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Energy Policy WA
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Perth WA 6000

Sent via email: energymarkets@dmirs.wa.gov.au

Dear Energy Policy WA

EXPOSURE DRAFT OF AMENDING RULES FOR THE INDIVIDUAL RESERVE CAPACITY REQUIREMENT ADJUSTMENT FOR ASSOCIATED LOADS

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in WA. CME is funded by member companies responsible for 86 per cent of the State's mineral workforce employment.¹ In 2022-23, the WA resources sector accounted for 47 per cent of WA's economic activity,² 91 per cent of goods exports,³ 47 per cent of investment⁴ and 11 per cent of employment (direct).⁵ The sector also contributed 33 per cent of the WA Government's general revenue, enabling the provision of public goods and services such as doctors and nurses, teachers and police.⁶

Of specific relevance to this consultation, CME members account for around 60 per cent of large industrial demand in the WA Wholesale Electricity Market (WEM).

Access to lower emission, reliable and globally cost-competitive energy is key enabler for the ongoing viability of existing operations and the ability to secure future investment. Members highlight significant increases in electricity prices in the South West Interconnected System (SWIS) over recent years, including a doubling of wholesale prices since 2020, which presents a material risk to the sustainability of existing and future operations.

We note the Coordinator of Energy completed the review of the Reserve Capacity Mechanism (RCM) in the Wholesale Electricity Market (WEM) and the WEM Amendment (Reserve Capacity Reform) Rules 2023 (RCM Reform Rules) were made by the Minister for Energy (Minister) in early December 2023.

Further to this, CME appreciates the opportunity to provide this submission and our sector's insights regarding the Exposure Draft of Amending Rules for the Individual Reserve Capacity Requirement (IRCR) adjustment for Associated Loads as part of the proposed WEM Amending Rules.

The transition to net zero

A net zero future represents a significant transition for the WA resources sector. CME members are already transitioning their current and future operations to achieve net zero emission targets by 2050 or earlier in order to meet both voluntary corporate commitments and State and Federal regulatory requirements. In the short to medium term, industry decarbonisation pathways primarily will involve electrification. The timely transition of the state's energy system to provide low emission, reliable and cost competitive electricity therefore underpins our sector's decarbonisation.

We acknowledge the WA Government's work to date regarding the transition of the state's main electricity grids: the South West Interconnected System (SWIS) and the North West Interconnected System (NWIS); however, it is critical this work progress at pace and that there is ongoing communication on the roadmap, supported by appropriate and timely investments, to provide stakeholders with certainty.

¹ Government of Western Australia, [2022-23 Economic indicators resources data](#), full-time equivalents onsite under State legislation, DEMIRS, 10 November 2023.

² As measured by gross value add (GVA). Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 6.

³ Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2022-23 Economic Indicators Resource Data File](#), 9 January 2024. Australian Bureau of Statistics, [5302 Balance of Payments and International Investment Position](#), Table 21.

⁴ Includes Gross Fixed Capital Formation plus minerals and petroleum exploration. Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 25. Australian Bureau of Statistics, [8412 Mineral and Petroleum Exploration](#), Table 4.

⁵ Australian Bureau of Statistics, [6291 Labour Force, Australia, Detailed](#), Table 5.

⁶ Includes Commonwealth grants from North West Shelf royalties, iron ore lease rentals, payroll taxes, transfer duties and other payments to government agencies. Government of Western Australia, [2022-23 Annual report on State finances](#), Department of Treasury, 28 September 2023, table 2.1.

CME's position on the future energy system is that it must supply low emission, reliable and globally cost-competitive energy. This is critical for the ongoing viability of existing resources sector operations, the development of new projects and the decarbonisation of the sector. CME's recent report – Energy Costs in Transition: Decarbonising Western Australia's South West Interconnected System (SWIS) – highlights the importance of timely investment in new renewable and firming gas generation, alongside new transmission infrastructure, to deliver on this energy trilemma.⁷

The WA Government must act with urgency given the short timeframes for industry to make these critical investment decisions prior to retirement of coal fired generation in 2030 and the long planning and construction timeframes to deliver new energy infrastructure.

Therefore, we reiterate key recommendations from our 2024-25 State Pre-Budget Submission⁸ including that the WA Government release a draft master transmission plan for the SWIS as soon as possible. We have also flagged the need for appropriate coordination and resourcing to support the detailed planning and construction of transmission infrastructure to support industry decarbonisation.

IRCR Amendments and Exposure Draft

CME welcomes efforts by the Coordinator of Energy to mitigate cost increases in the WEM given the importance of cost-competitive energy to the WA resources sector, since electricity typically accounts for 5-10 per cent of operating costs for our SWIS-connected members.⁹ It is also critical that the SWIS remains reliable as decreasing grid reliability which results in more frequent electricity outages harm production volumes and increase operating costs per unit of output. CME recognises the value of Demand Side Programmes (DSPs) in aiding reliability but note that it should not be used in lieu of delivering sufficient system capacity to meet forecast demand.

CME recognises the RCM is a key mechanism for ensuring grid reliability. To fund capacity procured through the RCM, each Market Participant is assigned an IRCR obligation based on their contributions to the system peak.¹⁰ Some market participants who are large consumers (loads) and therefore contribute to the system peak (including many of CME's members) also engage in DSPs, which involve them reducing their demand (i.e. powering down). If they do so during the market trading intervals when IRCR obligations are calculated, this can reduce their IRCR obligations. Associated Loads refers to loads with different National Market Identifiers (NMI) that are aggregated into one DSP. These could be multiple loads of a single customer, such as a mining company with 3 power-consuming plants or the loads of multiple customers being called upon by a DSP aggregator.

The proposed new clauses and amendments specify how AEMO must estimate the contribution of each Associated Load to the change in Withdrawal (demand) of the relevant DSPs, where the DSPs was dispatched during one of the IRCR calculation intervals. We understand this is to ensure these loads do not benefit twice – once as a DSPs capacity provider and then a second time through reduced IRCR payments.

As such, CME supports the proposed amendments on the basis that they are likely to result in lower costs and greater system reliability for our members.

For further information regarding this submission, please contact Aaron Walker, Manager - Industry Competitiveness and Economics, on 0477 679 195 or via email at a.walker@cmewa.com.

Yours sincerely



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⁷ CME, [Energy costs in transition: Decarbonising Western Australia's South West Interconnected System \(SWIS\)](#), September 2024.

⁸ [CME 2024-25 WA State Pre Budget Submission](#)

⁹ CME, [Energy costs in transition: Decarbonising Western Australia's South West Interconnected System \(SWIS\)](#), September 2024.

¹⁰ [AEMO Individual Reserve Capacity Requirement Information](#)