19 September 2025

Energy Policy WA
Level 1 66 St Georges Tce
PERTH WA 6000

Via Email: energymarkets@deed.wa.gov.au

2025 Benchmark Capacity Providers Review

Alinta Energy appreciates the opportunity to provide feedback on the proposed Benchmark Capacity Providers (BCPs) for Peak and Flexible Certified Reserve Capacity.

Subject to a query regarding fixed operating costs (detailed below), the determination of a six-hour Battery Energy Storage System (BESS) as the BCP for both Peak and Flexible Capacity is a logical and expected outcome given current technology trends and the analysis presented in the Consultation Paper. The increasing cost-effectiveness, scalability, and deployment speed of BESS technologies make them a reasonable reference for least-cost capacity pricing. However, we question whether this is the appropriate outcome with regard to the State Electricity Objective (SEO) and recommend that one of the short-listed gas-fired generation technologies would be better suited.

A short-listed gas-fired generation BCP would better serve the SEO

Per Section 3A of the Electricity Industry Act 2004, the Coordinator must have regard to the SEO when carrying out a function under the Act (we consider that this includes the Coordinator's responsibility to review the BCP). That is, the Coordinator must consider the environment as well as quality, safety, security and reliability of supply alongside price when promoting the long-term interests of energy consumers. We note that environmental considerations have been incorporated into the service requirements used to underpin the BCP analysis given that certain technologies have been ruled out based on their emissions intensity. However, the determination does not appear to include a robust assessment of the BESS technology's contribution to the aspects of supply quality and reliability to support the future needs of the SWIS. While BESS can provide fast-response capacity, their effectiveness in terms of maintaining reliability is contingent on adequate charge levels and the level of energy producing capacity on the system.

The 2025 WEM Electricity Statement of Opportunities indicates that the SWIS requires substantial new energy-producing generation capacity to complement storage and maintain reliability. It states that, "Additional longer duration (six-hour) battery storage will help, but alone will be unable to meet forecast growth in these sustained peaks without complementing them with additional energy producing capacity (from solar farms, wind farms or gas generators) to sufficiently top them up."[1] Furthermore, the transition to renewables and the staged retirement of coal-fired generation over the next decade necessitates investment in system strength services, which is likely to require synchronous generation, grid-forming inverters or other technologies to maintain grid stability and resilience. Without adequate consideration of the system security and reliability needs of the SWIS in setting the BCPs, it is unknown if the resultant Benchmark Reserve Capacity Prices (BRCPs), based on the 'least-cost' approach, will be fit for purpose with regard to the SEO.

It is acknowledged that the BCPs are not intended to represent the actual technologies that will or should enter the market. However, because they are used to set the BRCP, they must reflect the return on capital required to incentivise the right mix of generation and storage technologies. Given the long lead times for energy infrastructure projects, the investment signals embedded in the BRCP must be forward-looking and

[1] 2025 WEM Electricity Statement of Opportunities, p.5.

aligned with the forecast future needs of the SWIS. Batteries will play a critical role in supporting a generation mix dominated by renewables, but as identified in the ESOO, they will not maintain reliability without energy producing capacity, including gas-fired capacity.

Query regarding fixed maintenance costs

We note that operations and maintenance costs appear to be an important factor in the BESS emerging as the least cost outcome compared to alternatives. We request further information to demonstrate that the maintenance costs included in the calculation for gas-fired capacity excludes all maintenance costs that would be included as input costs in market submissions.

Gross Cost of New Entry

We support the proposal to retain a gross Cost of New Entry (CONE) approach. This methodology ensures that the BRCP reflects the full cost of investment required to deliver new capacity to the SWIS. Retaining this approach is essential to maintain investor confidence and to ensure appropriate long-term investment signals.

Thank you for your consideration of Alinta Energy's submission. Should you require further information or wish to discuss any aspect of our submission please do not hesitate to contact me at Jean.Mileto@alintaenergy.com.au.

Yours sincerely

Jean Mileto
Regulation and Compliance Specialist