

8 May 2025



Energy Policy WA  
Level 1, 66 St Georges Terrace  
Perth WA 6000

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Dear Energy Policy WA,

## EXPOSURE DRAFT OF ELECTRICITY SYSTEM AND MARKET AMENDING RULES (TRANCHE 8)

The Chamber of Minerals and Energy of WA (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 90 per cent of the state's mineral workforce employment.<sup>1</sup>

In 2023-24, the WA resources sector accounted for 45 per cent of WA's economic activity,<sup>2</sup> 93 per cent of goods exports<sup>3</sup> and 43 per cent of investment.<sup>4</sup> The sector contributed one third (31.5 per cent) of the WA Government's general revenue via royalties, payroll and other taxes and fees,<sup>5</sup> enabling the provision of essential public goods and services such as doctors and nurses, teachers and police. CME's 2023-24 Economic Contribution Survey found that the WA resources sector supported 3 in 10 jobs in the State.<sup>6</sup>

CME members account for around 60 per cent of large industrial demand in the WA Wholesale Electricity Market (WEM). Access to low emission, reliable and globally cost-competitive energy via the South West Interconnected System (SWIS) is a key enabler for the ongoing viability of existing operations, the achievement of emissions reductions targets and the ability to secure future investment.

CME appreciates the opportunity to respond to the Exposure Draft of Electricity System and Market Amending Rules (Tranche 8) which proposes a number of amendments. This submission focuses on the proposed new method to calculate the Availability Duration Gap, the allocation of Rate of Change of Frequency (RoCoF) Control Service costs, amendments to the Electricity System Market (ESM) Rules, and the publication requirements for Supplemental Capacity Contracts.

We support most of the proposed changes but have **strong concerns regarding the intention to extend protections for Electric Storage Resources (ESR)**, believing this change will actively disincentivise longer-duration (i.e. greater than 4-hour) storage and unnecessarily increase reliability costs in the WEM. Noting the tension between providing investment certainty and ensuring lowest-cost reliability, our recommendation is that protections for new ESR should be under annual review to ensure they are not resulting in substantially higher reliability costs to the market, with an overarching guideline that ESR protections should be no longer than 5 years.

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<sup>1</sup> Government of Western Australia, [2023-24 Economic Indicators Resource Data File](#), full-time equivalents onsite under State legislation, Department of Energy, Mines, Industry Regulation and Safety, 29 October 2024.

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

<sup>3</sup> Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2023-24 Economic Indicators Resource Data File](#), released 29 October 2024.

<sup>4</sup> 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.

<sup>5</sup> Includes royalties, Commonwealth grants from North West Shelf royalties and iron ore lease rentals plus surveyed expenditure on payroll and other taxes and fees. Government of Western Australia, [2023-24 Annual report on State finances](#), Department of Treasury, 27 September 2024, Table 2.1 Operating Revenue: General Government, pp 164-165; CME 2023-24 Economic Contribution Survey.

<sup>6</sup> Direct and indirect jobs. CME, [2023-24 Economic Contribution: Western Australia](#), March 2025.

## Review of the Availability Duration Gap (ADG)

EPWA's proposed changes arising from the ADG Review involve increasing protections for ESR (that is, batteries) by ensuring they receive Capacity Credits based on the ESR Duration Requirement (ESRDR) in the year they first received Capacity Credits, rather than the ESRDR for the applicable Capacity Year, for 10 years (up from 5 years previously). This is intended to provide investment certainty given ESRDRs are expected to increase over time.<sup>7</sup>

CME is very concerned that extending this protection for ESR provides the wrong signals for a market expected to require longer-duration storage, as it would remove market incentives to invest in longer-duration facilities for a 10 year period per facility. With increases expected to ADGs this change actively works against the State Electricity Objective which must take into account security, and reliability and price. On the latter, the proposed protections result in the need for additional reserve capacity and associated payments to other capacity providers, increasing overall reliability costs to market participants already struggling under the weight of large increases in wholesale, reliability and transmission costs over recent years.<sup>8</sup>

As such, CME does not support the proposed change and suggests that consideration should be given to removing the current 5 year protections for new ESR facilities in upcoming Reserve Capacity Cycles to avoid the issues raised above.

### Prioritising new Capability Class 1 and Capability Class 3 facilities

CME supports the proposed new clause 4.15.12A to prioritise new Capability Class 1 (firm capacity that is not energy-limited, such as gas-fired generation) and Capability Class 3 (non-firm capacity, such as wind or solar) facilities under the Network Access Quantity framework to fill capacity shortfalls identified under the second limb (criteria) of the Reserve Capacity Target. Modelling commissioned by CME indicates that substantial new gas-fired firming capacity will be required in the SWIS by 2030 under a least-cost pathway to a low emission grid. Therefore, it is important to have market signals that incentivise investment in new firming capacity.<sup>9</sup> The proposed clause will ensure new Capability Class 1 facilities needed for reliability will have priority access to the constrained network.

## Allocation of RoCoF Control Service Costs

CME supports replacing Energy Uplift Payments with a new Reserve Capacity System (RCS) Uplift Payment that allocates the costs of the RoCoF Control Service to those who cause the RoCoF requirement to arise. The current Energy Uplift Payments are allocated solely to loads (customers) not generators and the cost of this service has been higher than anticipated since the Frequency Co-optimised Essential System Services (FCESS) Cost Review Amendments commenced on 20 November 2024. The new allocation should be fairer and better reflect market drivers.

## Amendments to the Electricity System and Market Rules

We support the amendments to the ESM Rules to ensure the adherence to the State Electricity Objective, which includes (a) the quality, safety, security and reliability of supply of electricity; (b) the price of electricity; and (c) the environment, including reducing greenhouse gas emissions. This aligns with CME's advocacy for a low emission, reliable and globally cost-competitive energy system.

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<sup>7</sup> AEMO, [2024 Wholesale Electricity Market Electricity Statement of Opportunities \(ESOO\)](#), page 10.

<sup>8</sup> CME, [Energy costs in transition: Decarbonising Western Australia's South West Interconnected System \(SWIS\)](#), September 2024.

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

## Publication requirements for Supplemental Capacity Contracts

We support the clarification of publication requirements for these contracts, which will promote transparency regarding the cost of contracting reliability services.

## Conclusion

CME has strong concerns regarding EPWA's intention to extend protections for Electric Storage Resources, believing this change will actively disincentivise longer-duration storage and unnecessarily increase reliability costs in the WEM.

The remaining changes proposed by EPWA in the Exposure Draft of Electricity System and Market Amending Rules (Tranche 8) are supported by CME since these changes should promote increased visibility and fairer allocation of reliability service costs, and reinforce the importance of low emission, reliable and cost-competitive energy as the primary objectives of the WEM.

Reliable, low-cost and low emissions electricity is critical to both the ongoing sustainability of existing operations and the development of sustainable, competitive new industries, and creates opportunities to further reduce emissions through future process electrification.

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](mailto:a.walker@cmewa.com).

Yours sincerely



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