



# VSR Incentive Mechanism Procedure

Consultation paper -  
Standard consultation for the  
National Electricity Market

**Published: 1 April 2025**

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

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## Explanatory statement and consultation notice

This consultation paper commences the first stage of the standard rules consultation procedure conducted by AEMO to develop the Voluntary Scheduled Resource (VSR) Incentive Mechanism Procedure (VIM Procedure) (**Proposal**) under National Electricity Rules (**NER**) 3.10B.2(c). The standard rules consultation procedure is described in NER 8.9.2. AEMO is developing the VIM Procedure as part of the implementation of the Integrating price-responsive resources (IPRR) into the National Electricity Market (NEM) reform project.

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

The final Rule included 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 have been 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 will publish a final determination by 27 October 2025 in the anticipation of a first VIM tender tentatively scheduled to take place in the second quarter of 2026.

This consultation paper sets out AEMO’s initial considerations and positions in respect of the requirements and processes specified in NER 3.10B.2(d), for stakeholder consultation. Included with this consultation paper is a list of requirements for consultation that AEMO intends to include in the VIM Procedure. AEMO will provide a draft of the Guidelines at the draft report stage of this consultation.

### Consultation notice

AEMO is now consulting on this Proposal and invites written submissions from interested persons on the issues identified in this paper to [NEMReform@aemo.com.au](mailto:NEMReform@aemo.com.au) by **5:00pm (Sydney time) on 2 May 2025**.

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>. Subject to those guidelines, submissions will be published on AEMO’s website.

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. Please refer to NER 8.9.1(k). 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 will publish a summary of matters discussed at stakeholder meetings.

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# 1. Stakeholder consultation process

As required by the National Electricity Rules (**NER**) clause 3.10B.2(c), AEMO is consulting on the VIM Procedure (**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 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
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
Final report published	Monday, 27 October 2025

Prior to publication of this consultation paper, AEMO conducted a pre consultation workshop<sup>1</sup> to introduce the VIM and to seek early stakeholder input on the issues that industry would like to see discussed in the consultation paper. This workshop was attended by approximately 40 representatives from AEMO and industry.

<sup>1</sup> [https://aemo.com.au/-/media/files/initiatives/integrating-price-responsive-resources-into-the-nem/iprr\\_vim-procedures\\_preconsultation\\_fg\\_4mar2025.pdf?la=en](https://aemo.com.au/-/media/files/initiatives/integrating-price-responsive-resources-into-the-nem/iprr_vim-procedures_preconsultation_fg_4mar2025.pdf?la=en)

## 2. Background

### 2.1. Context for this consultation

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 (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 AEMC's 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.

The IPRR dispatch mode commences in May 2027. Alongside the dispatch mode framework (VSR Guideline)<sup>2</sup>, the AEMC's 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 will be 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 Integrating price-responsive resources website <sup>3</sup>under its NEM Reform program.

### 2.2. NER requirements

This section provides the requirements placed on AEMO by the AEMC's final IPRR rule in relation to the VIM procedure.

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

- 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:

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<sup>2</sup> [https://aemo.com.au/-/media/files/stakeholder\\_consultation/consultations/nem-consultations/2025/voluntarily-scheduled-resources-guidelines-consultation/development-of-the-vsr-guidelines---consultation-paper.pdf?la=en](https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2025/voluntarily-scheduled-resources-guidelines-consultation/development-of-the-vsr-guidelines---consultation-paper.pdf?la=en)

<sup>3</sup> <https://aemo.com.au/initiatives/major-programs/nem-reform-program/nem-reform-program-initiatives/integrating-price-responsive-resources-into-the-nem>

- (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

- 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.

## 2.3. The national electricity objective

Within the specific requirements of the NER applicable to this proposal, AEMO will seek to make a determination that is consistent with the national electricity objective (NEO) and, where considering options, to select the one 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.

In developing the VIM Procedure, AEMO must also be consistent with the VIM objective and the VIM principles. These are listed in section 2.2 above.



