



# VSR Incentive Mechanism procedure

Final Report – Standard consultation  
for the National Electricity Market

**Published: 27 October 2025**

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

The publication of this final report concludes the standard rules consultation procedure conducted by AEMO to develop the Voluntary Scheduled Resource (VSR) Incentive Mechanism Procedure (**VIM Procedure**) (the **proposal**) under the National Electricity Rules (**NER**). AEMO is developing the VSR Incentive Mechanism Procedure as part of the implementation of the Integrating Price Responsive Resources (IPRR) into the National Electricity Market (NEM) reform project.

AEMO thanks all stakeholders for their feedback on the proposal, which was undertaken as required by NER 3.10B.2(c), following the procedure in NER 8.9.2.

On 19 December 2024, the Australian Energy Market Commission (AEMC) made the National Electricity Amendment (Integrating price-responsive resources into the NEM) Rule 2024 (Final Rule), which allows aggregated consumer energy resources (CER) to be scheduled and dispatchable in the NEM. The operation of the new “dispatch mode” will commence on 23 May 2027.

The Final Rule includes an incentive mechanism to encourage participation in dispatch mode - the VSR Incentive Mechanism (VIM). AEMO is required to run a tendering mechanism for short term incentive payments to successful bidders thereby lowering the barriers to entry.

A list of VSR Incentive principles are set out in NER 3.10B.2(e), which AEMO must apply in the development of the VIM Procedure.

NER 11.180.3(a)(3) requires that the VIM Procedure is made and published by the earlier of 1 December 2026, or the date of the first tender process. However, to assist participants that may be considering participating in the VIM, AEMO has published this final determination in October 2025 in the anticipation of a first VIM tender tentatively scheduled to take place in the second quarter of 2026.

In July 2025, AEMO published a draft determination consultation paper requesting feedback to a number of questions AEMO raised with respect to the development of the VIM Procedure. AEMO received six submissions to the consultation paper which raised two key issues:

- AEMO should publish the methodology for calculating the Incentive mechanism price cap.
- DNSP engagement in the process.

In addition, AEMO also considered whether the Final Rule unintentionally opens an avenue for a registered participant that has been instructed under NER 3.8.2(e) to participate in central dispatch to participate in the VIM. AEMO has determined that this outcome is not desirable or intended given the VIM is intended to incentivise participation in central dispatch through the

nomination of a VSR, and plant that is instructed under NER 3.8.2(e) is already participating in central dispatch. As such, AEMO has determined that non-scheduled resources that have been instructed by AEMO to participate in central dispatch under NER 3.8.2(e) are not eligible to participate in the VIM.

### **Price cap methodology**

The Final Rule requires that AEMO, prior to each tender, determine an incentive MW price cap to apply to each region. AEMO must not exceed this cap when agreeing to a VIM Participation Agreement. AEMO must notify the AEMC and the AER of this price cap, who are required to ensure it is kept confidential.

In the draft determination, AEMO determined that the opportunity for back solving and therefore gaming of offers meant that it is not appropriate for AEMO to publish the methodology for calculating the price cap, or the price cap itself. AEMO has not shifted from this position, this is discussed in more detail in section 4.1.

### **DNBP Engagement in the process**

The draft VIM Procedure does not include a role oversight for DNBP in the VIM. CitiPower, Powercor and United Energy's feedback is that this is an that needs to be addressed, in particular that the VSR incentive objective will compromise a DNBP network's ability to forecast demand and that consequently, DNBP need visibility and awareness of when VSR contracts are entered into with customers.

In the draft determination, AEMO recommended that CitiPower, Powercor and United Energy direct it's comments to the consultation process for the VSR Guideline as well as to participate in the related CER Roadmap consultations.

AEMO notes that CitiPower, Powercor and United Energy has subsequently engaged in the VSR Guideline consultation process and welcomes CitiPower, Powercor and United Energy's ongoing engagement in that consultation process. These comments in submission to the VSR Guideline have been reiterated to this procedure consultation and have been noted by AEMO for the final determination.

