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Energy Policy WA

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## WEM INVESTMENT CERTAINTY REVIEW

Alinta Energy appreciates the opportunity to provide feedback on the proposed reforms to improve investment certainty in the WEM.

We provide the following feedback for EPWA's consideration:

1. We support the proposed reforms to the Reserve Capacity Price curve, considering that:
  - the deadband will improve certainty for investors and customers by removing unnecessary price volatility for transient and less material changes in the level of excess (which can be driven by forecast errors).
  - the symmetrical price cap and floor appropriately balance the need to protect customers from excessive costs and the need to mitigate the risk that capacity required to meet the target would not be able to service debt and exit prematurely during periods of oversupply.
2. We oppose the proposal to implement a regular review of the price curves considering that this will undermine investment certainty by creating a perceived risk of arbitrary changes. We note that ad-hoc reviews may be implemented at any time the price curves have caused unintended consequences.
3. While we understand the intent of the Flexible Reserve Capacity Product, we caution that the requirement and eligibility requirements must be established with precision to avoid customers unnecessarily paying extra for Flexible Reserve Capacity when the existing combination of technologies is adequate. For example, the previously considered minimum stable operating level of 10% may be too conservative because:
  - a higher minimum stable operating level would not present issues if the Facility can start up quickly; and
  - the level of demand at the start of the highest Four-Hour Demand Increase (which drives the requirement) is likely to be more than 10% of demand at the end.

Similarly, a high minimum required running time or slower start up time would not be an issue if a Facility can operate in low or negative load and is always running.

We recommend that the flexible reserve capacity eligibility requirements avoid blanket minimum requirements and allow Facilities to cover a perceived deficiency in one criterion by over-performance in another. This will avoid customers unnecessarily paying extra for Flexible Reserve Capacity.

Thank you for your consideration of Alinta Energy's submission.

Yours sincerely

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Alinta Energy