



15 August 2024

Submission on WIC Review (Initiatives 1 and 2)

Enel Green Power Australia (EGPA) is one of Australia's leading renewable energy developers. We welcome the opportunity to provide a submission on WEM Investment Certainty Review (Initiatives 1 and 2).

EGPA owns and operates Flat Rocks Wind Farm Stage 1. The project site spans the shires of Kojonup and Broomehill-Tambellup, in the Great Southern Region of WA. The project commenced its construction in 2022 and reached COD earlier this year.

The Reserve Capacity Mechanism (RCM) plays an important role in supporting the renewable energy transition in the WEM. Revenues from RCM complements other energy market revenues, which increases the attractiveness of investment in the WEM.

An effective market-based mechanism provides investment signals that are predictable and sufficient. While the proposals include features that reduce volatility, such as increasing the price floor, it lacks several elements as described below.

1. New suppliers face significant uncertainty

New supplier of capacity credits will still face uncertainty when entering the WA market. There is no certainty on the price and volume of the capacity credits, until capacity credits are assigned. This uncertainty is due to the following

- BRCP is re-calculated every year
- RCP is based on the overall capacity credit supply and demand, re-calculated each year
- The amount of capacity credits is determined based on the relevant level method, re-calculated each year

New supplier has no control over any of these variables. When making investment decisions, all these uncertainties will result in a lower projection of revenues from the RCM, reducing the effectiveness of attracting new investments.

We note the proposed capacity price guarantee aims to reduce these uncertainties to a limited extent.

2. Suppliers are unable to make price offers

The WEM's RCM lacks the ability for capacity suppliers to make price offers. This creates uncertainty to new entrants who requires a minimum capacity credit price to provide the service.

While capacity credit providers have the ability to predict the RCT each year, based on the CONE, supply and demand, this uncertainty creates more risks and reduces the efficiency of the market.

The ability to make price offers is common among international capacity markets. It increases the effectiveness of the market and promotes technologies that are cost-effective.

3. It lacks consideration of development timeline for different technologies

The RCM certification process has the same timetable for all types of technologies. While this is not inherently unfair, bundled with the uncertainties described above, it reduces the effectiveness of attracting new investments.

This is because for large-scale renewable projects, such as wind and solar, have a very long development timeline. In many cases, projects must reach final investment decisions (FID) prior to their first certification, in order to reach COD by 1 October in two years.

More certainties for new entrants, especially prior to reach FID, reduce risks for investors and make projects more investable.

We encourage Energy Policy WA to investigate further measures to reduce investment uncertainty within the RCM.

Please do not hesitate to contact me at chester.li@enel.com if you have any questions regarding our submission.

Yours faithfully

Chester Li

Regulatory Affairs Manager

Enel Green Power Australia

About Enel Green Power Australia (EGPA)

EGPA currently operates 4 renewable energy plants totalling 310 MW of installed capacity powered by solar (SA and Vic), as well as one 76 MW wind project (WA). It has one 93 MW solar project currently under commissioning in Victoria. Furthermore, EGPA has a significant portfolio of wind, solar, storage and hybrid projects under development across Australia, alongside expanding its activities in innovative solutions within its retail and trading operations.

EGPA is jointly owned by Enel Green Power and INPEX Renewable Energy Australia Pty Ltd (INPEX). Enel Green Power, within the Enel Group, develops and operates renewable energy plants worldwide with a presence in Europe, the Americas, Africa, Asia and Oceania. A world leader in clean energy, with a total capacity of around 60 GW and a generation mix that includes wind, solar, geothermal, hydroelectric power, and energy storage facilities.

INPEX Renewable Energy Australia Pty Ltd is a subsidiary of INPEX CORPORATION, Japan's largest exploration and production (E&P) company, which is currently involved in projects across multiple continents, including the Ichthys LNG Project in the Northern Territory as an Operator. By thoroughly making its oil and gas business cleaner while expanding its 5 net zero business areas, INPEX aims to provide a stable supply of diverse and clean energy sources, including oil, natural gas, hydrogen and renewables as a pioneer in energy transformation.