

Scope of Work for the Review of the Benchmark Capacity Providers

1. Introduction

The Coordinator of Energy (Coordinator) is conducting a review of the Benchmark Capacity Providers that are used to determine the Benchmark Reserve Capacity Prices (BRCPs) under clause 4.16.11 of the ESM Rules.

Clause 4.16.11 requires that the Coordinator must determine the Benchmark Capacity Providers by the earlier of:

- (a) within six months of the revised Electricity Storage Resource (ESR) Duration Requirement being published in the Electricity Statement of Opportunities, if the ESR Duration Requirement determined by AEMO is different from the ESR Duration Requirement for the previous Reserve Capacity Cycle; or
- (b) within three years of the previous determination of the Benchmark Capacity Providers

AEMO's Electricity Statement of Opportunities is due to be published on 24 June 2025 and is expected to include a revised ESR Duration Requirement. The Coordinator must conduct its review by 18 September 2025 to allow time for the ERA to amend and consult both its BRCP methodology and the BRCPs for the Capacity Year 2028/29 Capacity Year.

The Benchmark Capacity Provider Review aims to ensure that the WEM will provide incentives for the most efficient new capacity entering the market.

2. Background

2.1 The BRCP

The BRCP is an important input for the calculation of the Reserve Capacity Price as it provides the anchor point for the price formula.

The BRCP is intended to reflect the marginal cost of providing additional Reserve Capacity in each Capacity Year and is determined by the Economic Regulation Authority (ERA) based on the WEM Procedure outlined in clause 4.16.3 of the ESM Rules.

The ERA must review the WEM Procedure for setting the BRCP at least every 5 years; or within one year of a review of the Benchmark Capacity Providers that results in a change to the Benchmark Capacity Providers.

The ERA usually publishes their BRCP Determination by 15 January, to be applied in that year's Reserve Capacity Cycle.

Transitional provisions for the timeline for the ERA's determination of the 2026 BRCP have been introduced through the Tranche 8 Amending Rules to:

- change the ERA's deadline for publishing the 2026 BRCP from 15 January to 15 March 2026; and
- require the ERA to review the WEM Procedure under clause 4.16.3 to meet the 15 March 2026 timeline for the determination of the BRCP.

EPWA will work closely with the ERA to ensure that any changes to the Benchmark Capacity Providers that arise from this review can be reflected in its 2026 BRCP Determination.

2.2 Current Benchmark Capacity Providers

When the 2023 review of the Benchmark Capacity Providers was conducted, no Benchmark Capacity Provider for the Flexible Service had previously been established.

The main outcome of the 2023 review was the Coordinator's determination of the Benchmark Capacity Providers for both the Peak and Flexible BRCPs. The parameters for the Capacity Providers are outlined in the BRCP WEM Procedure and are as follows:

The Benchmark Capacity Providers are a lithium battery energy storage system (BESS) with:

- 200 megawatts (MW) of injection
- 800 megawatt hours (MWh) of energy storage
- a 330 kilovolt (kV) connection
- an unconstrained connection location near Kwinana or Pinjar
- a lithium iron phosphate sub-chemistry
- an installed capacity that enables 200 MW injection on 1 October of Year 3 of the Reserve Capacity Cycle
- enough energy storage capacity to enable 800 MWh charge and discharge on 1 October of Year 3 of the Reserve Capacity Cycle
- the minimum level of equipment or systems required by the WEM Rules

3. Project Scope

The objective of this review is to determine the most appropriate Benchmark Capacity Providers which:

- provide efficient investment signals to ensure system security and reliability; and
- by selecting the most efficient new entry technology, ensure that customers don't overpay for capacity.

To do so, the Coordinator must determine the technical parameters to be used for each Provider, including size and capabilities and contribution to system emissions, in order to meet the third limb of the State Electricity objective. In addition, this needs to account for the use of a network location with relatively low congestion.

The following aspects related to the BRCP are out of scope for this review:

- the methods for setting the BRCPs; and
- the Reserve Capacity Price setting methodology.

The Benchmark Capacity Providers Review will consist of these two key items:

(1) Peak BRCP:

- (a) review of the Benchmark Peak Capacity Provider and assess whether the current reference technology is still appropriate or if a different reference technology should be selected to represent the most efficient new entry; and
- (b) whether gross costs of new entry (CONE) or net CONE should apply to the Peak BRCP

- (2) Flexible BRCP:
 - (a) review of the Benchmark Flexible Capacity Provider; and
 - (b) whether gross CONE or net CONE should apply to the Flexible BRCP

Approach to analysis

The following analysis will be undertaken for the Benchmark Capacity Provider Review:

- (1) **Review of the Benchmark Peak Capacity Provider:** assess, based on available information, including relevant literature, whether the current Benchmark Capacity Provider is still appropriate or if a different technology would better reflect the most efficient new entry for providing Peak Capacity in the SWIS under the ESM Rules as they are expected to be in place at the start of 2026. The assessment must include the type and optimum size in MW of the technology and any specifications that are needed so the technology can provide Peak Capacity in compliance with the ESM Rules, and the State Electricity Objective.
- (2) **Review whether gross CONE or net CONE should apply to the Peak BRCP:** assess, whether the Benchmark Capacity Provider identified under (1) would be the marginal energy supplier under the ESM Rules expected to be in place in the 2028 Capacity Year (in which case gross CONE should be applied) or, if not, further assess whether applying net CONE would be more appropriate.
- (3) **Review of the Benchmark Flexible Capacity Provider:** assess, based on available information, including relevant literature, whether the current Benchmark Capacity Provider is still appropriate or if a different technology would better reflect the most efficient new entry for providing Flexible Capacity in the SWIS under the ESM Rules as they are expected to be in place at the start of 2026. The assessment must include the type and optimum size in MW of the technology and any specifications that are needed so the technology can provide Flexible Capacity in compliance with the ESM Rules, and the State Electricity Objective.
- (4) **Review whether gross CONE or net CONE should apply to the Flexible BRCP:** Assess, whether the Benchmark Capacity Provider identified under (3) would be the marginal energy supplier, in the intervals Flexible Capacity would be required or, if not, whether the application of net CONE will be more appropriate given the value of capacity payments for Flexible Capacity.

Project Schedule

Tasks/Milestones	Timing
(1) Preliminary Steps	
(a) Appointment of consultants	July 2025
(b) Kick off meeting with consultant	July 2025
(2) Initial Assessment	
(a) Initial assessment based on ESM Rules	Late July 2025
(b) Hold WICRWG meeting on proposals	August 2025
(3) Consultation Paper	
(a) Publish Consultation Paper on proposals	Late August 2025
(b) Submissions on the Consultation Paper close	September 2025
(4) Further Assessment	
(a) Further assessment based on submissions received	September 2025

Tasks/Milestones	Timing	
(5) Coordinator Determination		
(a) Publish the Coordinator's Determination based on the review outcomes	Late 2025	September