

To Energymarkets@deed.wa.gov.au
Subject PSSR Standards Review Consultation Paper
Date 31 July 2025

Good Afternoon

Perth Energy appreciates the opportunity to provide comment on the recently published Power System Security and Reliability Standards Review (PSSRSR) Consultation Paper. We have worked through the proposals put forward by the Technical Working Group. These appear sound, and we have no reason to question the technical solutions that are being proposed.

We would, however, like to further expand on Proposal 13 which highlights the need for system strength planning to be based on reasonable expectations of future generation plant, electric storage resources and transmission system developments. Perth Energy strongly supports this proposal and suggests that it should be built on to provide stronger guidance to investors in new facilities as a means of better meeting the Government's recently legislated State Electricity Objective.

Proposal 13 states:

AEMO, EPWA and the Network Operator to align on a forecasting approach, in consultation with interested stakeholders through public consultation. This approach should include the methodology, inputs, assumptions and scenarios necessary for the determination of an expected 10-year generation and ESR capacity outlook on an annual basis.

The Consultation Paper notes that future system strength requirements depend on the types of generation and storage plant to be installed and their location within the network system. These requirements cannot be determined globally in the same way as, for example, reserve capacity requirements.

Procurement and installation of appropriate equipment to maintain system strength can be a lengthy process. If Western Power is forced to undertake this process in the two-year lead time between certification of new generation or storage facilities and them entering service, rather than optimising investment over several years, it has the potential to result in sub-optimal decisions and higher costs.

Perth Energy considers that a similar situation also exists in the development of generation and storage facilities within the SWIS. At present, investors seek to identify what new investment will be optimal from their own, rather than a system, perspective ie what plant can be built and connected to the grid in the available timeframe and will yield an acceptable rate of return given the current market rules.

The Government has recently legislated the State Electricity Objective (SEO) which seeks to balance reliability, affordability and sustainability:

The State Electricity Objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interest 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.*

At present, there is only limited alignment between investors' financial incentives and the Government's objectives. The Electricity System and Market (ESM) Rules can be tweaked to provide some guidance to investors, but this is a rather blunt instrument. Rule changes will also tend to only be undertaken once the SEO objectives have been breached rather than in advance.

We consider that clearer guidance could be provided to investors to develop and maintain a plant balance that better supports the Government's objectives. We note that such guidance is explicitly provided through the Commonwealth Capacity Investment Scheme (CIS) where, presumably on the advice of the State Government, tenders are called for specific plant types and quantities. We note, too, that the response to the CIS process has been very positive.

The recently released WEM Operation Effectiveness Report also highlights the weak integration between the market rules and the SEO. It states in section 4.2 that:

The Coordinator will work with the market bodies and other participants on how to integrate the SEO more broadly within the ESM Rules, and will monitor this in the lead up to the next WEM Operation Effectiveness Report.

In this report, the Coordinator expresses the desire to strengthen the effectiveness of the market in respect to the environment. Perth Energy suggests that the linkage to electricity prices also needs to be strengthened.

One approach would be to provide guidance to investors within an annual plan, along the lines proposed in the PSSRSR Consultation Paper. AEMO should be able to determine the range of investment in different plant types that would achieve minimum emissions, minimum electricity prices or a balance between the two. Western Power should be able to provide information as to where new plants could best be connected to the system and the resulting network investment requirement.

Integrating these outcomes would provide an appropriate indicative plant and transmission program to meet the desired emission and price paths. Based on information provided to AEMO through the EOI and certification processes, along with other public project information and generic plant costs, the plan could be reasonably definitive for early years. For the later period, the plan would be more generic.

Perth Energy suggests that such a plan could be commenced following the annual certification process and be published as part of the Request for Expressions of Interest process. Investors may still wish to offer developments that would not support this optimum balance, but some form of penalty weighting could be applied to projects that would move the system away from the SEO targets.

The process could be taken further by, for example, offering different reserve capacity prices to different plant types or running targeted tenders similar to the approach used within the CIS. These, however, would be significant steps away from the current reserve capacity processes.

Perth Energy would be happy to discuss these ideas further. Should you have any questions please do not hesitate to contact me at [REDACTED] 0187 888 870. This submission may be made public.

Kind regards

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I am based in the Perth Office and work Tuesday, Wednesday and Thursday