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Exposure Draft: WEM Investment Certainty and RCM Review Amending Rules

Alinta Energy appreciates the opportunity to provide feedback on the Exposure Draft of WEM Investment Certainty and RCM Review Amendment Rules.

We support the intention of the draft rules to allow for an earlier implementation of the RLM, however, we are concerned that even the proposed transitional approach to implementing the Flexible Reserve Capacity Mechanism carries a significant implementation burden¹ and with no clear date on when the RLM will be implemented, we perceive that it remains likely this reform (which has a more urgent need compared with the flexible capacity mechanism) will be further delayed.

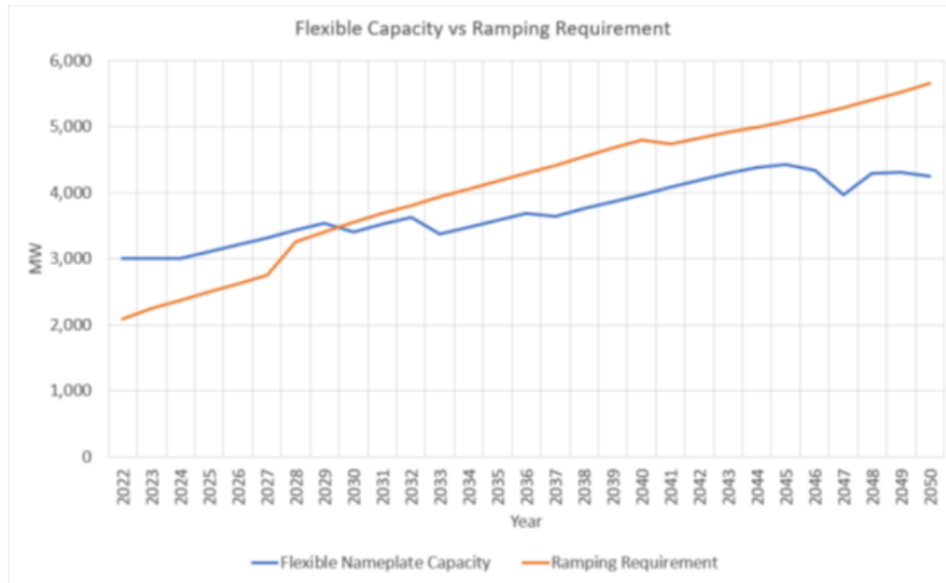
We recommend that the RLM is given a firm implementation date rather than the Flexible Reserve Reserve Capacity Mechanism, noting that the need to address the issues in the RLM have been recognised since the ERA concluded its review in 2020, and present barriers to the much-needed investment in renewable generation, while the need for the flexibility capacity mechanism seems much less pronounced given recent events.

We recognise that the requirement for the flexible capacity mechanism seemed reasonable during the design phase (per the chart below), we strongly question whether it will be required within the next five to ten years due to:

- The recent influx of investment in battery storage capacity
- The strong likelihood of future investment due to the Capacity Investment Scheme.
- ERA determining the flexible reserve capacity candidate technology to be the same as that for peak reserve capacity – flexible technologies should have adequate incentives to invest regardless.

¹ In its submission to Energy Policy WA in October 2023 on the Exposure Draft of the Reserve Capacity Mechanism Review, AEMO stated that the implementation of Flexible Reserve Capacity will require significant front-end development for AEMO's IT systems as well as additional forecasting and analysis.

Figure 8: Flexible capacity needed for energy shifting vs ramping requirement



We also remain concerned about the potential complexity of minimum flexible capacity requirements and the risk that they are set in such a way that does not accredit capacity that contributes to the ramping requirement and therefore inadvertently signals a need for further investment (and necessitates the additional implementation work) regardless of the proposed transitional rules.

We recommend that the flexible reserve capacity requirement is delayed indefinitely, subject to a desktop analysis like that which underpinned its conception during the design phase – this will alleviate the burden on AEMO (and any potential burden on participants through the accreditation process) and allow for the implementation of the RLM in the 2027 Capacity Year.

We note the link of the minimum criteria with the proposed 10 year price lock in requirements and suggest similar criteria can be specified regardless of whether the flexible reserve capacity mechanism proceeds in its entirety.

With respect to fixed reserve capacity pricing, it is not clear how the proposed changes to rule 4.14.1CA interact with proposed new rule 4.14.1CB. The proposed changes to rule 4.14.1CA set out the requirements that a Facility Technology Type within a Facility must comply with to be nominated as a Fixed Price Component however there is no reference to proposed rule 4.14.1B(a) or 4.14.1B(b). As proposed rule 4.14.1CA refers to the whole of rule 4.14.1B it appears that the requirements are in addition to those set out in proposed new rule 4.14.1CB. We recommend that rule 4.14.1CA be further amended to clarify its intention with respect to Fixed Price Facilities and/or Fixed Price Components.

We note that the Exposure Draft has been provided in two parts with Part 2 proposing changes to the *WEM Amendment (Reserve Capacity Reform) Rules*, which are also to include resequencing of the remaining three schedules to accommodate implementation timelines. Given the number and extent of WEM Rule changes since the commencement of the new market, it is becoming increasingly difficult and time consuming to consider proposed WEM Rule changes within their full context. While the detailed explanatory notes throughout the Exposure Draft have been helpful, where proposed Amending Rules are making changes to gazetted schedules of Amending Rules already approved we suggest the inclusion of cross references (with links) to relevant schedule(s) and other related policy documents to enable easier tracking of changes back to their source and the intent of the original policy decision.

We support the delayed timing for regular reviews of the shape of the BRCP curve to every six years and for it to coincide with the Benchmark Capacity Provider review.

Thank you for your consideration of Alinta Energy's submission. Should you wish to discuss this further please contact me at Oscar.Carlberg@alintaenergy.com.au or on 0409501570.

Yours sincerely

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