

6 May 2025

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Dear DEMIRS

Feedback on the Exposure Draft – Tranche 8 Electricity System and Market Amending Rules

Frontier Energy Limited (**Frontier**) appreciates the opportunity to provide feedback on the Exposure Draft of the Proposed ESM Amending Rules. Our feedback is as follows:

1. Schedule 1 ADG – Increase protection for ESR against an increase in ESRDR.
 - a. Frontier supports the proposed increase in the protection (from 5 years to 10 years) for ESR against an increase in ESRDR, however suggests that 15 years is more appropriate for the following reasons:
 - i. In determining the Benchmark Reserve Capacity Price (BRCP), the capital cost is annualized over a 15-year period. The protection provided should align with the period over which the capital is annualized in the BRCP.
 - ii. The typical debt repayment period for an infrastructure project exceeds 10 years. Investment certainty is a key requirement of financiers and closer alignment of the period of protection with the term of a debt facility serves to reduce uncertainty. Whilst an increase in the protection to 10 years is a positive step, it does not go far enough in providing the certainty sought by financiers and heightens the difficulty of securing finance for the development of new projects.
 - iii. With battery technology changing rapidly, the associated capital cost reducing, and the ESRDR forecast to increase in future, it is therefore likely that at the end of the protection period, the revenue from Reserve Capacity will be significantly reduced, thereby making recovery of capital difficult. Requiring proponents to recover their fixed costs in the energy/ESS markets (as stated in slide 30 of the TDOWG 54) is counter to what is used in determining the BRCP. In addition, with large amounts of ESR coming into the market the ability to recover costs through energy trading / arbitrage and ESS is likely to be significantly reduced and unpredictable.



2. General comments of the ADG determination and timing

- a. The ESRDR is published in the ESOO (expected 24 June 2025) and proponents are required to submit a Certified Reserve Capacity (CRC) application by the closing date of 8 July 2025 (applications open 14 April 2025). The ESRDR is an important variable in determining a proponent's CRC application and the two-week period between release of the ESOO and submission of the CRC application is challenging. This is an extremely short period in which to finalise the CRC application to account for the new ESRDR.
 - b. The ESRDR is a key driver in determining the parameters of an ESR project, particularly the capital cost. Not knowing the ESRDR until late June makes it difficult to evaluate the financial viability of a project (and may impact the approvals such as the Development Application), this in turn has the potential to delay project financing and project development more generally.
3. The one-year BRCP lag is in essence paying for a 4-hour battery while requiring proponents to deliver a larger storage capacity battery (possibly 6 hours). This is unfair. The BRCP should be amended for the ESRDR, or the ESRDR should be determined prior to determining the BRCP.

Yours sincerely



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