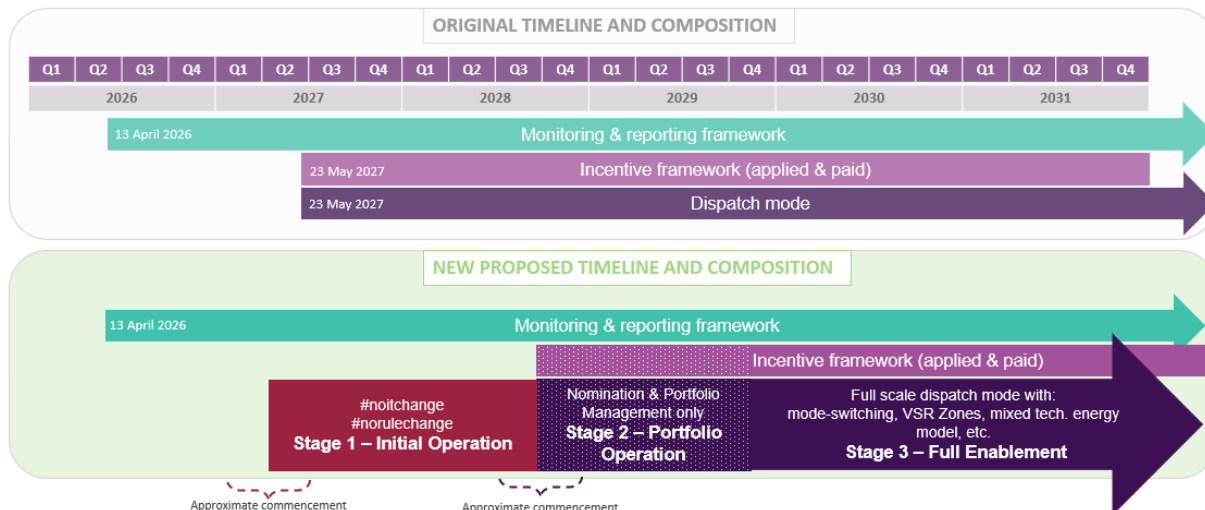
The indicative timings for all three stages are illustrated in

below, with the original timeline shown at the top and the revised timeline at the bottom. The figure presents all three aspects of IPRR: monitoring and reporting (unchanged), the incentive framework, and dispatch mode. In the new proposed timeline, the implementation for dispatch mode is staged with indicative commencement dates shown for each stage.

Separately, Energy Ministers (excluding Queensland) agreed in principle in December 2025 to recommendations put forward by an expert panel tasked with completion of a review of wholesale market settings of the NEM (the NEM Review), including a mandatory framework for price-responsive resource visibility and participation in dispatch ([the Market Visibility Framework, MVF](#)). The indicative

staged delivery path aligns with this broader reform direction, noting the expert panel's recommendation that the MVF be operational by 2030.

Figure 1 Original and new proposed timings



Under the proposed approach, Stage 1 is expected to commence in early to mid-2027, followed by Stage 2 in mid to late-2028, and Stage 3 in late-2029. These timings, however, are subject to certain conditions being met before the commencement of each stage.

Also note that the formal incentive period for the VIM commenced on 1 April 2026 in readiness for the original first tender round in Quarter 2 2026 and is due to end on 31 December 2031. AEMO is proposing to extend the end date of the incentive period to align with revised tender dates, and to operate the VIM for a similar duration as originally intended.

3.3 The staged approach requires a rule change

AEMO plans to submit a rule change request to the AEMC to amend the IPRR Rule and implement the staged IPRR delivery approach. The request is intended to be made as soon as practicable after the close of submissions to this consultation paper.

In addition, AEMO intends to explore further IPRR-related rule change requirements to address items identified during detailed implementation of the IPRR rule. These include:

- Allow VSRs to be constrained on
- Clarify that a VSR will not be able to enter hibernation mode if subject to dispatch participation requirements under NER 3.8.2(e)
- Enable publication of VSR SCADA (Supervisory Control and Data Acquisition) information
- Remove VSRs as eligible units for frequency performance payments
- Optimise VIM cost recovery timing

In addition to this consultation, stakeholders can provide feedback to the AEMC on these rule change requests as part of the established processes which inform a final rule change.

