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EPWA CONSULTATION: 2025 BENCHMARK CAPACITY PROVIDERS REVIEW CONSULTATION PAPER

Synergy welcomes the opportunity to provide feedback on Energy Policy WA's (EPWA's) *2025 Benchmark Capacity Providers Review Consultation Paper (Consultation Paper)* released on 29 August 2025. The paper outlines the Coordinator of Energy's (Coordinator's) findings and recommendations for the Benchmark Capacity Providers, being the reference technologies used to set the Benchmark Reserve Capacity Price (BRCP).

Synergy understands that, under the Electricity System and Market Rules (ESM Rules), the Coordinator is required to conduct a review of the reference technologies for the Benchmark Capacity Providers within six months of a change to the Electric Storage Resource (ESR) Duration Requirement being published in the Electricity Statement of Opportunities (ESOO).

The Australian Energy Market Operator's (AEMO's) 2025 Wholesale Electricity Market (WEM) ESoo, published in June 2025, saw an increase in the ESR Duration Requirement from four hours to six hours, creating the need for the Coordinator's timely review.

At a high level, Synergy agrees with EPWA's approach in undertaking the review of the Benchmark Capacity Providers, and two proposals as outlined in the Consultation Paper. Synergy provides the below feedback for EPWA's consideration.

Balancing the need to signal for investment versus cost to consumers

EPWA have proposed that the reference technologies for setting both the Peak and Flexible BRCPs are a 200MW / 1200MWh (six-hour) lithium Battery Energy Storage System (BESS) connected at 330kV. At a high-level Synergy supports this proposal.

Synergy is of the understanding that the overarching objective for the selection of the reference technologies is to ensure that system reliability in the WEM can be maintained at efficient costs. The decision of the reference technologies for Peak and Flexible capacity will have flow through impacts to both capacity providers and consumers via the setting of the Peak and Flexible BRCPs which is then used to determine the final price paid to capacity providers, and reliability costs charged to consumers via the Reserve Capacity Mechanism.

The choice of the reference technologies requires careful balancing to ensure that it provides appropriate investment signals for the WEM while also protecting consumers from inefficient and unnecessary cost outcomes. Synergy considers selection of the reference technologies needs to be very cognisant of the potential costs impacts to customers while balancing investment signals, to mitigate the risk of consumers bearing inefficient costs to maintain system security.

Net CONE vs Gross CONE

The Consultation Paper investigates the application of both a Gross Cost of New Entry (**CONE**) and a Net CONE approach for BRCP determination and proposes that the Gross CONE approach is retained. Synergy agrees with EPWA's analysis and assessment of the Gross CONE and Net CONE approaches and agrees a Gross CONE approach should be retained. Synergy considers that although a Net CONE approach has the potential outcome of a lower BRCP, the additional complexity, investment risks and implementation costs would likely far outweigh any potential cost reductions in the BRCP.

Better alignment of timelines within the Reserve Capacity Mechanism

In Synergy's November 2023 submission¹ in response to EPWA's *BRCP Reference Technology Review – Consultation Paper*, Synergy raised the concern that the allowance for the availability requirement of ESRs to increase over time to counter any Availability Duration Gap could create the scenario where the ESR Duration Requirement announced during the middle of Year 1 of a Capacity Cycle exceeds the availability requirement of the incumbent reference technology, which could have been the basis for setting the Capacity Cycle's BRCP at the beginning of Year 1. This has the potential to distort investment signals within the WEM.

Synergy notes that this scenario has eventuated in the 2025 Capacity Cycle, the current Capacity Cycle at the time of this consultation period. For the 2025 Capacity Cycle, the Economic Regulatory Authority (**ERA**) issued its final determination of the 2025 Peak and Flexible BRCPs (applicable for 2027/28 Capacity Year) in December 2024, both being \$360,700 per MW per year, based on a 200MW / 800MWh (four-hour) lithium BESS. Subsequently, AEMO's 2025 WEM ESOO, released in June 2025, saw the ESR Duration Requirement increasing from four to six hours for the 2025 Capacity Cycle. The outcome for the 2025 Capacity Cycle is such that new entrant BESS facilities will be assessed based on a six-hour ESR Duration Requirement; however, the resulting Reserve Capacity Prices will be set based on the costs of a four-hour BESS.

Therefore, Synergy reiterates its concern of the potential for this mismatch in the BRCP and ESR Duration Requirement occurring and suggests this matter requires further consideration. It is likely that amendments to the ESM Rules will be required to remove the potential mismatch between the duration of the reference technologies used to set the BRCP and the ESR Duration Requirement that is used to determine Certified Reserve Capacity.

Conclusion

Synergy thanks EPWA for its work to date on the WEM reform program and looks forward to EPWA's continued consultation on market reform matters.

Your sincerely



**RHIANNON BEDOLA
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¹ Synergy Submission – BRCP Reference Technology Consultation Paper https://www.wa.gov.au/system/files/2023-12/synergy-brcp_reference-technology-consultation-paper.pdf