## 3. Proposal discussion

### 3.1. Description and effect of proposal

AEMO is seeking stakeholder input on the development of the draft VIM Procedure which will specify, amongst other things:

- The criteria for participation
- Any further requirements to receive external funding (where applicable)
- Procedure for operating the incentive mechanism and timing of each tender process
- Assessment criteria and methodology AEMO will apply in selecting successful bids
- Timetable for settlement
- Requirements for a participation agreement

NER 11.180.3 requires AEMO to publish the VIM Procedure by the earlier of 1 December 2026 and the date of the first VSR tender. To enable participants and AEMO to develop systems and processes with enough time to participate in the first tender, the final VIM procedure will be published 27 October 2025.

More information on the IPRR rule can be found on the AEMC website<sup>4</sup>.

Those intending to participate in dispatch mode should refer to the VSR Guidelines consultation<sup>5</sup> for more information on how they can participate.

#### How AEMO will operate the VIM

The IPRR rule requires AEMO to run a minimum of two tenders. AEMO is still relatively early in its considerations as to how it will operate the VIM tenders, at this stage AEMO is intending to do the minimum two as required by the NER. However, AEMO is adopting a flexible approach which will evolve over time depending on the success of the first tender and what is learnt.

AEMO intends to run the tenders in line with current AEMO practices. Those familiar with how AEMO operates the Reliability and emergency reserve trader (RERT) tenders<sup>6</sup> will recognise the AEMO approach to operating the VIM tenders.

AEMO will determine an optimal market approach strategy and contract model for the VIM based on the outcomes of a pre-tender market engagement process (stakeholder consultation and market sounding stages). Information gained from these stages may inform:

1. Whether a single or multi-stage tender is best suited.
2. The type of tender process to be adopted. For example, an Expression of Interest, Request for Proposal, Request for Tender or a combination.

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<sup>4</sup> <https://www.aemc.gov.au/rule-changes/integrating-price-responsive-resources-nem>

<sup>5</sup> <https://aemo.com.au/consultations/current-and-closed-consultations/voluntarily-scheduled-resources-guidelines-consultation#:~:text=The%20VSR%20Guidelines%20will%20provide,participation%20in%20the%20dispatch%20mode>

<sup>6</sup> <https://aemo.com.au/energy-systems/electricity/emergency-management/reliability-and-emergency-reserve-trader-rert>

3. The type of contract model to be used. For example, sole supply, panel arrangement, categorisation of services, applicable terms and conditions, contract operational considerations etc.

As mentioned above, AEMO proposes to design and implement a market engagement process that includes the following:

- Engagement with key stakeholders to gain improved understanding and refinement of the need and specifying the requirement necessary to deliver against the VIM Objective and Principles.
- Market sounding with potential VIM participants to discuss the VIM requirements, define scope of services, potential market approaches, timing of procurement activities, selection methodology and criteria, participation requirements, contract models, opportunities and constraints, participant capacities, capabilities and competitive appetite, viability and sustainability of potential offers, marketability of the offering, and innovation and value improvement options.

AEMO anticipates that the first tender will be well subscribed with plenty of diversity in terms of location, resource type, capacity, capability etc. AEMO expects that the second tender will seek to compliment and build upon the first, by:

- leveraging from the acquired learnings from the first tender and performance of the resultant VSRPAs.
- capitalising on identified improvement opportunities (where possible).
- address any identified or perceived gaps.
- consider the inclusion of alternate and/or innovative offers; and
- consider the relative value achieved and the total expenditure outlay in relation to the allocated \$50m cap (but within the VSR price cap).

There is no indicative timing of the second tender at this time.

Participants should not assume that the tender process will be a simple call for tender, AEMO may choose to proceed with a multi-stage process, for example, by starting with an expression of interest stage as a first step. AEMO will however, endeavour to make the tendering process as simple, low cost and minimal effort to the participant as practical.