4 Stage 1 – Initial operations in trial-like conditions

Stage 1 will enable limited and early inclusion and therefore real-world visibility of eligible non-scheduled resources – such as generators, bidirectional units (BDUs), loads, small batteries, small generators - and a limited number of VPPs into dispatch.

4.1 Overview of Stage 1

4.1.1 Constrained implementation to support learning

Stage 1 is intended to operate as a controlled, trial-like implementation with limited participation and simplified arrangements to enable targeted learning. In keeping with a trial approach, there is a limit to the size and number of participants that can be reasonably managed.

4.1.2 No IT changes

Stage 1 intends to leverage existing AEMO IT systems and processes. This enables early participation of eligible resources into dispatch to deliver early learnings.

4.1.3 Conducted within an AER regulatory sandbox (no rule change)

AEMO is proposing an AER regulatory sandboxing trial waiver arrangement to support Stage 1 implementation. This is subject to AER approval and participant specific waiver assessments. AEMO is currently in discussion with the AER on sandboxing arrangements². Due to the proposed timing of Stage 1, completing an AEMC rule change request process would not be possible in time.

4.1.4 No VIM – participants may choose to seek external funding

The VIM will not be available in Stage 1, as it is contingent on the rule change request being put forward to the AEMC. Stage 1 participants may choose to seek other external funding to support their participation.

4.2 Outcomes – gain insights for subsequent stages

Stage 1 is intended to generate targeted insights to inform the design, sequencing and rule change requirements for subsequent stages. Outcomes include:

- Increased understanding of dispatch implications
- Insights into forecasting impacts, including improved visibility of participating resources

² Further details are discussed in section 4.4.3.

- Testing, identification and development of mitigations for SCADA and telemetry challenges
- Understanding of industry readiness needs for participation in IPRR.

Questions

1. What benefits would be required to enable participation in Stage 1?
2. What risks or limitations could prevent Stage 1 from achieving its intended outcomes?

4.3 Timing – commence early to mid-2027 or earlier

Stage 1 is intended to commence as soon as practicable using existing AEMO IT systems and processes, subject to approval of an AER regulatory sandboxing trial waiver arrangement.

This stage will operate for a defined period of time, sufficient to gather operational and industry readiness insights and inform subsequent stages. It is proposed to run from **early to mid-2027** (or earlier) until the start of Stage 2.

4.4 Scope Guardrails for Stage 1

As part of the Stage 1 design, AEMO proposes the guardrails shown in Table 2 to define the scope of participation, system capability, and operational settings for this stage. The table sets out the rationale for each guardrail and related participant considerations.

Table 2 Scope Guardrails for Stage 1

#	Guardrail	Rationale	Participant information
1	Active mode only (The Inactive and Hibernation modes for VSRs not available)	Stage 1 uses existing fully scheduled unit classifications and DUID capability to minimise system changes and enable rapid implementation. (Introducing additional operating modes would require system and rule changes outside the scope of this stage.)	Participants operate as fully scheduled resources under AER regulatory sandboxing trial waiver arrangements, that may include potential suspension of non-conformance monitoring to reduce compliance burden subject to final trial waiver scope and approval by the AER.
2	No portfolio management (No ability to add, remove and manage resources within an aggregation)	Portfolio management is not introduced to avoid IT system changes. Registration and portfolio changes will be managed manually.	Participation is expected to be low volume. While VPP participation is possible, Stage 2 is expected to be better suited to scalable aggregation models like VPPs.
3	NECR exemption	NECR exemption is only applied to an extent that avoids introducing settlement system complexity and supports early implementation.	Participants may remain subject to existing cost recovery arrangements. This may impact participation and will be considered in subsequent stages.
4	No VSR Zones	VSR zones are not introduced to minimise system changes. Aggregation is limited to a single congestion zone.	This simplifies implementation but limits aggregation flexibility and locational diversity.

#	Guardrail	Rationale	Participant information
5	No mixed aggregations (with exception for limited VPPs)	'Front of meter' mixed aggregations are not supported due to energy model limitations and to manage operational risk in a controlled environment. Limited number of 'behind the meter' mixed aggregations are supported.	A limited residential VPP exception may be applied to enable targeted learning on mixed portfolios.
6	Trial-like operation (Limited size and number of participants)	Stage 1 will operate in the production environment under controlled conditions to enable targeted learning while managing operational risk.	Participation volumes will be limited to allow controlled observation and evaluation.
7	Controlled transition to Stage 2	The staged approach is intended to minimise rework and enable learnings from Stage 1 to inform subsequent stages.	Participants may transition to Stage 2, supporting continuity and reducing duplication of effort.

