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Australian Energy Market Commission
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Dear Ms Mollard

Fast Frequency Response – indicative implementation costs

AEMO has conducted an impact assessment of the implementation of the draft ESB post-2025 reform initiatives. This includes identification of core business processes and systems impacted and an indicative estimate of the establishment costs involved in implementing the reform initiatives.

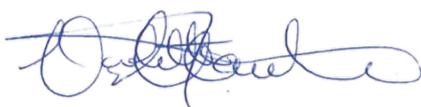
Fast frequency response is one of the initiatives on the Energy Security Board's reform pathway. I provide details of the impact assessment for the AEMC's use in the rule change process, noting that this is a planning-level estimate and detailed planning is still required, which may alter the work involved and the ultimate costs of implementation. AEMO also notes that these only cover AEMO's impacts and costs and do not include costs by market participants or others that may result from this reform.

The assessment assumed that the new service would be similar to existing contingency FCAS, requiring IT changes (mainly to the dispatch suite and settlement systems) and business changes, including the creation of new constraint equations to define the FFR product quantities, and re-working existing FCAS constraint equations to accommodate. It would also require creation of the technical specifications and inclusion into the Market Ancillary Services Specifications (MASS). Registration fees will be charged directly, and so these are excluded.

On these assumptions, AEMO has estimated the indicative establishment costs to be between \$4 million to \$6.5 million. There may be ongoing operating costs, which will be determined once detailed planning has been undertaken.

I would be happy to discuss further.

Yours sincerely



Violette Mouchaileh
Chief Markets Officer