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12 April 2024

Energy Policy WA
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Cloisters Square WA 6850

Transmitted via email: EPWA-licence-exemptions@dmirs.wa.gov.au

Dear Energy Policy WA

Facilitating co-location of storage works with licenced generating works

Synergy is Western Australia's largest electricity generator, battery operator and retailer.

Synergy appreciates the opportunity to provide feedback to Energy Policy WA (**EPWA**) on its proposal to broaden the class-based transmission and distribution licence exemption for licensed generators to include co-location of storage works with licensed generation works (**licence exemption proposal**).

Synergy provides the following feedback to assist EPWA's consideration of its licence exemption proposal.

1. Proposal to broaden the class-based transmission and distribution licence exemption for licensed generators

Synergy is pleased to support EPWA's licence exemption proposal.

2. A transmission and distribution licence exemption should also apply for storage works in isolation

The licence exemption proposal is intended to apply to:

- a) licenced generating works;
- b) storage works co-located with the licenced generating works; or
- c) a combination of (a) and (b).



However, under the licence exemption proposal, a storage works operator would be required to obtain a distribution and/or transmission licence, if the transmission or distribution network was used exclusively to transport electricity from the storage works to the South West Interconnect System (**SWIS**).

Synergy considers licensed generation and large-scale storage works that do not involve on-site generation should be treated in a non-discriminatory manner with respect to distribution and transmission licence exemptions on the basis that:

- The requirement for a network licence or licences could deter investments in electricity storage works that are essential to support transitioning of the SWIS to more renewable energy sources and maintain security of supply.
- Large scale storage works will increasingly play a greater role in meeting peak load events evidenced by the record peak demand during 18-20 February 2024 whereby storage works contributed significantly in avoiding SWIS load shedding and therefore should be encouraged.
- There are strong commercial incentives and regulatory obligations for operators of storage works connected to the SWIS to keep their network assets in good working order, to ensure battery services are available when called and avoid penalties and non-compliances under the Wholesale Electricity Market (**WEM**) rules and procedures.
- The electricity networks access arrangement revisions and reference services, that commenced on 1 July 2023, contemplate the operation of storage works¹ and storage activity² at a connection point that are independent of generation works.

Regulation that detrimentally affects deployment of large-scale storage works should be removed or not imposed where there is limited benefit in imposing such regulation.

Generation licensing remains a regulatory burden

Synergy has previously advocated amending the *Electricity Industry Act 2004* (**Act**) to remove the requirement for generators to be licenced by the Economic Regulation Authority (**ERA**) in Western Australia and notes EPWA's interim step to amend the relevant exemption order in 2022 to increase the generation licence exemption threshold from 30MW to 100MW.

Substantial costs are still incurred by generation licence holders, specifically:

- licence application fees
- annual licence fees
- standing charges
- annual compliance reporting
- periodic performance audit and asset management reviews
- opportunity costs of diverting generation staff from plant operation to generation licence administration
- generation licence compliance framework establishment, operation and maintenance.

¹ As defined under the Electricity Industry Act 2004.

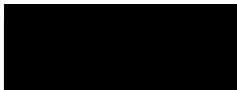
² Ibid.

The advent of the new WEM on 1 October 2023 and the corresponding changes to the access arrangement³ has made the business case for removing generation licences even more compelling. The new WEM includes a detailed and robust regime to monitor, test and regulate technical compliance of generation. The new regime has resulted in significant new generator performance and monitoring standards, a new self-identification and reporting compliance framework and further proposals to extend WEM rule civil penalty provisions, all of which make generation licensing further redundant. Synergy also notes removal of generation licensing would be consistent with the State Electricity Objective.

Holders of generation licences still face uncertainty as to when generation licensing will be removed from the Act as there is no published timeframe in which this is to occur. Consequently, Synergy advocates to EPWA that a further increase to the existing generation licence exemption threshold is warranted pending the necessary legislative amendments to remove the current regulatory burden associated with generation licensing.

Please contact me should you wish to discuss the matters detailed in this submission.

Yours sincerely

A solid black rectangular box used to redact the signature of Simon Thackray.

SIMON THACKRAY
HEAD OF REGULATION AND COMPLIANCE

³ In relation to access contracts and entry reference services that commenced on 1 July 2023.