Questions

3. What factors would influence participation in Stage 1, noting the proposed guardrails?

4.4.1 Operating conditions for consideration

AEMO is considering the following operating conditions, given the guardrails proposed for Stage 1:

- **Telemetry exemption** – Given telemetry can be a significant barrier to participation, this stage could allow some exemptions to telemetry with an overarching capacity limit to the total of all exemptions granted. This would follow the approach taken under the Wholesale Demand Response Mechanism.
- **Including additional services such as FCAS** – Access to additional markets is expected to benefit participants while also expanding the breadth of learnings achieved for Stage 1.
- **Setting an upper size limit** – There is a fundamental requirement to conduct this trial-like stage without increasing any operational risks. AEMO intends to mitigate risk by setting upper limits to:
 - the sizes of aggregated DUIDs and
 - the total capacity for each zone

Questions

4. Would participants be interested in operating under these conditions in Stage 1, and if so, what limitations or issues would apply?

4.4.2 Suspend non-conformance monitoring for dispatch instructions

This stage is likely to include a suspension of non-conformance monitoring for dispatch instructions while continuing to collect the relevant data to inform future learnings:³

³ Note, the regulatory waivers to be provided in Stage 1 are subject to AER approval.

- **Suspend non-conformance monitoring** – Non-conformance monitoring for dispatch instructions may be suspended to reduce compliance burden and enable participation under trial-like conditions.
- **Continue error tracking and monitoring outcomes** – Operational and performance data would be recorded to support evaluation of forecasting, dispatch and participant behaviour.

There is precedent for “partial” participation in central dispatch to the extent specified by AEMO, in accordance with NER 3.8.2(e). Such units are listed in AEMO’s NEM Registration and Exemption list with an asterisk on their classification. These resources are required to provide accurate bids, but AEMO does not enforce dispatch conformance. AEMO is of the view that the key principles and processes of this approach could be directly relevant for the operation of Stage 1.

Question

5. What challenges do you see with suspending non-conformance monitoring?

4.4.3 AER Regulatory Sandboxing arrangements

The AER administers trial waivers (regulatory sandboxing) through its Energy Innovation Toolkit. Under these arrangements, the AER may grant time-limited waivers that exempt participants from complying with specified rules for a defined period to enable trials to proceed. A trial waiver may also be subject to conditions such as consumer protection measures, reporting requirements and other obligations that are specific to the trial. Further information of the EIT can be found at: [Regulatory sandboxing - Energy Innovation Toolkit | Australian Energy Regulator \(AER\)](#).

AEMO’s current intention is for a sandboxing arrangement to facilitate Stage 1 and is engaging with the AER to investigate and develop a regulatory sandbox approach suitable for this stage. The AER will decide on the provision of any regulatory waivers as part of its regulatory waiver application and assessment process.

AEMO considers that a trial waiver for conformance requirements would be beneficial and seeks stakeholder views on these and other obligations that participants consider should be waived to enable effective participation in Stage 1.

Stakeholders should note that AEMO cannot assume any outcome of the AER decisions on waiver applications and the current approach to Stage 1 may change in the absence of a trial waiver.

Questions

6. What feedback do you have on the use of regulatory sandboxing to deliver Stage 1?
7. What current scheduled resource obligations do you consider would need to be waived to make stage 1 participation practical for your organisation?

5 Stage 2 – Portfolio operations

The purpose of Stage 2 is to build on learnings from Stage 1 and deliver a substantive subset of IPRR functionality. With Stage 2 the trial-like conditions end, and real participation commences with limitations.

5.1 Overview of Stage 2

5.1.1 Participation at scale

Participation expands beyond the controlled cohort in Stage 1, enabling broader involvement from aggregated resources, including unlimited participation for VPPs. This stage supports more realistic operating conditions, while retaining selected guardrails to manage risk.

5.1.2 Portfolio management functionality delivered

Portfolio management capability is introduced, allowing participants to dynamically manage NMIs within a DUID. Nomination and the capability assessment process is enabled and streamlined through AEMO's Portfolio Management System (PMS) platform. This enables more practical aggregation models and supports scalable participation.

5.1.3 Financial incentives (VIM) commence

AEMO proposes to operate the VIM to support participation which, subject to rule changes, will provide an initial view of how financial signals influence participation, compliance, and operational behaviour.

