11 December 2025

Energy Policy WA
Department of Energy and Economic Diversification
Attn: Director, Wholesale Markets
Locked Bag 100
East Perth WA 6892

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

Submission from the WA Expert Consumer Panel on Rule Change Notice: Supplementary Reserve Capacity Amendments (RC_2025_01)

Thank you for the opportunity for members of the WA Expert Consumer Panel (ECP) [Anne Hill, Chris Alexander, Luke Skinner, Noel Schubert, Rosh Ireland] to make a submission on the above consultation.

As a panel supported by the State Government's Western Australian Advocacy for Consumers of Energy (WA ACE) program, we are committed to improving consumer outcomes in the energy sector. We represent energy consumers on the Market Advisory Committee (MAC) and its working groups, and in other consultation processes relevant to consumers of energy in WA.

Comments

A rule change is supposed to “allow the ESM Rules to better address the State Electricity Objective” and how this will be achieved should be described in any rule change proposal.

As consumer representatives, we oppose this rule change as it is inconsistent with the SEO, and we are concerned it may distort or undermine the intended function of the Reserve Capacity Mechanism (RCM), or other mechanisms such as Demand Side Management (DSM).

In the submission below we outline why we think the proposed rule change is contrary to the interests of consumers, not in-line with the SEO and therefore should be rejected.

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

(a) the quality, safety, security and reliability of supply of electricity;

Bluewaters argues: *"By increasing the volume of eligible capacity from Energy Producing Facilities participating in the SRC will aid AEMO in procuring the required capacity shortfall ensuring security and reliability of supply of electricity".*

No evidence is provided that this rule-change is needed in order for AEMO to be able to procure sufficient SRC. To date AEMO has succeeded in procuring sufficient SRC to ensure security and reliability of supply without needing to seek rule changes to 'aid' their procurement.

Any gains in relation to reliability of supply resulting from the proposed rule change are likely to be limited, and may come at risk to reliability at other times of the year. For example, a shortfall could occur in winter if a generator who has been denied Reserve Capacity Credits mothballs their facility in order to preserve fuel for the Supplementary Reserve Capacity (SRC) period. It is critically important that procurement of SRC does not result in perverse outcomes in markets at other times of the year.

This is concerning in the context of a rapidly changing grid in which there can be days and weeks with significantly reduced renewable generation, especially during winter.

Additionally, we have concerns about how this could interact with the RCM:

- AEMO's certification process for Reserve Capacity is robust and considers the ability of facilities to perform reliably in peak periods.

- It is not appropriate for generators who failed certification for reliability reasons (eg, fuel supply, forced outages or network access constraints) to participate in a SRC process, unless they can clearly demonstrate how those reliability issues have been resolved and present no ongoing risk to reliability during the SRC period.

- Allowing facilities which failed certification to apply for SRC in the same year could undermine confidence in the certification process and the RCM more broadly.

- Enables Market Participants to bypass guardrails put in place to avoid gaming the market. This could result in a situation where there will be need for greater scrutiny of participation in the RCM to ensure generators are not manipulating processes to intentionally fail certification.

(b) the price of electricity; and

Bluewaters argues: *"By increasing the volume of eligible capacity from Energy Producing Facilities participating in the SRC will promote efficient competition and pricing for procured supplementary capacity."*

ECP members have a number of concerns related to cost.

In recent years SRC has achieved a total annual cost per megawatt of capacity that is close to and at times below those achieved via the RCM, and as such it seems unlikely that capacity moving from the RCM to SRC would result in significantly lower SRC prices.

Certain costs do not change if a generator is only required to make capacity available for 4 months of the year. These include costs related to asset management, debt repayments, and annual maintenance. A generator that relies on Reserve Capacity Credits for 12-months of availability per year, would not be likely to recover these costs by offering same-or-lower cost capacity into a market that only operates for 4 months per year.

The RCM aims to incentivise capacity providers to apply and be certified for RC and contains financial dis-incentives for poor performance, and for moving capacity out of the system when it isn't up to standard. The proposed changes could have the unintended consequence of distorting these incentive structures.

This rule change also creates an avenue through which relevant market participants could escape transitional Reserve Capacity Price arrangements that are currently in place until 2031, by failing their RCM certification and moving to SRC at a higher price.

(c) the environment, including reducing greenhouse gas emissions.

Bluewaters argues: *"Provides for targeted procurement of energy producing capacity to firm up intermittent renewable supply"*

We do not understand the basis for this statement.

A generator who moves from providing peak capacity via the RCM to providing peak capacity via SRC is not increasing the availability of firming capacity. SRC is not a market for 'firming' of renewables, it is a purely peak capacity product.

The proposed rule change is clearly intended to enable existing thermal generators to enter the SRC market to compete with and potentially displace lower / zero emissions alternatives such as load reduction.

Additionally, these changes may provide an avenue for high-emissions generators to re-enter the market after having previously exited.

Adopting this rule change could undermine the intent of introducing “Emission Thresholds” within the RCM, as is currently being contemplated under the WEM Investment Certainty Review, if the thresholds are not also applied to SRC.

This would likely result in higher emissions and is contrary to this limb of the SEO.

Final comments

To the extent that this rule change is intended to facilitate the participation of coal-fired power plants in providing SRC, challenges exist to that participation beyond those mentioned above. For example, SRC is called last and with only 2 hours notice. It is unclear how a cold-state coal plant would be able to respond to this, given they generally require at least 6 hours to start.

In closing, ECP members are of the opinion that the proposed rule change is not in the best long-term interests of consumers or the safe and efficient operation of the electricity system as per the SEO.

Thank you for considering this submission, and please do not hesitate to contact us to discuss it further.

Sincerely,
WA Expert Consumer Panel members
Anne Hill, Chris Alexander, Luke Skinner, Noel Schubert, Rosh Ireland