Finally, during the incentive period, AEMO will monitor the performance of the contracted arrangements and consider the relative value for money being achieved against the objectives and total payments made to VSRPs.

### **General requirements for the VIM**

The new rule provides a limit of \$50 million on the overall total amount AEMO can allocate through the VIM. However, the total amount available can be topped up by state and federal Governments or their agencies. The NER sets out specific requirements about how AEMO would manage tenders if external funding is received. There is also a price cap expressed in \$/MW which AEMO may not exceed in each tender. The price cap is to be determined by AEMO and it must be less than the VSR benefits that AEMO expects to accrue from VSR participation in central dispatch. Note that the price cap for each region will not be made public.

AEMO must run a minimum of two tenders during the incentive period. AEMO may choose to run more tenders although participants should note that at this time, AEMO has not made any decision whether or not to run more than two tenders. Intending participants are encouraged to submit responses to the

first tenders to maximise their opportunity, as there is no surety that the second or any subsequent tender will provide equal or improved opportunities to participate in the VIM.

NER 3.10B.2(d)(5) sets out the requirements for offers submitted in a tender including:

- That the bids be expressed in \$/MW.
- That they are specific to a region.
- Which specific types of qualifying resources/voluntary scheduled resources are offered.
- The proposed term of the VIM Participation agreement if successful.
- The proposed availability of the asset of the successful tender.

An important and fundamental inclusion in the VIM procedure and participation agreement will be provisions around probity and confidentiality. To ensure confidence in the process the VIM procedure will place requirements on both AEMO and participants to:

- Maintain the integrity and security of the process.
- Provide nominated contacts.
- Restrict interactions to nominated contact people.
- Correspond in writing.
- Treat everyone fairly and equitably.
- Ensure the confidentiality of all procurement and tender information is protected and maintained (this includes tender submissions, evaluation processes and outcomes, negotiations and VSRPAs).

In the tender documents published by AEMO, the initial notice (be it expression of interest, request for proposal or request for tender) will include the specification of the type of capability that is seeking in the tender process. For example:

- The types of technology.
- The capacity.
- The capacity factor.
- Which region(s).
- Capability.
- Any operational limitations or constraints on the resource.

The selection criteria will also be included in the initial notice. Participants should be aware that AEMO is not intending to publish the specific weighting for each selection criteria, rather, participants in the tender will be encouraged to put forward their 'best offer' with each offer.

Successful tenderers will then need to negotiate a participation agreement with AEMO.

#### Questions

#### 1. Do you agree with AEMO's initial approach to conducting the VIM tenders?

## 3.2. How the proposal meets the objectives

The IPRR rule change resulted from an extensive stakeholder process conducted by the AEMC. As part of the stakeholder process, the AEMC considered the rule change against the NEO and concluded:

*"The Commission's modelling and analysis demonstrates that dispatch mode is likely to result in net benefits to consumers of \$800m. This includes estimates of the benefits calculated through market modelling out to 2050 of \$834m and costs of implementing dispatch mode and the incentive mechanism of \$34m."*

The VIM is intended to encourage participation in dispatch mode by lowering barriers to entry therefore making it easier to participate and thus realise those forecast benefits.

AEMO is guided by the VSR incentive objective and VSR incentive principles in designing the VIM tenders and VIM procedure. AEMO must also not exceed that price cap which AEMO is required to calculate as less than the benefit of the VSR participating in dispatch.

### 3.3. Proposed effective date

AEMO proposes to make the VIM procedure effective from the date of publication of the final determination. This is to enable participants and AEMO to develop systems and processes with enough time to participate in the first tender, the final VIM procedure will be published 27 October 2025.

### 3.4. Issues for consultation

#### 3.4.1. Description of clauses

Section 4 has a table which summarises the substantive clauses that AEMO intends to include in the VIM procedure along with a simplistic description of the meaning of the clause.

#### 3.4.2. Time to prepare

The VSR Incentive Mechanism operates during the ‘incentive period’ of 1 April 2026 to 31 December 2031.