5.1.4 Uses learnings from Stage 1 and informs Stage 3

Stage 2 builds on insights from Stage 1 and applies them in a more operational setting. This stage is expected to align with commencement of the revised IPRR rule, introducing the formal regulatory framework for participation. Outcomes from this stage will inform the transition to full implementation in Stage 3.

5.2 Outcomes – more capability and meaningful participation

Stage 2 is intended to deliver a meaningful increase in participation and capability. Outcomes include:

- Expanded participation, particularly from aggregated resources and VPPs
- Implementation and testing of portfolio management capability
- Testing of VIM arrangements
- Identification of remaining impediments to full implementation

These outcomes will inform the design of Stage 3.

Question

8. What level of participation do you expect under the proposed Stage 2 functionality?

5.3 Timing – commence mid to late-2028

Stage 2 is expected to follow Stage 1 and will require a rule change and supporting IT system changes.

- Dependent on a rule change and system delivery**
 Timing will be informed by the rule change process and implementation of required functionality.
- Informed by Stage 1 outcomes**
 The scope and timing of Stage 2 will be refined based on insights from Stage 1.
- Allows for CER Data Exchange progress**
 Stage 2 timing aligns with the expected CER Data Exchange (CDX) delivery timing, where prototype or minimum viable functionality may be available to support Stage 2. Functionality may precede the rule changes required for VSRPs (Voluntarily Scheduled Resource Providers) to be able to access the data.

Approximate commencement of Stage 2 is proposed for **mid to late 2028** and running until Stage 3 commences.

5.3.1 Timing allows for an increased role for CER Data Exchange

AEMO is considering the use of the CER Data Exchange (CDX) to support provision of DER-related data required for IPRR, including sharing and receiving of dynamic operating envelopes (DOEs).

CDX capability is expected to be available in a prototype or minimum viable form ahead of, or alongside, Stage 2. However, further design work is required to confirm how data will be structured and shared, including how information is segregated and provided to relevant aggregators and VSRPs.

Access to CER-related data by market participants via CDX is subject to regulatory and rule change outcomes, which may not align with the timing of technical capability delivery.

Question

9. Does industry see the provision of DOEs via the CDX as a requirement to support Stage 2 in a cost-effective way?

5.3.2 Timing assumes VSR Guidelines will be ready for VIM

Given the VSR Guidelines need to be published for participants to respond to VIM tenders, AEMO aims to publish the guidelines before the VIM tender process commences. A mid-2028 commencement for Stage 2 assumes the guidelines can proceed via an expedited process, otherwise a later commencement would be required to enable Stage 2 to be supported by the VIM.

5.4 Scope guardrails for Stage 2

As part of the Stage 2 design, AEMO proposes the guardrails shown in Table 3 to define the scope of participation, system capability, and operational settings for this stage. The table sets out the rationale for each guardrail and related participant considerations.

Table 3 Scope guardrails for Stage 2

#	Guardrails	Rationale	Participant information
1	Active mode only	Stage 2 continues to use existing fully scheduled DUID capability. Introducing additional operating modes would require further system and rule changes outside the scope of this stage.	Participants operate as fully scheduled resources, consistent with Stage 1 arrangements.
2	Portfolio management enabled (Include ability to add, remove and manage resources within an aggregation)	Portfolio management is introduced as a foundational capability to support scalable and dynamic participation, particularly for VPPs.	Participants can manage NMI composition dynamically, supporting more realistic operating models.
3	NECR exemption	NECR exemption is deferred to avoid introducing additional settlement, prudential, and recovery. This maintains continuity from Stage 1.	Participants remain exposed to existing cost recovery arrangements, which may impact participation.
4	No VSR Zones	VSR Zones are not introduced to avoid additional modelling and system complexity while scaling participation.	Aggregation remains limited to a single congestion zone.
5	No mixed aggregations (front-of-meter)	Mixed front-of-meter aggregations are not supported, to manage energy model limitations and ensure consistency during early scaling. Behind-the-meter mixed aggregations (such as VPPs) are supported.	Aggregations must be a single technology type. This restriction does not apply to behind-the-meter aggregations of mixed resources (such as VPPs).
6	Open participation	Stage 2 enables participation under a formal rule framework, removing trial-like limits on eligibility or participation volumes.	Participation is not capped. Any eligible participant may register and operate in Stage 2 under the defined arrangements.
7	Controlled transition to Stage 3	The staged approach enables learnings from Stage 2 to inform full implementation and minimise rework.	Participants may transition to Stage 3, supporting continuity and system evolution.

