
From:

Sent: Wednesday, 30 August 2023 10:00 AM

To: EPWA - Submissions <EPWA-Submissions@dmirs.wa.gov.au>

Cc:

Subject: RE: Draft Voluntary Embedded Networks Code of Practice - Submission

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Hi EPWA,

Following Enpowered's submission on the draft Voluntary Embedded Networks Code of Practice, we would like to reiterate the importance of our first point of feedback (*Underlying Electricity Costs Escalating Faster Than Benchmark Default Flat Rate Tariffs*), especially given the recent announcements by AEMO on future reserve capacity price increases.

In our letter we addressed the disconnect between the expected rate of escalation in the A1 and L1 tariffs, and the potential future underlying costs of grid-supplied electricity, and how this may jeopardise the feasibility of embedded networks, particularly for embedded networks that are providing 100% renewable energy at significantly lower profit margins. As such, we believe the proposed Default Flat Rate Tariffs should be cost-reflective and accommodate changes in underlying electricity cost escalations.

Our concern has been demonstrated through the recent announcement by AEMO of the increase in the cost of reserve capacity, part of the underlying cost of grid-supplied electricity:

- When we made our submission, we outlined how AEMO reserve capacity prices had increased ~3% over the preceding 12 months.
- However, the release of the 2024-25 reserve capacity prices by AEMO shows that reserve capacity costs incurred by Embedded Network Sellers will increase by approximately 30% from 1 October 2024, compared with 1 October 2023¹.

(Note: 1. Based on the increase in the weighted average reserve capacity price, weighted by transitional and non-transitional reserve capacity credits.)

This further supports our proposal that the price regulation within the Code accommodates these cost increases reflective of underlying costs of grid-supplied electricity, as we expect the current proposal for the Default Flat Rate Tariffs (forecast by the Government in the 2023 budget to escalate by 2.5% p.a.) would place further pressure on the viability of providing 100% renewable energy to embedded networks.

We would like to take this opportunity to reiterate our proposed amendment:

It is proposed that the Default Flat Rate Tariff for small use non-residential customers is instead set with regard to the following key principles:

- *A baseline price that is cost-reflective of grid-supplied electricity for the vast majority (e.g. 90%) of on-market small use business customers*
- *The baseline price moves every 1 July relative to the average expected movements in the underlying cost components of grid-supplied electricity over the forthcoming year*

Thank you for the opportunity to comment.

Kind regards,

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Enpowered acknowledges and pays respect to the past, present and future Traditional Custodians and Elders of the Noongar nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.