This is discussed in more detail in section 4.2.

### **Exclusion of registered participants instructed to participate in central dispatch from participation in the VIM.**

AEMO is concerned that the Final Rule may unintentionally open an avenue for a registered participant that has been instructed under NER 3.8.2(e) to participate in central dispatch to participate in the VIM.

AEMO considers that this outcome is not desirable or intended given the VIM is intended to incentivise participation in central dispatch through the nomination of a VSR, and plant that is instructed under NER 3.8.2(e) is already participating in central dispatch.

AEMO considers that the VIM should be more effectively utilised to bring other forms of resource into the dispatch process through a VSR nomination, that is, resource that is not currently visible to AEMO.

This is discussed in more detail in section 4.3.

### **Final Determination**

AEMO's final determination on the proposal is to make the VIM Procedure in the form published with this final report, with an effective date of **27 October 2025**.

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## 1. Stakeholder consultation process

As required by NER 3.10B.2(c), AEMO has consulted on the VIM Procedure (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 timeline for this consultation are outlined below.

**Table 1 Consultation process and timeline**

Consultation steps	Dates
Pre-consultation stakeholder workshop	Tuesday, 4 March 2025
Consultation paper published	Tuesday, 1 April 2025
Submissions due on consultation paper	Friday, 2 May 2025
Draft report published	Friday, 11 July 2025
Submissions due on draft report	Monday, 11 August 2025
<b>Final report published</b>	<b>Monday, 27 October 2025</b>

AEMO's consultation webpage for the proposal is at <https://www.aemo.com.au/consultations/current-and-closed-consultations/vsr-incentive-mechanism-procedure>, containing all published papers and reports, written submissions, and other consultation documents or reference material (other than material identified as confidential).

In response to its consultation paper on the proposal, AEMO received 5 written submissions including **1** confidential or partly confidential submission.

AEMO considered these submissions and other relevant information in developing the draft report and draft determination on the proposal.

In response to its draft report, AEMO received **6** written submissions.

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

## 2. Background

### 2.1. Context for this consultation

On 19 December 2024, the AEMC made the National Electricity Amendment (Integrating price-responsive resources into the NEM) Rule 2024 (Final Rule), which will allow aggregated CER, distributed energy resources (DER) and price-responsive loads to be scheduled and dispatchable in the NEM. Unscheduled price responsive resources are not currently able to participate in dispatch as they are not effectively integrated into the NEM’s planning and operation functions and are not visible to AEMO or the electricity market more broadly. Inability to participate in dispatch and energy markets, therefore, restricts these currently unscheduled price-responsive resources from contributing to the real-time matching of supply and demand. Importantly, they are missing out from potential value streams accessible in the market that could enhance benefits to consumers who own CER, such as regulation frequency control ancillary services (FCAS).

The Final Rule establishes a framework, called “dispatch mode”, that allows for aggregated resources, such as virtual power plants, small stand-alone generators or energy storage systems, community batteries, flexible loads and other price-responsive resources to participate in NEM dispatch. This includes the ability to bid into the market, set spot prices, receive and follow dispatch instructions, and participate in energy markets.

Dispatch mode commences in May 2027. Alongside the dispatch mode framework (VSR Guideline), the Final Rule includes an incentive framework to encourage participation in dispatch mode. In addition, the AEMC has mandated a monitoring and reporting framework, to allow AEMO (and other stakeholders) to understand and manage the impact of unscheduled price-responsive energy resources on demand forecasting processes and market outcomes.

AEMO is consulting separately on both the VSR Guidelines and monitoring and reporting framework, with information on how to engage on these consultations accessible on AEMO’s IPRR website under its NEM Reform program<sup>1</sup>.

### 2.2. NER requirements

This section outlines the requirements placed on AEMO by the Final Rule in relation to the VIM Procedure.

