

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](mailto:energymarkets@deed.wa.gov.au)

## **Submission from the WA Expert Consumer Panel on Draft Rule Change Report Supplementary Reserve Capacity Amendments (RC\_2025\_01) - Second Round Submissions**

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.

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### **Comments**

We appreciate the time and effort spent by the Coordinator in addressing and replying to the concerns raised in our previous submission regarding RC\_2025\_01. In this submission, we will proceed on the basis that our previous comments have already been addressed, and focus our responses primarily on the Coordinator's decisions and comments in the Draft Rule Change Report.

We strongly support the Coordinator's draft decision to reject RC\_2025\_01 on the basis that it is inconsistent with the State Electricity Objective (SEO), and we note the concerns and responses - particularly in regard to:

- Effectiveness of the supplementary capacity process
- Impacts on the Reserve Capacity Mechanism (RCM)
- Concerns with gaming
- Cost implications and potential for market distortion

We also strongly support the Coordinator's proposal to remove the reference to 'Registered Facilities' in clause 4.24.3(c) of the ESM Rules.

This is a sensible proposal to mitigate concerns regarding a potential gaming opportunity.

Further detail on these comments is provided below.

### **Response to Coordinators assessment against the SEO**

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

ECP members note the Coordinator's comment that *"If all eligible Facilities meet the certification requirements and contribute to the Reserve Capacity Requirement, AEMO would not be required to call for supplementary capacity"*. This context is important.

The Reserve Capacity Mechanism (RCM) is the primary mechanism through which Peak Capacity is sourced and has inbuilt settings to reduce prices for reserve capacity once sufficient capacity is accredited. Any rule change which could incentivise capacity to fail RCM certification, could extend the time it takes to ensure sufficient capacity is available through the RCM in order to reduce prices for Peak Capacity and reliance on procurement of capacity through expensive alternative avenues such as Supplementary Reserve Capacity (SRC) and Non Co-optimised Essential System Services (NCESS).

SRC is an emergency procurement and should not be relied upon year after year. The market focus must remain on ensuring sufficient peak capacity is secured via the RCM, reducing Reserve Capacity costs and avoiding the need to seek SRC during years of routine operation.

We also note and share the Coordinator's concern that any *"Reserve Capacity exiting the RCM would increase the risk faced by AEMO in dealing with contingencies, network constraints, Forced Outages and other challenges throughout the Capacity Year."*

### **(b) the price of electricity; and**

ECP members remain concerned about rapidly increasing costs for procurement of reserve capacity, and about how these may impact costs to consumers, especially over the next few capacity years.

We share the Coordinator's concern that any Reserve Capacity exiting the RCM would *"reduce system reliability and increase the difficulty faced by AEMO in dealing with contingencies, network constraints, Forced Outages and other challenges throughout the Capacity Year"*, and that this would likely *"increase the need for market intervention by AEMO"*, leading to increased costs to consumers.

We note and share the Coordinator's concern that any facilities moving from the RCM to SRC as a result of the proposed rule change would likely result in *"increased market costs"* for both SRC and the RCM.

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

We note the Coordinator's comment that *"Failure to be awarded Capacity Credits acts as a signal for existing capacity to exit the WEM and creates opportunities for more cost effective, efficient and reliable generation capacity to enter the SWIS"*. ECP members share concerns that RC\_2025\_01 could undermine this signal during a key period for the expected retirement of thermal generation and the rapid transition toward zero-emissions technologies.

## **Additional comments**

### **Effectiveness of the supplementary capacity process**

We note that none of the first round submissions have contended that RC\_2025\_01 is *necessary*, nor that AEMO is currently unable to effectively procure sufficient supplementary capacity. This aligns with views expressed during reviews conducted in 2023 & 2024, which found a preference for 'no further changes' in ESM Rules related to supplementary capacity, or the definition of Eligible Services.

The supplementary capacity process is working effectively and does not currently require change.

### **Impacts on the RCM**

We note and support the Coordinator's stated position that supplementary capacity must be additive capacity to that made available through the usual RCM processes.

ECP members appreciate AEMO's reminder that clause 4.24.3(c) exists to disincentivise withholding of capacity from the RCM, the primary mechanism by which Peak Capacity is procured to meet forecast peak demand. RC\_2025\_01 has the potential to undermine the effectiveness of this disincentive.

### **Concerns with gaming**

We acknowledge the Coordinator's concern that the risk of potential gaming, with Market Participants withholding capacity by purposefully failing the certification process, can have a material impact on system reliability by reducing the level of capacity available through the RCM.

### **Cost implications and potential for market distortion**

Like AEMO, members of the ECP are similarly concerned that RC\_2025\_01 could position supplementary capacity to compete with the RCM for procurement of Peak Capacity in the Hot Season; and that this would likely be detrimental to overall costs and market outcomes.

ECP members also support Synergy's stated position that RC\_2025\_01 creates a potential incentive for Market Participants to fail their CRC applications, so they can receive a higher supplementary capacity price, given that the supplementary capacity price has historically been higher than both the Peak Reserve Capacity Price and the Transitional Reserve Capacity Price.

## **Registered Facilities**

We appreciate the Coordinator's recognition of a potential gaming opportunity identified in clause 4.24.3(c) of the ESM rules related to the reference to Registered Facilities. We strongly support the proposal to remove the reference to Registered Facilities in this clause for all the same reasons we support the decision to reject RC\_2025\_01.

However we note this change may make clause 4.24.3(b) redundant as these facilities would now also be covered by the language in clause 4.24.3(c).

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## **Final comments**

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