- AEMO is proposing the incentive mechanism procedure development and first tender process be run well in advance of the dispatch mode commencement. Earlier timing of the procedure and first tender is intended to provide more certainty for participants, which supports earlier participation in dispatch mode.
- Stakeholders have provided early feedback that ‘dispatch mode’ technical specifications are needed in sufficient time for their vendors to quote for system development and build, so those quotes can then be used as an input into their VIM tender. AEMO will endeavour to release a draft of technical specifications as early in the delivery timeframe as possible with updates on a monthly basis to ensure currency of design and to provide early insight into the design.

[illegible]

Questions
2. Based on the proposed timeline, is there enough time from the publication of the final VIM procedure to the date of the first tender for your business to prepare?
3. If not, please explain why?
4. Is there enough time from the completion of the tender, for your business to prepare to participate in dispatch?
5. If not, please explain why?

### 3.4.3. Objective and Principles

AEMO must operate the VSR incentive mechanism in accordance with a VSR incentive objective which is defined in NER 3.10B.1:

**“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.”

The new rule also requires that the VSR incentive procedures must give effect to the VSR incentive principles. The VSR incentive principles are defined in NER 3.10B2(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*.”

#### Questions

6. Do you agree that AEMO will achieve the VSR incentive objective and VSR incentive principles in its proposed VIM procedure?

7. If not, please explain why?

## 4. Proposed high level procedure inclusions

To help interested parties respond to this consultation paper, AEMO has included layman's descriptions of the types of clauses that will be included in the draft VIM procedure that AEMO proposes for consultation.

	Clause	Description	NER Clause
<b>Pre-tender processes</b>			
1	AEMO to determine the MW price cap and notify AER and AEMC	AEMO must determine a price cap (\$/MW) that is to apply in each region. This price will remain confidential	3.10B.2(g)-(h)
2	AEMO to provide a market notification of upcoming tender which will include:	A requirement on AEMO to provide a minimum 4 weeks notification of an upcoming tender.	
3	<ul style="list-style-type: none"> <li>Pre-tender Notice and proposed sourcing strategy</li> </ul>	Requirement that the notification of upcoming tender must provide a guide as to how AEMO will conduct the tender (single or multi-stage etc)	
4	<ul style="list-style-type: none"> <li>Specification of Need</li> </ul>	A requirement that the tender documentation will include details of AEMO's preferences (where applicable) for technology type, location, capacity, capacity factor, and 'hibernation mode' <sup>7</sup> limits	
5	<ul style="list-style-type: none"> <li>Qualification criteria to participate</li> </ul>	The minimum requirements for participation in the tender process.	
6	<ul style="list-style-type: none"> <li>Indicative procurement timetable</li> </ul>	A requirement that AEMO provides the indicative timetable for tender activities with the notice of upcoming tender.	
7	<ul style="list-style-type: none"> <li>AEMO to include certain information in tender documents</li> </ul>		
9	<ul style="list-style-type: none"> <li>Background and Terms of Tender (bid rules)</li> </ul>	AEMO must notify the bid rules in the tender documents	
10	<ul style="list-style-type: none"> <li>Key tender dates and contact details</li> </ul>	Both AEMO and the participant must provide details for key contacts/authorised officer holders.	
11	Specification of Requirements	AEMO must provide specification of requirements with tender documents which defines what participants are bidding for.	
12	Draft VSR Participation Agreement	AEMO must provide a draft participation agreement with the notice of tender.	
13	Tender Response Schedules.	Requirements on AEMO and participants must provide information or decisions.	
<b>Probity and confidentiality</b>			
14	Probity and Confidentiality provisions apply	AEMO will ensure the VIM procurement processes are conducted in accordance with AEMO's Probity Guideline (to be developed).	

<sup>7</sup> The AEMC's final rule establishes modes of operation, called "dispatch mode" and "hibernation mode".