NER 3.10B.2(c)-(f) state:

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<sup>1</sup> <https://www.aemo.com.au/initiatives/major-programs/nem-reform-program/nem-reform-program-initiatives/integrating-price-responsive-resources-into-the-nem>

- c) AEMO must develop, publish and maintain, and may amend, the VSR incentive procedures in accordance with the Rules consultation procedures and paragraphs (d) and (f).
- d) The VSR incentive procedures must give effect to the VSR incentive principles and must specify:
  - (1) the criteria which a VSR incentive mechanism participant must satisfy to be eligible to participate in the VSR incentive mechanism, which must include a prohibition on participation by a Voluntarily Scheduled Resource Provider in respect of a qualifying resource where that person is, or has been, a party to a VSR participation agreement in respect of that qualifying resource as part of a voluntarily scheduled resource;
  - (2) to the extent there is any external funding for a VSR tender process, any further requirements for VSR incentive mechanism participants to satisfy in order to be eligible to receive such external funding;
  - (3) the procedures for conducting the VSR incentive mechanism;
  - (4) the timing of the phases of a VSR tender process;
  - (5) the requirements for offers submitted by VSR incentive mechanism participants into a VSR tender process, which must include that offers:
    - (i) are in \$/MW;
    - (ii) are specified to apply for a region;
    - (iii) are specified to apply for particular types of qualifying resources or voluntarily scheduled resources;
    - (iv) specify the proposed term of a VSR participation agreement that would apply if the VSR incentive mechanism participant were successful in the VSR tender process, subject to subparagraph (j)(2); and
    - (v) specify the proposed availability of the qualifying resource or voluntarily scheduled resource (as applicable) during the term identified pursuant to subparagraph (iv);
  - (6) the assessment criteria and methodology for selecting successful VSR incentive mechanism participants from each VSR tender process;
  - (7) the procedures and timetable for settling participation payments; and 34 National Electricity Amendment (Integrating price-responsive resources into the NEM) Rule 2024 No. 24

- (8) the requirements for VSR participation agreements and any standard form VSR participation agreement.
- e) The VSR incentive principles are that the VSR incentive mechanism should be structured and run in a way that achieves the VSR incentive objective, taking into consideration:
  - (1) the relative availability of voluntarily scheduled resources having regard to expected capacity factors and any planned hibernation notices under clause 3.10A.2;
  - (2) the extent to which each voluntarily scheduled resource is expected to vary its generation or consumption in response to expected spot prices; and
  - (3) the benefits of building capability across a number of Voluntarily Scheduled Resource Providers with a variety of voluntarily scheduled resources (including in relation to aggregation) in order to have multiple Voluntarily Scheduled Resource Providers with a diversity of resources participating in central dispatch. Participation price, incentive MW price cap and participation payments

#### **Participation price, incentive MW price cap and participation payments**

- f) The VSR incentive procedures must also give effect to the following requirements:
  - (1) a participation price must not exceed the incentive MW price cap; and
  - (2) the aggregate of all participation payments payable under all VSR participation agreements must not exceed \$50 million plus the value of all external funding.

The VSR incentive objective is defined in NER 3.10B.1 as follows:

**“VSR incentive objective** is to maximise VSR Benefits in the long run by incentivising Market Participants with qualifying resources to nominate those resources as voluntarily scheduled resources, while minimising the cost of facilitating participation through participant payments.”

### **2.3. 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 (**NEL**) 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. List of material issues

The key material issues raised in submissions to the draft report are listed in Table 2. This final report only discusses those issues. Please refer to the draft report itself for AEMO’s consideration of issues arising at earlier stages of consultation.

**Table 2 List of material issues**

No.	Issue	Raised by
1.	AEMO should publish the methodology for calculating the Incentive mechanism price cap.	CS Energy, Origin Energy.
2.	DNSP engagement in the process.	CitiPower, Powercor and United Energy, CS Energy, and Enel X.
3.	Exclusion of registered participants instructed under 3.8.2(e) from participation in the VIM.	AEMO.

A detailed table of issues raised by stakeholders in written submissions to the draft report, together with AEMO’s responses, is contained in Appendix B.

Each of the material issues in Table 2 is discussed in Section 4.

