

8 February 2022

Ms Anna Collyer  
Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2001  
Via email: [anna.collyer@aemc.gov.au](mailto:anna.collyer@aemc.gov.au)

*Anna*

Dear Ms Collyer

### Request for advice on design elements, cost and timing of operating reserve market

Thank you for your letter sent on 23 December 2021 regarding AEMC's request for advice on design elements, cost and timing of an Operating Reserve market. We look forward to delivering this advice by 30 June 2022 as requested and welcome the opportunity to support the Commission's considerations for the long-term interests of consumers.

We will use the indicative working model provided as a starting point for advice, and we note that it may be subject to change in the future in response to our advice, further considerations, and stakeholder feedback.

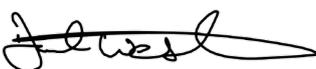
AEMO has commenced preparation of advice for:

1. The development of an operating reserve demand curve based on the principles outlined in your letter.
2. The development of a cost recovery mechanism for the market. We appreciate the offer of AEMC support with stakeholder engagement and will aim to progress stakeholder engagement jointly.
3. On the reserves obligation and interactions with dispatch and other processes, we note your clarification that this does not include advice on the general compliance framework; and
4. The direct implementation costs and proposed timing of an operating reserve market.

AEMO has very much appreciated the collaborative nature of the ESB working group and are committed to this continuing.

We look forward to working with the Commission on this important project.

Yours sincerely,



Daniel Westerman  
Chief Executive Officer