	Clause	Description	NER Clause
15	Communications must be in writing and only with Contact Person	Requirement on both AEMO and participants.	
16	Rules around time extensions for tenderers	AEMO may provide time extension for bidders, application must be made in writing and before the due date.	
17	All parties that participated in the tender will be notified in writing of the outcome	Requirement on AEMO to provide result to all participants in the tender, not just the winning bid. Details of successful bids and final prices will not be provided to unsuccessful bidders.	
18	Final VSR Participation Agreements treated as commercial-in-confidence.	Requires AEMO to treat participation agreements as commercial in confidence.	
<b>Evaluation and participation agreement</b>			
19	Evaluation of tender responses in accordance with approved evaluation methodology. Assessment criteria.	<p>AEMO must attempt to meet the VIM objective and apply the VIM principles. AEMO will apply generally accepted standards when conducting tenders.</p> <p>AEMO must assess tenders in line with the statement of need.</p> <p>AEMO will conduct the tenders in line with its VIM procurement strategy. Note that AEMO will not publish the procurement strategy, participants are encouraged to provide their best offer.</p>	
20	The short-listed tenderers will be required to negotiate and agree a VSR Participation Agreement which includes:		
21	<ul style="list-style-type: none"> <li>Resources</li> </ul>	The type of technologies and a description of their capabilities. The total capacity of the resources. Location	
22	<ul style="list-style-type: none"> <li>Performance criteria</li> </ul>	Description of Capacity factor, periods of availability	
23	<ul style="list-style-type: none"> <li>Pricing</li> </ul>	Agreed price expressed as \$ per MW	3.10B.2(j)(3)
24	<ul style="list-style-type: none"> <li>Participation in dispatch requirements</li> </ul>	A requirement that the resource/s participate in dispatch.	3.10B.2(i)(2)
25	<ul style="list-style-type: none"> <li>Term of contract (1-3 years)</li> </ul>	The minimum period of contract is 1 year, the maximum is 3 years.	3.10B.2(j)(2)
26	<ul style="list-style-type: none"> <li>Termination rights</li> </ul>	Description of the rights of both parties to terminate the agreement.	
27	<ul style="list-style-type: none"> <li>Requirements for any external funding</li> </ul>	Any rights, obligations or limitations as a requirement of receiving external funding (for example location within a jurisdiction, or a certain technology type).	3.10B.2(j)(4)
28	<ul style="list-style-type: none"> <li>All tender responses will be treated as commercial-in-confidence, including the outcome</li> </ul>	Aligning the participation agreement with requirements in the VIM procedure.	3.10B.2(k)
29	<ul style="list-style-type: none"> <li>Hibernation mode</li> </ul>	Documenting the periods in which the resource is inactive or hibernating. The VSR Guidelines will set out the operational requirements for VSR deactivation and temporary hibernation.	



	Clause	Description	NER Clause
30	<ul style="list-style-type: none"> <li>Successful tenderers must be ready and able to participate in dispatch mode at commencement of a VSR Participation Agreement</li> </ul>	<p>A tender participant need not be a Market Participant at time of tender but must be able to participate in the dispatch process upon commencement (i.e. must be a registered Market Participant at that time).</p> <p>Intending tender participants should note that the process for registration as a market participant is a significant investment in time and effort and should not be underestimated.</p>	
31	<ul style="list-style-type: none"> <li>Successful tenderers operate VSR/s in dispatch mode.</li> </ul>	A requirement that successful tenderers will participate in dispatch mode.	3.10B.2(i)(2)
<b>During period of participation agreement</b>			
32	Compliance with VSR Guidelines and any other obligations for services provided	A requirement that successful tenderers will be required to comply with other NEM procedures and guidelines e.g. market registration, ancillary services procedures and VSR guideline.	
33	Timetable for payments	Details the timing of payments for successful tenderers.	
<b>AEMO Reporting obligations</b>			
34	AEMO to report:	In alignment with the NER, AEMO will be required to report as below.	
35	<ul style="list-style-type: none"> <li>Aggregate of payments made under VSR Participation Agreements</li> </ul>	Individual payments will kept commercial in confidence.	3.10B.4(a)
36	<ul style="list-style-type: none"> <li>Summary of outcomes</li> </ul>	How the VIM tenders achieved the VSR Incentive objective.	3.10B.4(b)(1)
37	<ul style="list-style-type: none"> <li>Description of learnings and insights gained from VIM</li> </ul>	Including any shortfalls in diversity of resources.	3.10B.4(b)(2)
38	<ul style="list-style-type: none"> <li>Analysis of prices paid under VSR Participation Agreements</li> </ul>	Individual payments will kept commercial in confidence.	3.10B.4(b)(3)
39	<ul style="list-style-type: none"> <li>Analysis of participating resources</li> </ul>	To be reviewed against the VSR incentive principles	3.10B.4(b)(4)
40	<ul style="list-style-type: none"> <li>Any other information considered relevant.</li> </ul>		3.10B.4(b)(5)
<b>Other matters</b>			
41	External funding	Requirement on AEMO to operate a tender or part of a tender in line with requirements of external funding. For example, tied to a specific region or technology type/s.	

