

# Transitional Services Guideline

Final Report – Standard consultation  
for the National Electricity Market

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## Executive summary

The publication of this final report concludes the standard consultation procedure conducted by AEMO to develop the Transitional Services Guideline (the **proposal**) under the National Electricity Rules (**NER**).

AEMO thanks all stakeholders for their feedback on the proposal, which was undertaken as required by NER 3.11.11(e), following the procedure in NER 8.9.2.

Under the National Electricity Amendment (Improving security frameworks for the energy transition) Rule 2024 (**ISF Rule**)<sup>1</sup> to improve market arrangements for security services, the new transitional services framework commenced on 3 June 2024. However, before AEMO can start to procure transitional services it must publish the Transitional Services Guideline. A description of the matters to be dealt with in the Transitional Services Guideline is set out in NER 3.11.11(f).

AEMO proposed in its consultation paper content for the Transitional Services Guideline, considering both:

- alignment with existing non-market ancillary services (NMAS) Guidelines; and
- the need for flexibility in the procurement process, due to the potential nature of the transitional services AEMO may need to procure to satisfy the Transitional Services Procurement Objective.

Submissions received from stakeholders identified ways the Guideline can better consider how to minimise the costs of transitional services to end users, and ways to bring transparency to requirements for contracting for both Type 1 and Type 2 services, with the draft Transitional Services Guideline:

- Confirming AEMO may require assurance from the potential Transitional Service Providers and relevant Network Service Providers before entering into a transitional services contract that the same service is not and will not be contracted to an NSP for the period of the contract.
- Continuing the requirement of Type 1 contracts to have testing conducted no less than every 12 months, with the ability to waive this requirement.

In response to its draft report, AEMO received 1 written submission that did not propose any changes to the draft Transitional Services Guideline, and welcomed AEMO's incorporation of stakeholder feedback into the draft Transitional Services Guideline.

AEMO's final determination on the proposal is to make the Transitional Services Guideline in the form published with this final report, with an effective date of 8 November 2024.

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<sup>1</sup> See <https://www.aemc.gov.au/sites/default/files/2024-04/Final%20Rule%20-%20in%20mark%20up.pdf>.

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# 1. Stakeholder consultation process

As required by National Electricity Rules (NER) 3.11.11(e), AEMO has consulted on the Transitional Services Guideline (the **proposal**) in accordance with the standard rules consultation procedure in NER 8.9.2.

Note that this document uses terms defined in the NER, which are intended to have the same meanings. There is a glossary of additional terms and abbreviations in Appendix A.

AEMO’s process and expected timeline for this consultation are outlined below.

**Table 1 Consultation process and timeline**

Consultation steps	Dates
Consultation paper published	31 July 2024
Industry briefing (webinar)	22 August 2024
Submissions closed on consultation paper	29 August 2024
Draft report published	27 September 2024
Industry briefing	22 October 2024 (at EWCF meeting)
Submissions closed on draft report	25 October 2024
Final report published	8 November 2024

AEMO’s consultation webpage<sup>2</sup> for the proposal contains all previous published papers and reports, written submissions, and other consultation documents or reference material.

In response to its consultation paper on the proposal, AEMO received two written submissions and held 1 industry forum Webinar on 22 August 2024.

In response to its draft report, AEMO received 1 written submission and held 1 industry forum with the Electricity Wholesale Consultative Forum on 22 October 2024.

AEMO thanks all stakeholders for their feedback on the proposal throughout this consultation, which has been considered in preparing this final report.

<sup>2</sup> <https://aemo.com.au/consultations/current-and-closed-consultations/transitional-services-guideline-consultation>

## 2. Background

### 2.1. Purpose

The Transitional Services Guideline recognises a need for flexibility due to the uncertainty inherent in the scope of the transitional services that may need to be acquired. The transitional services framework is established in recognition that not all security needs may be met by existing security frameworks throughout the energy transition. In the case of Type 1 services, AEMO is also cognisant that a need may arise with urgency, and thus the procurement arrangements must allow for agility in responding to this security need.

### 2.2. Context for this consultation

Under the National Electricity Amendment (Improving security frameworks for the energy transition) Rule 2024 (**ISF Rule**)<sup>3</sup>, AEMO has been given a new power to procure non-market ancillary services (**NMAS**) that fall outside the scope of the existing services available under the NER for power system security. These services are referred to in the ISF Rule as ‘transitional services’, and the new provisions in the NER dealing with the procurement and enablement of these services are referred to as the ‘transitional services framework’.

