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**Expert Consumer Panel submission on the Electricity System and Market (Tranche 8)  
Amending Rules - Exposure Draft**

Dear Ms Guzeleva,

Thank you for the opportunity for the WA Expert Consumer Panel (ECP) to make a submission on the above draft amending rules.

As panel members supported by the State Government's Western Australian Advocacy for Consumers of Energy (WA ACE) program, we are committed to improving consumer outcomes in the energy sector. We represent small-use energy consumers on the Market Advisory Committee (MAC) and its working groups.

We comment on some of the main rule changes proposed, in light of the new State Electricity Objective (SEO).<sup>1</sup> The proposed changes have the potential to affect each of the three limbs of the SEO, and so are important to the long-term interests of consumers.

The proposed rule changes are presented in the [Exposure Draft Amending Rules](#), and explained further in the Transformation Design and Operation Working Group (TDOWG) meeting #53 [presentation](#) and meeting #54 [presentation](#).

**Proposal: Implement a new 'preferred' method for calculation of the Availability Duration Gap.**

The proposed (preferred) method described in the above documents appears sound and ECP members support it for implementation at this time. Further review may be required after this method is put into practice and the market evolves with the large quantity of Electric Storage Resources (ESR) existing, and in the project pipeline, up to ~2,500 MW in total in the WEM<sup>2</sup>.

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<sup>1</sup> The State Electricity Objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity in relation to —

(a) the quality, safety, security and reliability of supply of electricity; and

(b) the price of electricity; and

(c) the environment, including reducing greenhouse gas emissions.

<sup>2</sup> Source: <https://www.boilingcold.com.au/was-south-west-grid-to-be-boosted-by-four-new-batteries/>

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**Proposal: Introduce a method to add ‘missing’ capacity to the Reserve Capacity Target due to the ESROD protection (ESR Duration Requirement Uplift).**

The ESROD (ESR Obligation Duration) protection preserves the capacity credit allocation to individual ESR facilities for 5 years (proposed to be 10 years) based on their initial duration (e.g. currently 4 hours) even if the ESROD is increased. This provides more investment certainty, but creates a shortage of capacity needed to meet the extended ESROD.

The proposed method for calculating the ESR Duration Requirement Uplift appears to be sound and ECP members support it for implementation at this time. Further review may be required as the market evolves.

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**Proposal: Increase the ESROD protection from 5 years to 10 years to increase investment certainty.**

Whilst this may seem necessary to provide more ESR investment certainty, it also likely increases the amount of missing capacity proposed to be met by the above ESR Duration Requirement Uplift, increasing costs to consumers for that extra capacity.

ECP members do not hold a strong view on this proposal apart from the need to ensure an appropriate balance between investment certainty and costs to consumers. However, we note that:

1. A large quantity of ESR in total exists or is in the project pipeline for the SWIS relative to its demand, so this would suggest that there is likely no need for the protection to be increased to 10 years at this stage.
2. The current approach of basing the benchmark reserve capacity price (BRCP) on Gross CONE (cost of new entry) for the battery reference technology is also already generous, especially given additional revenue batteries receive from the energy and ESS market. This diminishes the need for more investment certainty protection.
3. Extending the protection to 10 years introduces another change, of uncertain necessity, with relatively long-term, ongoing, implications into the WEM during a period of many other changes. Too much change itself can be unsettling and create uncertainty.

**Proposal: Prioritise new Capability Class 1 and Capability Class 3 facilities in the Network Access Quantity framework, if AEMO has determined that further Capability Class 1 and Capability Class 3 capacity would be required to make up a shortfall.**

This proposal recognises a valid need, and proposes a method for prioritising required facility classes to meet that need in a practical way.

ECP members have no strong view as to whether this approach is preferable to other approaches.