AEMO is interested in stakeholder feedback as to whether the proposed clauses will ensure that the appropriate rights and obligations of AEMO and VSRP's will be addressed if these clauses are in the VIM procedure. Following stakeholder feedback, AEMO will publish a complete draft of the VIM procedure with the draft determination.

#### Questions

8. Do you agree that AEMO has captured the key clauses in this table?

9. If not, please explain why?

10. Do you have any comments to specific clauses?

## 5. Summary of issues for consultation

The AEMC final rule (National Electricity Amendment (Integrating price-responsive resources into the NEM) Rule 2024) allows aggregated consumer energy resources (CER) to be scheduled and dispatchable in the NEM.

The final Rule included an incentive mechanism to encourage participation in dispatch mode – the VIM. AEMO has proposed content for the VIM Procedure considering:

- AEMO must develop, publish and maintain, and may amend, the VIM procedure.
- The VIM procedure must give effect to the VSR incentive principles, and
- The VSR incentive principles are that the VIM procedure should be structured and run in a way that achieves the VSR incentive objective.

Submissions may be made on any matter relating to the proposal discussion in this consultation paper. AEMO would welcome comment and feedback on the following matters:

Section	Questions
3.1 Description and effect of proposal	1. Do you agree with AEMO's initial approach to conducting the VIM tenders?
3.4.2 Time to prepare	2. Based on the proposed timeline, is there enough time from the publication of the final VIM procedure to the date of the first tender for your business to prepare? 3. If not, please explain why? 4. Is there enough time from the completion of the tender, for your business to prepare to participate in dispatch? 5. If not, please explain why?
3.4.3 Objectives and principles	6. Do you agree that AEMO will achieve the VSR incentive objective and VSR incentive principles in its proposed VIM procedure? 7. If not, please explain why?
4 Proposed high level procedure inclusions	8. Do you agree that AEMO has captured the key clauses in this table? 9. If not, please explain why? 10. Do you have any comments to specific clauses?

AEMO invites written submissions from interested persons on the issues identified in this paper to [NEMReform@aemo.com.au](mailto:NEMReform@aemo.com.au) by **5:00pm (Sydney time) on 2 May 2025**

## Appendix A. Glossary

Term or acronym	Meaning
<b>AEMC</b>	Australian Energy Market Commission
<b>AEMO</b>	Australian Energy Market Operator
<b>AER</b>	Australian Energy Regulator
<b>CER</b>	Consumer energy resources
<b>DER</b>	Distributed energy resources
<b>IPRR</b>	Integrating price responsive resources
<b>RERT</b>	Reliability and emergency reserve trader
<b>VIM</b>	VSR Incentive Mechanism
<b>VSR</b>	Voluntary scheduled resource
<b>VSRP</b>	Voluntary scheduled resource provider
<b>VSRPA</b>	Voluntary Scheduled Resource Provider Agreement