## 4. Discussion of material issues

### 4.1. Incentive Mechanism Price Cap Methodology

#### 4.1.1. Issue summary and submissions

The Final Rule requires that AEMO, prior to each tender, determine an incentive MW price cap to apply to each region. AEMO must not exceed this cap when agreeing to a Participation Agreement. AEMO must notify the AEMC and the AER of this price cap, who are required to ensure it is kept confidential.

In its draft determination, AEMO concluded that the opportunity for back solving and therefore gaming of offers (raised by the AEMC in its IPRR rule change process) means that it is not appropriate for AEMO to publish the methodology for calculating the incentive MW price cap.

Origin Energy in its submission noted:

*“...if limited information on the value / calculation of this cap is shared, participants will have poor visibility of potential incentives which could result in low VSR participation and ultimately undermine the utility of the framework. To support participant decision-making, AEMO should:*

- *Publish the methodology / modelling employed to calculate the Incentive MW Price Cap (including any key assumptions). AEMO has indicated it may use the cost benefit analysis previously prepared for the AEMC by IES, to inform its price cap determination – we would encourage AEMO to confirm if this is the case.*
- *Share how the prices paid under participation agreements compared against the Incentive MW Price Cap, after each tender round. AEMO could provide an aggregated / summary view.”*

Conversely, CS Energy stated:

*“If the methodology for calculation of the price cap were shared, participants would be able to make reasonable assumptions to assist them in back solving for the cap and submitting offers accordingly. CS Energy believes it is of the utmost importance that the VIM’s integrity and credibility be upheld through an equitable tender process”*

#### 4.1.2. AEMO’s assessment

AEMO agrees with Origin that that by not publishing the methodology the incentive mechanism price cap becomes a “black box” for participants and that this may cause some providers of VSR to not participate because they assume that process is not worth the effort.

AEMO also agrees with the CS Energy and the AEMC that publication of the methodology that AEMO uses to calculate the incentive MW price cap could be back solved by participants and lead to inefficient price outcomes. The integrity of the market should be a highest priority for AEMO, if participants are able to game outcomes, this would potentially lead to less VSR procured for the same cost to participants.

The Final Rule requires AEMO to conduct at least 2 tender processes during the incentive period (1 April 2026 to 31 December 2031). AEMO will be reviewing the outcome of the first tender and will welcome feedback from participants. It should also be noted that AEMO will not be including in the VIM Procedure a prohibition on publication of the methodology for determining the incentive price cap, AEMO can therefore review this decision at any time should it become apparent that the “black box” approach is not working.

#### 4.1.3. AEMO's conclusion

AEMO has not changed its position from the draft determination that the opportunity for back solving and therefore gaming of offers that AEMC raised in the final determination means it is not appropriate for AEMO to publish the methodology for calculating the incentive MW price cap.

## 4.2. DNSP engagement in the process.

### 4.2.1. Issue summary and submissions

The draft VIM Procedure did not include provisions for the inclusion of distribution network businesses to play a role in the VIM. In the draft determination, AEMO concluded that CitiPower, Powercor and United Energy has highlighted an emerging issue for DNSP's to manage, but did not articulate any proposed processes or requirements for addressing the issue that could reasonably be included in the VIM Procedure.

In response to the draft determination, CitiPower, Powercor and United Energy stressed the importance of visibility of VSRs to the operation of their networks. In particular:

*“...distribution networks are designed with a number of operational principles around diversity of load. The use of customer assets in a VSR removes this diversity and has the real impact of effecting voltage and thermal limits in the lower levels of our distribution network. CitiPower Powercor and United Energy are supportive of the VSR concept and allowing customers to maximise the use of their assets, however we have obligations to all our customers and our operational model must bias towards maintaining those thermal and voltage limits so that no customers are impacted.”*

Further, CitiPower, Powercor and United Energy stated:

*“...need to know the VSRP bid (MW) when it is placed, and the disaggregated values (kW/MW) per NMI. This will allow us to update any operational constraints (e.g. DOEs)*