Questions

10. To what extent does the Stage 2 design enable participation?

11. What challenges, inefficiencies or benefits may arise compared to full implementation?

5.4.1 Transitioning from Stage 1 to Stage 2

AEMO intends for the revised IPRR rule to take effect at the commencement of Stage 2. At this point, AEMO will transition from a controlled portfolio of Stage 1 participants to broader participation by parties that register and meet the requirements. To support this transition, AEMO will apply learnings

from Stage 1 when implementing systems to manage larger portfolios of aggregated devices. AEMO expects that Stage 1 participants will transition to Stage 2 if they choose to do so. While some participants may not continue, AEMO does not intend for Stage 2 arrangements to create barriers to transition.

5.4.2 Implementation of conformance requirements

AEMO will implement conformance arrangements in Stage 2. These arrangements increase the stringency of obligations compared with Stage 1 (where these may be waived) and Stage 3 (where participants may enter inactive and hibernation mode). AEMO considers that it is appropriate to introduce conformance arrangements in Stage 2, because of the complexity of operating the power system with potentially large numbers of participants and volumes. AEMO may, however, consider waiving at its discretion, this obligation for participants that have reached the necessary technical maturity and investment during Stage 1 to otherwise conform with dispatch instructions and that do not require further incentives via the VIM.

Question

12. Should AEMO have discretion to waive dispatch conformance in Stage 2 for participants that do not apply for funding through the VIM?

5.4.3 Introduction of the VIM

AEMO will incentivise participants to participate in dispatch mode through the VIM by prioritising participants that accept conformance obligations. Given guardrails are still in place, including active mode only, the requirements for participation in Stage 2 are higher than the full implementation. There may also be differences in readiness and capability between participants that were involved in Stage 1 and those entering for the first time in Stage 2. AEMO is considering how this might be reflected in the VIM in a way that is practical to administer.

Questions

- 13. To what extent should VIM (VSR Incentive Mechanism) eligibility be linked to conformance requirements in Stage 2?**
- 14. What practical approaches could be used to administer the VIM in Stage 2, recognising the additional challenges of participation compared to the more mature functionality expected in Stage 3?**
- 15. How should any differences between Stage 1 participants and new entrants be addressed in Stage 2?**

5.4.4 The rule change is in place

Stage 2 requires a rule change because it alters the incentive, timing and sequencing in the current IPRR rule, which cannot be changed through implementation alone. Meanwhile, the guardrails of Stage 2 introduce practical challenges for participants that are not present in Stage 3.

Question

16. Are there aspects of the staged implementation (including timing, obligations, or eligibility) that could be structured differently through the Rules to reduce these challenges?

6 Stage 3 – Full enablement – late 2029

Stage 3 represents the full implementation of IPRR functionality in accordance with the the amended IPRR rule, including the introduction of energy model changes to support mixed aggregations and full participation of eligible VSRs. At this stage, the restrictions applied in previous stages are removed, enabling full functionality and incorporation of learnings from earlier stages.

The extended delivery timeline and opportunity to incorporate learnings from earlier stages provide scope to consider whether energy model changes could be introduced to support a broader range of mixed aggregations. These changes could potentially enable more flexibility for participants to develop their resource portfolios.

Approximate commencement of Stage 3 is proposed for **late-2029**.

Question

17. How valuable is the inclusion of energy model changes to support mixed aggregations?

7 Any other matters

AEMO is pleased to consider including other matters for considerations in the staged approach, if stakeholders believe such additions are appropriate. Any such matters should be outlined in written submissions to this consultation paper.

