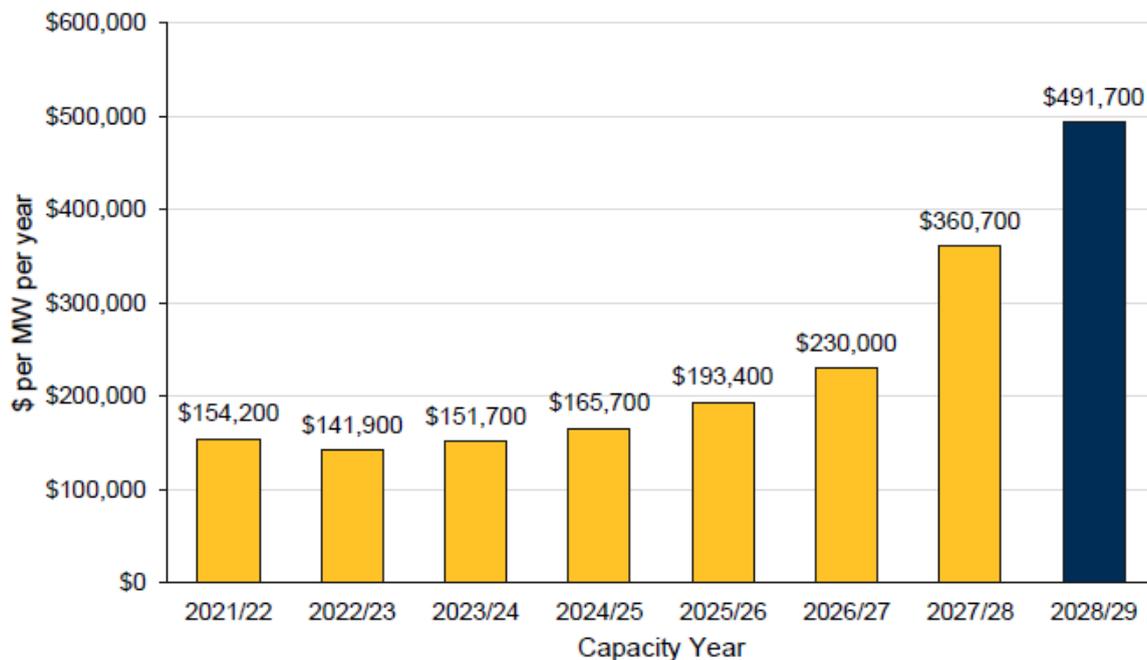


Reserve Capacity Prices paid to existing and committed generators - comments from a consumer representative's perspective

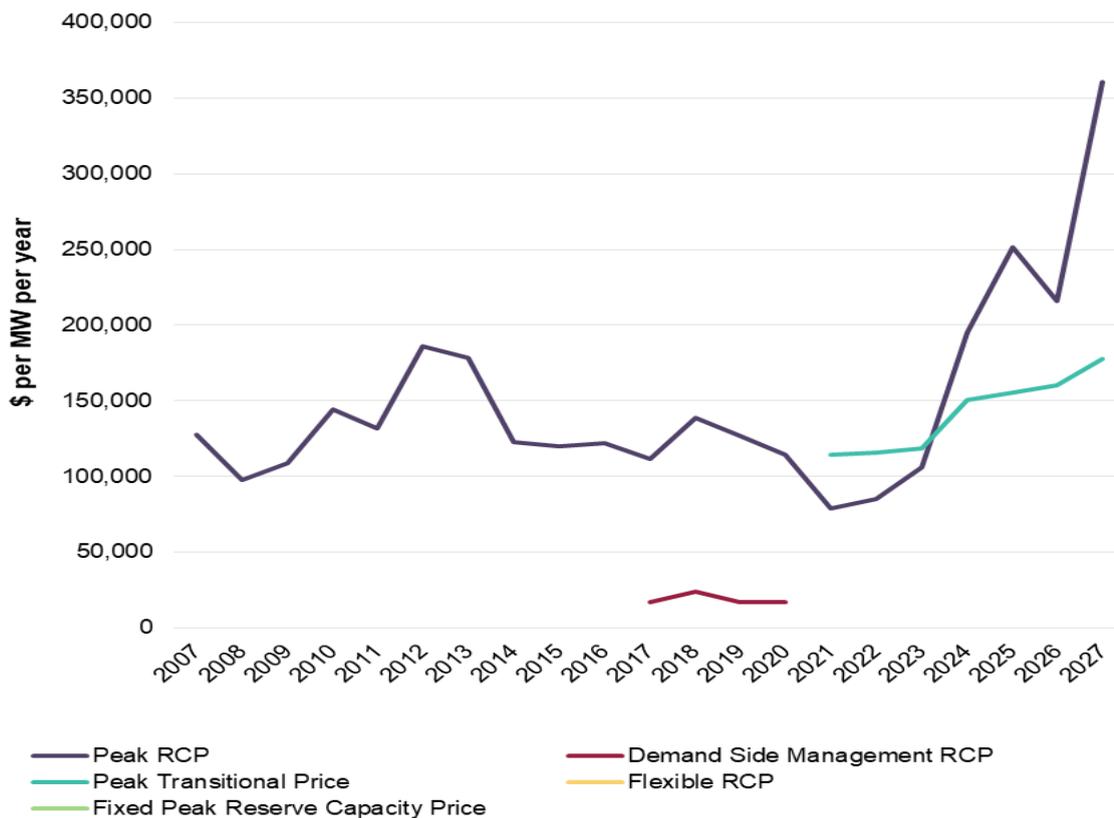
- BRCPs are increasing almost exponentially - for various well-considered underlying reasons - to attract low emissions, new-entrant capacity and ensure it is viable. Refer to the latest ERA draft BRCP determination and its Figure 1.

Figure 1: BRCPs from the 2021/22 capacity year to 2028/29



- Existing and new capacity needs to be financially viable in an ongoing timeframe.
- Revenue from the energy and ESS markets, and other sources if any, obviously needs to be taken into account when considering the overall viability of capacity sources. The WEM Investment Certainty review has been considering these issues including the potential declining energy prices due to renewables growth.
- Generators that are part of the 'Transitional' RCP mechanism receive peak capacity payments between a CPI-indexed price floor and price ceiling for capacity years 2021/22 until 2030/31 which keeps their capacity costs reasonable. See Figure 2.

Figure 2: Reserve Capacity Prices - source AEMO website



- These 'peak transitional' prices are relatively consistent and reasonable for existing capacity - much of which has paid off its capital costs - although there is a question of whether a generator that has paid off its capital costs should receive the same capacity payments (ultimately from consumers) as generators that are still to pay them off.
- Transitional capacity comprises a declining proportion of the existing fleet capacity as plant retires (90% in 2025/26 capacity year down to 64% in 2027/28 and decreasing). This means 'non-transitional' generators comprise 36% of fleet capacity in 2027/28 capacity year, and growing.
- When reserve capacity prices climb steeply for reasons that are not related to existing and committed 'non-transitional' generators' capital costs, why should those generators get paid the same capacity prices as much-higher-capital-cost new-entrant generators (again at consumers' expense)?

We welcome discussion on this, and views that support or don't support continuation of the current and evolving arrangements.