*and inform the VSRP of the impacts. We do not need and do not expect to receive any financial bidding information. By having this information, we can work with the VSRP to achieve the best possible network outcome so the bid can be executed as submitted. Without this information, DNSPs will need to make conservative decisions on operational constraints to ensure the safety and security of the distribution network and that all customers (and not just the VSRP) are able to receive the appropriate quality supply level. In practical terms this means the VSRP would be restricted from maximising their bidding potential.”*

#### 4.2.2. AEMO's assessment

AEMO appreciates that CitiPower, Powercor and United Energy have raised these issues in consultation for the VSR Guideline<sup>2</sup> which is occurring in parallel with this consultation process. AEMO considers that it has addressed these issues in the draft VSR Guideline. In summary:

- Coordinated CER usage can occur today in off-market arrangements by customer agents like aggregators or by retailers. The Final Rule allows for these off-market arrangements to be made visible to the market and included in central dispatch. Whilst the Final Rule may increase the number of price-responsive resources that are being coordinated, at least in the initial implementation, it will likely cater to existing CER that is already operating as an aggregate and responding to price signals.
- As outlined in section 12 of the second draft VSR Guidelines and discussed in section 4.2.2 of this report, DNSPs will be provided with VSR data and information to help inform the management of their distribution networks. This includes information on NMIs that are participating in a coordinated manner as a VSR.
- Under section 4.7.2 of this report, AEMO highlights that VSRPs are required to comply with their distribution network agreements when bidding available capacity for their VSR, and that AEMO expects VSRPs to be engaging relevant DNSPs to facilitate this compliance.

CitiPower, Powercor and United Energy recognised in its submission that *“If the VIM process is independent of VSR registration, then we believe that DNSPs do not need to be involved in the VIM process.”* To a large extent this statement is correct and AEMO therefore considers that the matters being raised are most appropriately addressed via the VSR Guideline consultation process.

#### 4.2.3. AEMO's assessment

AEMO welcomes CitiPower, Powercor and United Energy ongoing engagement in the consultation process and looks forward to its ongoing participation in the VSR Guideline regarding these issues and CER road map discussions.

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<sup>2</sup> <https://www.aemo.com.au/consultations/current-and-closed-consultations/voluntarily-scheduled-resources-guidelines-consultation>

### 4.3. Exclusion of registered participants instructed to participate in central dispatch under NER 3.8.2(e) from participating in the VIM.

#### 4.3.1. Issue summary and submissions

NER 3.8.2(e) provides AEMO with the power to require participation in central dispatch for reasons of adequate system operation and the maintenance of power system security.

*“If AEMO considers it reasonably necessary for adequate system operation and the maintenance of power system security, Registered Participants who may otherwise be exempted from participating in the central dispatch process must do so to the extent and in the capacity specified by AEMO.”*

AEMO has considered whether the Final Rule may unintentionally open an avenue for a registered participant that has been instructed under NER 3.8.2(e) to participate in central dispatch to seek to nominate the relevant DUID as a VSR and participate in the VIM. AEMO considers that such an outcome is not desirable or intended given the VIM is intended to incentivise participation in central dispatch, and plant that is instructed under NER 3.8.2(e) is already participating in central dispatch for reasons of adequate system operation or the maintenance of power system security.

#### 4.3.2. AEMO's assessment

AEMO notes that there are currently very few unscheduled units in the NEM for which it considered it was reasonably necessary for adequate system operation and the maintenance of power system security to participate in central dispatch under NER 3.8.2(e).

AEMO considers that access to the VIM for these resources is an incentive that is unintended and should be removed. Further, the VIM is a mechanism that is intended to support or incentivise the participation of resources in dispatch mode that are otherwise not visible to AEMO in dispatch. AEMO accounts for the types of participants covered by 3.8.2(e) (non-scheduled generators) already in dispatch through other NEM processes. As such, AEMO considers that the VIM would be more effectively utilised in bringing other forms of resources into the dispatch process, that is, qualifying resources that are not currently visible to AEMO.

#### 4.3.3. AEMO's assessment

AEMO has included a new clause in the procedure that prevents a participant that is subject to an instruction under NER 3.8.2(e) to participate in central dispatch from participating in the VIM.