The intention of this framework is by design ‘transitional’, and it is expected to naturally become obsolete as AEMO and industry understanding and processes for the procurement of security services in the transition to a low- or zero-emissions power system continue to evolve. Subject to a review of the transitional services framework to be completed by the Australian Energy Market Commission (**AEMC**) by 1 December 2031, the framework will expire on 1 December 2039.

Two types of transitional services are introduced by the ISF Rule:

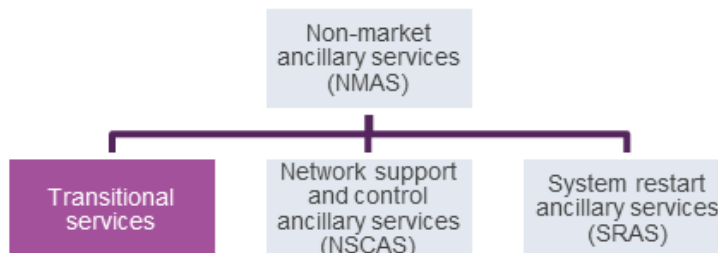
- Type 1 Services: NER 3.11.11(b)(1) defines these as *the services are required for power system security and cannot otherwise be provided by an inertia network service, a system strength service, a market ancillary service or a NMAS*. Contracts for the procurement of Type 1 services may be up to three years in length and must not have a term that extends past 1 December 2029.
- Type 2 Services: NER 3.11.11(b)(2) defines these as *the services are acquired for the purpose of trialling new technologies, or a new application of existing technologies, for the management of power system security in a low- or zero-emissions power system where the particular application of the technology employed through the transitional services has not been used to provide services to manage power system security prior to 28 March 2024*. Contracts for the procurement of Type 2 services may be up to 10 years in length and must not have a term that extends past 1 December 2039.

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<sup>3</sup> See <https://www.aemc.gov.au/rule-changes/improving-security-frameworks-energy-transition>.

Figure 1 outlines how the transitional services relate to existing NMAS.

Figure 1 Overview of non-market ancillary services



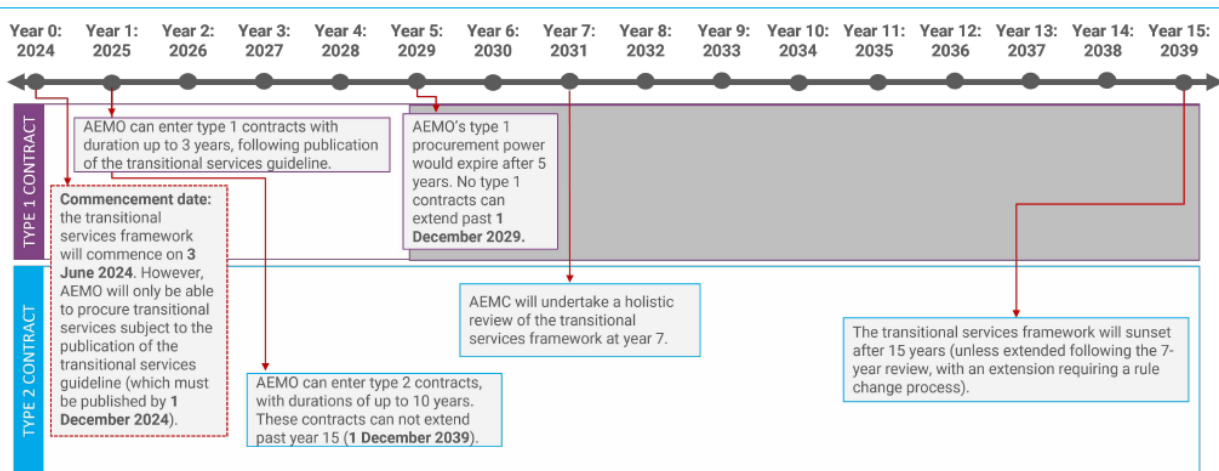
Key milestones under the transitional services framework are outlined in Figure 2 below.

The transitional services framework commenced on 3 June 2024, but before AEMO can start to procure transitional services, it must publish both the Transitional Services Guideline and a Statement of Security Need (NER 3.11.12).