Question

18. What other feedback do you have on the proposal?

8 Glossary

Term or acronym	Meaning
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
ACE	Adjusted consumed energy
ASOE	Adjusted sent out energy
BDU	Bidirectional Unit
CDX	CER Data Exchange
CER	Consumer Energy Resources
CP	Connection point
CRMP	Cost recovery market participant
DOE	Dynamic Operating Envelope
DER	Distributed Energy Resources
DNSP	Distribution Network Service Provider
DRSP	Demand Response Service Provider
DSP	Demand side participant
DUID	Dispatchable unit identifier
Energy model	The model through which a given resource participates in the wholesale energy market, including its representation of its energy availability in central dispatch.
ESB	Energy Security Board
FCAS	Frequency control ancillary services
FPP	Frequency Performance Payments
FRMP	Financially Responsible Market Participant
IPRR	Integrating price-responsive resources into the NEM – rule change
IRP	Integrated Resource Provider
MASS	Market Ancillary Services Specification
MMS	Market Management System
MSATS	Market settlement and transfer solutions
MT PASA	Medium term projected assessment of system adequacy
MW	Megawatt
MWh	Megawatt hour
NECR	Non-Energy Cost Recovery
NEM	National Electricity Market
NEMDE	National Electricity Market Dispatch Engine
NER	National Electricity Rules
NMI	National Metering Identifier
NSP	Network service provider
PD / Pre-Processing	Pre-dispatch or other known as ‘Pre-Processing’ feeds into ‘NEMDE’
PMS	Portfolio Management System
Post Processing	Process after ‘NEMDE’

Term or acronym	Meaning
Price-Responsive resources	Price-responsive resources refer to the wide range of residential, community, commercial and industrial energy resources and load that are not currently scheduled through the market dispatch process and do, or could, respond (individually or as part of aggregation) to market price signals. It includes but not limited to household CER such as solar PV, batteries, EVs, flexible hot water systems, pool pumps and industrial loads with components of controllable demand (for example smelters, foundries and manufacturing facilities).
RERT	Reliability and Emergency Reserve Trader
RMC	Registration Manager Client
SCADA	Supervisory Control and Data Acquisition
SOC	State of charge
ST PASA	Short Term Projected Assessment of System Adequacy
TI	Trading Interval
Trading Interval (TI)	A period for which AEMO settles trading amounts in the NEM. A trading interval is defined in the Rules as a 5-minute period.
VIM	VSR incentive mechanism
VPP	Virtual Power Plants
VSR	Voluntarily Scheduled Resource
VSRP	Voluntarily Scheduled Resource Provider
WDR	Wholesale Demand Response Mechanism
WDRU	Wholesale Demand Response Unit

9 Response template

This template is provided to assist stakeholders in giving feedback to the consultation paper for the development of a staged delivery path.

It is optional to use this template.

Stakeholders are invited to submit written responses on this consultation paper are invited to NEMReform@aemo.com.au by **5:00pm (AEST) on 15 June 2026**.

Participant name	
Submission Date	

Section	Question	Participant comments
4.2	1. What benefits would be required to enable participation in Stage 1?	
4.2	2. What risks or limitations could prevent Stage 1 from achieving its intended outcomes?	
4.4	3. What factors would influence participation in Stage 1, noting the proposed guardrails?	
4.4.1	4. Would participants be interested in operating under these conditions in Stage 1, and if so, what limitations or issues would apply?	

Section	Question	Participant comments
4.4.2	5. What challenges do you see with suspending conformance monitoring?	
4.4.3	6. What feedback do you have on the use of regulatory sandboxing to deliver Stage 1?	
4.4.3	7. What current scheduled resource obligations do you consider would need to be waived to make stage 1 participation practical for your organisation?	
5.2	8. What level of participation do you expect under the proposed Stage 2 functionality?	
5.3.1	9. Does industry see the provision of DOEs via the CDX as a requirement to support Stage 2 in a cost-effective way?	
5.4	10. To what extent does the Stage 2 design enable participation?	
5.4	11. What challenges, inefficiencies or benefits may arise compared to full implementation?	
5.4.2	12. Should AEMO have discretion to waive dispatch conformance in Stage 2 for participants that do not apply for funding through the VIM?	
5.4.3	13. To what extent should VIM (VSR Incentive Mechanism) eligibility be linked to conformance requirements in Stage 2?	

Section	Question	Participant comments
5.4.3	14. What practical approaches could be used to administer the VIM in Stage 2, recognising the additional challenges of participation compared to the more mature functionality expected in Stage 3?	
5.4.3	15. How should any differences between Stage 1 participants and new entrants be addressed in Stage 2?	
5.4.4	16. Are there aspects of the staged implementation (including timing, obligations, or eligibility) that could be structured differently through the Rules to reduce these challenges?	
6	17. How valuable is the inclusion of energy model changes to support mixed aggregations?	
7	18. What other feedback do you have on the proposal?	