## 5. Final determination on proposal

Having considered the matters raised in submissions to the draft report, AEMO's final determination is to make the VIM Procedure in the form published with this final report, in accordance with NER 3.10B.2(c).

The final VIM Procedure differs from the draft VIM Procedure in the following material respects, for the reasons discussed in section 4 of this final report:

- a new clause in the procedure has been added to prevent a participant that is required by AEMO to participate in central dispatch under NER 3.8.2(e) from participating in the VIM.

### **Effective date**

The effective date of this determination is 27 October 2025.

## Appendix A. Glossary

Term or acronym	Meaning
AEMC	Australian Energy Market Commission.
AEMO	Australian Energy Market Operator.
AER	Australian Energy Regulator.
DNSP	Distribution Network Service Provider
DUID	Dispatch Unit Identifier
FCAS	Frequency Control Ancillary Service
IPRR	Integrating Price Responsive Resources
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Energy Regulator
VIM	VSR Incentive Mechanism.
VSR	Voluntary Scheduled Resource.
VSRP	Voluntary Scheduled Resource Provider

## Appendix B. List of Submissions and AEMO Responses

No.	Stakeholder	Issue	AEMO response
1	Enel X	<p>Enel X are wary of the risk that a single technology type or commercial model may dominate the tender process and erode the potential for the VSR Incentive Mechanism to lower the barriers to entry for a diverse pool of providers.</p> <p>Enel X recommend the Tender Notice include clear details of AEMO's preferences for diversity of resource/participants and any capacity limits on specific technology types.</p>	<p>AEMO notes ENEL X's concerns. AEMO intends to operate the tenders in accordance with the spirit and wording of the Final Rule and NER.</p> <p>In the Tender Notice, AEMO will endeavour to provide as much information as it can whilst ensuring the integrity of the tender process.</p>
2	Enel X	Enel X support AEMO's decision to restrict DNSP participation in the tender process for reasons of confidentiality.	AEMO notes the comment from ENEL X.
3	Enel X	Enel X agree the CER Roadmap consultations are the appropriate forum to address the emerging needed for closer ties between orchestrated DER/CER and the Distribution network System Operator (DSO) role.	AEMO notes the comment from ENEL X
4	Enel X	Enel X support AEMO's decision to set the timing of payments under participation agreements at monthly in arrears. This approach ensures Enel X can provide benefits to facility owners in a timely manner. A less frequent payment cycle would erode the financial evaluation of VSR participation and flow through into higher tender prices for the VSR Incentive Mechanism.	AEMO notes the comment from ENEL X.
5	CS Energy	<p>CS Energy agrees with other stakeholders that ensuring that the selection criteria are transparent is important in upholding the integrity of, and confidence in, the tender process. Communicating these criteria also assists in signalling to participants what kind of products/ services AEMO is seeking. However, CS Energy agrees with AEMO that sharing details surrounding criteria weighting would be an unnecessary and unwarranted extension of this transparency.</p> <p>Publication of these weightings would undoubtedly lead to narrowing of the types of participants running for tender as bidders would overly-emphasise certain aspects of their aggregate. This may risk eroding variety in the VSR market, discouraging innovation.</p>	AEMO notes the comment from CS Energy.
6	CS Energy	As a part of the tender process, AEMO is to develop an incentive price cap (\$/MW) to apply to each participation region. While some stakeholders called for the	AEMO notes the comment from CS Energy.