The Transitional Services Guideline will provide transparency to potential Transitional Service Providers (TSPs), and the industry more broadly, on the procurement processes for Type 1 and Type 2 services, and how AEMO intends to achieve the Transitional Services Procurement Objective specified in NER 3.11.11(c).

This final report constitutes the final stage of the Rules consultation process required under NER 3.11.11(e).

Figure 2 Timeline of transitional services



Note: From AEMC Final Determination, page 67 Figure 5.1.

### 2.3. NER requirements

NER 3.11.11(e) provides that AEMO must develop and publish, and may amend, the Transitional Services Guideline in accordance with the Rules consultation procedures. NER 11.168.3(a) requires AEMO to publish the first Transitional Services Guideline by 1 December 2024.

NER 3.11.11(f) specifies the following requirements for the Transitional Services Guideline:

*The Transitional Services Guideline must be designed to achieve the Transitional Services Procurement Objective and include:*

1. *a competitive tender process to be used where practicable when acquiring transitional services;*
2. *guidance on the factors that AEMO must take into account when making a decision to follow a particular type of procurement process to acquire transitional services to meet the Transitional Services Procurement Objective;*
3. *guidance on how AEMO will achieve the Transitional Services Procurement Objective;*
4. *a process for AEMO to follow for contacting a potential Transitional Services Provider to negotiate the provision of transitional services without a competitive tender process;*
5. *a process for a potential Transitional Services Provider to contact AEMO to offer the provision of transitional services without a competitive tender process, which offer AEMO is not obliged to accept; and*
6. *any requirements for a Transitional Services Provider to demonstrate the relevant plant or equipment's capability to provide the transitional services.*

### 2.3.1. The Transitional Services Procurement Objective

NER 3.11.11(f) references the *Transitional Services Procurement Objective*. This is defined in NER 3.11.11(c), which requires AEMO to use reasonable endeavours to acquire transitional services to:

- (1) *contribute to achieving emissions reductions targets;*
- (2) *achieve and maintain power system security;*
- (3) *minimise the costs of transitional services to end users.*

### 2.3.2. Statement of security need

Once AEMO publishes the Transitional Services Guideline, AEMO is required under NER 3.11.12 to publish a Statement of Security Need prior to acquiring either Type 1 or Type 2 services.

This Statement of Security Need is required to describe:

- how the transitional services satisfy the Transitional Services Objective; and
- AEMO's intended procurement process and its reasons for choosing that process, including for any direct procurement, its reasons for not using a competitive process.

For Type 1 services, the statement is also required to describe:

- the security need necessitating the transitional services and the expected duration of the need; and
- why AEMO considers the transitional services may not be provided by an inertia network service, a system strength service, a market ancillary service or a NMAS.



## 2.4. The national electricity objective

Within the specific requirements of the NER applicable to this proposal, AEMO has sought to make a determination that is consistent with the national electricity objective (NEO) and, where relevant, to select the option best aligned with the NEO.

The NEO is expressed in section 7 of the National Electricity Law as:

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

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
  - (i) for reducing Australia’s greenhouse gas emissions; or
  - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

### 3. Final determination on proposal

Having considered that no matters were raised in submissions to the draft report, AEMO's final determination is to make the Transitional Services Guideline in the form published with this final report, in accordance with NER 3.11.11(e).

AEMO considers that this proposal meets the NEO with respect to reliability and security of supply of electricity and the reliability, safety and security of the national electricity system. AEMO anticipates that the proposal will not involve material costs for market participants, beyond those already assessed by the AEMC in the ISF Rule determination. The benefits of this change were discussed in the AEMC's consultation on the ISF Rule.

#### **Effective date**

The effective date of this determination is 8 November 2024.



## Appendix A. List of Submissions and AEMO Responses

AEMO received 1 written submission from stakeholders that did not propose any changes to the draft Transitional Services Guideline.

No.	Stakeholder	Issue	AEMO response
1	<b>Tesla</b>	<p>Tesla commends the AEMO team for their engagement to date on the Transitional Services Guideline and supports the progression of the Draft Report.</p> <p>Tesla welcomes AEMO's incorporation [in the draft Transitional Services Guideline] of Tesla's feedback on the procurement process.</p>	Tesla's submission of support is gratefully acknowledged.

