

To Energy Policy WA – energymarkets@dmirswa.gov.au
Subject Response to Cost Allocation Review Consultation Paper
Date 1 February 2023

Good Afternoon

As both a significant generator and retailer, Perth Energy is keen to ensure that all electricity market costs are appropriately assigned. The general principle of cost allocations is based on a principle of benefitting users pay. As such, all market participants should, as far as is practical and economically efficient, pay costs and receive payments that are directly linked to their specific operations. In general, we consider that this has been achieved within the proposed cost allocations.

One significant caveat we would place on the proposed changes is that costs need to be predictable. Customers and Market Participants must be able to budget for ongoing electricity costs and generally seek supply proposals for at least two or three years into the future to establish the most efficient sales and purchase contracts.

Costs discussed in this consultation paper are predicted to be some tens of millions of dollars, representing a significant impact on retail prices. Perth Energy, along with other retailers and customers, are already facing the uncertainty of not knowing what network access charges will apply after July. We would not want this situation to extend to market fees and essential system services charges.

Perth Energy made similar comments directly to AEMO and the ERA during the Determination process.

Response to questions posed in the Consultation Paper

Consultation Question 1:

Do stakeholders support:

(a) Retaining the current method for allocating Market Fees to Market Participants?

Yes

(b) Ignoring recharge energy when allocating Market Fees to storage facilities

Agree that storage facilities should only be charged once but consider that recharge energy would be a more appropriate measure as this is a fairer parallel to charging generators and loads on their gross usage.

Consultation Question 2:

Do stakeholders support:

- (a) Adoption of the WEM deviation Method in 2024/25 to allocate Frequency Regulation costs, subject to a cost/benefit analysis;

Yes

- (b) Reassessment of the New NEM Causer-Pays method to allocate Frequency Regulation Costs in 2027, for potential implementation in 2028/29.

Perth Energy supports the proposed reassessment but, if the new causer pays method requires a significant rebalance in allocation of costs, consideration should be given to the appropriate timing of its introduction.

As an aside, we note that on page 33 of the Paper there is a statement that “Contingency Reserve Raise requirements for many periods could fall with the retirement of Collie (318 MW) and proposals for battery units of 250 to 300 MW”. Surely such large batteries will require Contingency Reserve Raise to be sustained at close to current levels to cover a trip when operating at high levels of discharge.

Consultation Question 3:

Do stakeholders support treating separately the units in a Facility for the purpose of calculating the Facility’s Contingency Reserve Raise costs, if each of these units have separate network connections?

As a general rule, yes, Perth Energy supports this. However, it is essential that AEMO ensure that there are no other points of common mode failure that could take all units off-line simultaneously. Thorough assessment of control, management and protection systems would need to be undertaken to demonstrate that units connected at separate network connections are genuinely operationally independent.

Consultation Question 4:

Do stakeholders support the proposal to allocate Contingency Reserve Lower costs to loads using the proposed modified runway method?

Yes.

Consultation Question 5:

Do stakeholders support retaining the current System restart cost allocation method?

Yes

Consultation Question 6:

Do stakeholders support retaining the current NCESS cost allocation method and to review this once a number of NCESS has been procured?

Yes, we support retention of the current allocation process. As with question 2, we support reviewing this based on experience but would not support significant changes to cost allocation unless there is sufficient time to notify customers.

Should you have any questions please do not hesitate to contact me at p.peake@perthenergy.com.au or on 0437 209 972. This submission may be made public.

Kind regards

Patrick Peake

Patrick Peake

Senior Manager WA EMR

m: 0437 209 972

e: p.peake@perthenergy.com.au

I am based in the Perth Office and work Tuesday, Wednesday and Thursday