No.	Stakeholder	Issue	AEMO response
		<p>methodology of this price cap to be shared, CS Energy agrees with AEMO's assessment that this would potentially lead to 'gaming' of the mechanism.</p> <p>If the methodology for calculation of the price cap were shared, participants would be able to make reasonable assumptions to assist them in back solving for the cap and submitting offers accordingly. CS Energy believes it is of the utmost importance that the VIM's integrity and credibility be upheld through an equitable tender process, and hence, commends AEMO for maintaining their stance on this issue.</p>	
7	CS Energy	CS Energy believes DNSP visibility of VSR operations will be important to facilitate the safe, secure and reliable operation of distribution networks. However, their participation in the VIM process does not appear warranted. CS Energy agrees with AEMO's assessment; that impacts of CER aggregation on DNSP forecasting are best addressed through more appropriate avenues, such as the VSR guidelines or CER roadmap consultations.	AEMO notes the comment from CS Energy.
8	GridBeyond	<p>While the draft VIM Procedure sets out clear eligibility, tender, and payment arrangements, it does not address whether a resource participating under a VIM agreement can concurrently be enabled for Frequency Control Ancillary Services (FCAS). This omission creates uncertainty for aggregators and asset owners to fully assess the opportunity for participation. Without explicit guidance, participants risk entering into VIM agreements without a full understanding of how FCAS enablement may affect their ability to meet VIM performance obligations, potentially leading to non-compliance or unintended exclusion from either service. We recommend that the final VIM Procedure include explicit guidance on the interaction between VIM participation and FCAS enablement. This could be achieved by either:</p> <ul style="list-style-type: none"> <li>Stating directly whether a VIM participant may also be enabled for regulation and/or contingency FCAS during the VIM agreement term; or</li> <li>Including a cross-reference to the relevant provisions in the Market Ancillary Services Specification (MASS) and Dispatch Procedure, noting how these obligations apply to VIM participants.</li> </ul>	The VIM Procedure deals with how a participant can engage in the tender process. Information about how a participant would participate in dispatch is detailed in the VSR Guideline. AEMO recommends that GridBeyond reviews that consultation page <sup>3</sup> for further information about VSR participation in the ancillary services markets.
9	GridBeyond	We support the draft Procedure's commitment to providing a minimum of six weeks' notice prior to each tender. However, to improve bid readiness and reduce participant risk, we recommend that AEMO publish the draft technical	AEMO agrees with GridBeyond that it is an issue for participants that wish to participate in the VIM tenders that the technical specifications will not yet be published.

<sup>3</sup> <https://www.aemo.com.au/consultations/current-and-closed-consultations/voluntarily-scheduled-resources-guidelines-consultation>

No.	Stakeholder	Issue	AEMO response
		requirements for dispatch mode as early as practicable in advance of the tender process. This should include the specific performance monitoring methodology that will be used to determine VIM payment eligibility, so participants can assess their capability to meet these requirements before submitting offers. Early release of these specifications will allow participants to assess technical feasibility and make necessary preparations, ultimately improving the quality and diversity of bids received.	AEMO is trying to strike a balance between giving the successful tenderers time to prepare for the commencement of the incentive period against the need to have technical specifications in place before commencing the first VIM tender. In recognition of this, AEMO has committed to publish the portion of the technical specifications that are known, prior to commencement of the first VIM tender.
10	Origin Energy	In designing the Dispatch Mode framework, the AEMC recognised that additional short-term incentives would be required to encourage participants to form VSRs. It is critical that participants have a clear view of the quantum of these incentives to enable them to determine whether they will participate in Dispatch Mode. Noting there are administrative and system costs involved in establishing and operating a VSR, participants will need to be confident that the benefits of participation outweigh the costs.	AEMO notes the comment from Origin Energy.
11	Origin Energy	<p>We note the National Electricity Rules (NER) require AEMO to keep the Incentive MW Price Cap confidential. However, if limited information on the value / calculation of this cap is shared, participants will have poor visibility of potential incentives which could result in low VSR participation and ultimately undermine the utility of the framework. To support participant decision-making, AEMO should:</p> <ul style="list-style-type: none"> <li>Publish the methodology / modelling employed to calculate the Incentive MW Price Cap (including any key assumptions). AEMO has indicated it may use the cost benefit analysis previously prepared for the AEMC by IES, to inform its price cap determination – we would encourage AEMO to confirm if this is the case.</li> </ul> <p>Share how the prices paid under participation agreements compared against the Incentive MW Price Cap, after each tender round. AEMO could provide an aggregated / summary view.</p>	<p>AEMO notes Origin Energy’s comments. AEMO recognises the need for transparency however, it also needs to make sure that the integrity of the market is protected. Publication of the methodology may allow for participants to back solve the price cap and therefore ‘game’ the tender process. Refer to section 4.1 of this final determination above.</p> <p>NER 3.10B.4 has reporting requirements for AEMO, including an analysis of prices payable under Participation Agreements.</p>
12	Origin Energy	Lastly, noting important changes to Dispatch Mode may be recommended by the NEM Review Panel in its final report to Energy Ministers, we encourage AEMO to revisit this Procedure and consider whether it remains appropriate following the completion of the Panel’s review.	AEMO notes the comment from Origin Energy.
13	CitiPower Powercor and United Energy	<p>Specifically, we are concerned about the enrolment process for VSR and their bids into the market.</p> <p>Our response to the VIM relates to how a VSR is initially registered. If the VIM process is the mechanism as to how VSRs are registered then we believe that</p>	<p>The VIM process is largely independent albeit a winning tenderer will be expected to comply with procedures and guides applicable to a VSR, including the VSR Guideline. Please refer to clause 4.3 of this final determination above.</p>