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**Proposal: Ensure that costs associated with the provision of RoCoF Control Service are appropriately allocated, by:**

- **explicitly identifying the Constraint Equations used by AEMO to facilitate directions to provide RoCoF Control Service; and**
- **replacing the Energy Uplift Payments made in these situations with a new payment type (“RCS Uplift Payment”), which will be similar to an Energy Uplift Payment except that the costs are allocated to all causers of the RoCoF Control Service requirement.**

These proposed rule changes, in particular that the RoCoF Control Service costs are allocated to all causers of the service requirement, are consistent with the guiding principles of the most recent WEM Cost Allocation Review.

The guiding principles for this [Cost Allocation Review](#) carried out in 2022-23 were that cost allocation methods should:

- (1) meet the Wholesale Market Objectives<sup>3</sup>;
- (2) be cost-effective, simple, flexible, sustainable, practical, and fair;
- (3) provide effective incentives to Market Participants to operate efficiently to minimise the overall cost to consumers;
- (4) use the causer-pays principle, where practicable and efficient; and
- (5) if the causer-pays principle is not practicable and efficient, then use the beneficiary-pays principle, where practicable and efficient.<sup>4</sup>

The proposed rule changes to allocate the RoCoF control service costs to those who cause the requirement, as outlined in the draft rule amendments, are both practical and efficient and should provide an incentive for causers to appropriately work to minimise these costs.

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<sup>3</sup> These past Wholesale Market Objectives are now superseded by the new State Electricity Objective in footnote 1 above.

<sup>4</sup> Source: Cost Allocation Review Information Paper:  
[https://www.wa.gov.au/system/files/2023-06/cost\\_allocation\\_review-information-paper-final.pdf](https://www.wa.gov.au/system/files/2023-06/cost_allocation_review-information-paper-final.pdf)

If these costs continue to be allocated to all loads, rather than only to those causing the service requirement, this will dilute the incentive for the causers to reduce these costs. It would also impose costs on all consumers, including those with no way of influencing those costs.

Therefore the ECP supports these proposed RoCoF Control Service rule changes.

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**Proposal: Split the daily DSP obligation period so as to not cover the middle of the day period (DSP dispatch here is unlikely and this would allow ESR to charge).**

- The proposed obligation period is 6am-10am and 2pm-10pm.
- This proposal seeks to remove a barrier to entry for ESR participation as a DSP.

ECP members understand the valid reasons for this proposal – to avoid hours in the middle of the day when solar PV lowers system demand considerably so behind-the-meter ESR can usefully charge and DSP demand reduction capacity is unlikely to be dispatched.

Some comments:

The proposed change will likely prevent some DSP capacity from being able to provide demand reductions for the proposed hours, because some loads are simply not likely to be there both early and late in the day.

Deciding on the availability hours comes down to identifying what times of the day DSPs are likely to be dispatched (system needs), and how long for. The proposed change does this in part by avoiding middle-of-the-day hours. However, it is also unlikely that DSPs will be dispatched for 6am to 8am demand reduction.

A main aim of the proposed new DSP availability hours has been to not deviate from the current 12-hour per day availability obligation, recognising the significant opposition to the current 14-hour fuel requirement from scheduled generators.

The ESR obligation duration is much shorter (4 hours at present, but likely to be extended) and is based on the dispatch need, recognising the energy-limited nature of ESR. DSP demand reduction capacity is also limited in its available hours and duration, and so its availability obligation hours could be optimised more.

It may make sense for DSPs to be able to participate by **being available for either (or both)** of those periods, rather than being **required** to be available for both.

This would likely result in a **greater** number of DSPs being available because there are many enterprises that operate early mornings but not late evening, or vice versa. This would enable organisations who meet **either** availability time to participate and so increase the total useful

DSP capacity available. We recognise that capacity available during the afternoon-evening period is more valuable in contributing to the Reserve Capacity Target which is based on the 10% PoE evening peak demand.

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**Proposal: Changes related to the publication of BRCPs.**

These changes sound like a reasonable approach.

Thank you for considering this submission, and please do not hesitate to contact us to discuss it further.

Sincerely,  
WA Expert Consumer Panel