No.	Stakeholder	Issue	AEMO response
		DNSPs will need the technical detail (and not financial detail) of that registration. If the VIM process is independent of VSR registration, then we believe that DNSPs do not need to be involved in the VIM process.	
14	CitiPower Powercor and United Energy	<p>AEMO references in Section 4.3 DNSP Engagement in the Process, that DNSPs will have access to the following data:</p> <ul style="list-style-type: none"> <li>• NMIs in their network that are within a VSR DUID</li> <li>• Access to standing data for VSR (including VSR mode)</li> <li>• Visibility, alongside VSRPs and AEMO, of five-minute metering data</li> </ul> <p>CitiPower Powercor and United Energy believe that as part of the registration of the VSR we will also need to know the size (kW/MW) of the asset at each NMI that is registered. That will allow us to assess whether the connection agreement with that customer (NMI) will need to change due to local network constraints.</p>	AEMO notes the comment from CitiPower Powercor and United Energy and refers to the responses in the VSR Guideline second draft determination <sup>4</sup> and to section 4.3 of this final determination above.
15	CitiPower Powercor and United Energy	<p>CitiPower Powercor and United Energy also believe that we will need to know the VSRP bid (MW) when it is placed, and the disaggregated values (kW/MW) per NMI. This will allow us to update any operational constraints (e.g. DOEs ) and inform the VSRP of the impacts. We do not need and do not expect to receive any financial bidding information. By having this information, we can work with the VSRP to achieve the best possible network outcome so the bid can be executed as submitted. Without this information, DNSPs will need to make conservative decisions on operational constraints to ensure the safety and security of the distribution network and that all customers (and not just the VSRP) are able to receive the appropriate quality supply level. In practical terms this means the VSRP would be restricted from maximising their bidding potential.</p>	AEMO notes the comment from CitiPower Powercor and United Energy and refers to the responses in the VSR Guideline second draft determination and to section 4.3 of this final determination above.
16	CitiPower Powercor and United Energy	<p>When non-market solutions are mature and embedded by the DNSPs, there will also be the opportunity to shape DOEs to enhance local capacity to expand overall wholesale market opportunities.</p> <p>As referenced in our second stage consultation submission to the VSR Guidelines, distribution networks are designed with a number of operational principles around diversity of load. The use of customer assets in a VSR removes this diversity and has the real impact of effecting voltage and thermal limits in the lower levels of our distribution network. CitiPower Powercor and United Energy are supportive of the VSR concept and allowing customers to maximise the use of their assets, however we have obligations to all our customers and our operational model must bias</p>	AEMO notes the comment from CitiPower Powercor and United Energy.

<sup>4</sup> <https://www.aemo.com.au/consultations/current-and-closed-consultations/voluntarily-scheduled-resources-guidelines-consultation>



No.	Stakeholder	Issue	AEMO response
		towards maintaining those thermal and voltage limits so that no customers are impacted.	