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EPWA CONSULTATION: REVIEW OF THE NON-CO-OPTIMISED ESSENTIAL SYSTEM SERVICES FRAMEWORK CONSULTATION PAPER

Synergy welcomes the opportunity to provide feedback on Energy Policy WA's (EPWA's) *Review of the Non-Co-optimised Essential System Services Framework Consultation Paper (NCESS Review Paper)* released on 10 February 2026.

Synergy understands that the proposals within the NCESS Review Paper stem from the Coordinator of Energy's (the **Coordinator's**) review of the Non-Co-optimised Essential System Services framework (**NCESS Framework Review**) which commenced in 2025. The NCESS Framework Review has been conducted in consultation with Western Power and the Australian Energy Market Operator (**AEMO**), with the aim of identifying if the Non-Co-optimised Essential System Services (**NCESS**) framework continues to be consistent with the State Electricity Objectives (**SEO**).

Synergy provides detailed comments on the proposals within the NCESS Review Paper in Annexure A attached. The recommendations in Synergy's responses are focused on enabling the proposed changes to better deliver the SEO, establishing good governance over the NCESS process for delivering Network Support Services (**NSS**) and minimising costs to consumers.

Synergy thanks EPWA for its work to date on the Wholesale Electricity Market (**WEM**) reform program and looks forward to EPWA's continued consultation on market reform matters.

Your sincerely

A handwritten signature in blue ink, appearing to read "R. Bedola", is written over a light blue circular stamp.

RHIANNON BEDOLA
MANAGER ELECTRICITY MARKETS

ANNEXURE A: DETAILED COMMENTS ON THE PROPOSALS WITHIN THE NCESS REVIEW PAPER

Proposal 1

Proposal 1 – Proposed Outcomes

Allow Western Power to utilise the NCESS framework in a more efficient and flexible manner through a truncated process for repetitive NSS procurements, provided certain criteria and conditions are met.

The truncated processes will allow the Coordinator to review and make a determination on an 'initial trigger' submission and approve a 'standard service specification', enabling Western Power to procure similar services against that specification without the need for further determinations.

Subsequent procurements, for which the specification is unchanged, could proceed directly to a Request for Submissions following consultation with AEMO and Energy Policy WA.

Consultation Question

Do stakeholders agree that, if the Coordinator has issued a determination under clause 3.11A.8 of the ESM Rules approving a generic service specification, subsequent procurements using the unchanged specification may proceed, subject to consultation with AEMO and EPWA, without a further Coordinator determination and without an EOI process?

Synergy's Response/Comments

Synergy requests further details on the proposed consultation process to be undertaken by Western Power with the AEMO and EPWA and seeks to understand the governance that will be applied to the truncated NCESS process for repetitive NSS procurements. Synergy is supportive of allowing for truncated NCESS process for repetitive NSS procurements provided that appropriate governance and oversight measures are established to mitigate risks of inefficient outcomes and to ensure the NSS procurements continue to be aligned to the SEO.

Synergy suggests Proposal 1 should be expanded to implement additional measures that provide increased visibility and oversight of the truncated NCESS procurements and ensuring the procurements are delivering the optimal solutions in both the short- and long-term interest of consumers. Synergy considers the following can assist in meeting this requirement:

- A consultation process by Western Power with the AEMO and EPWA is required for each subsequent NSS procurement under a truncated NCESS process. This will assist in enabling coordination of the parties in delivering optimal solutions for the WEM.
- EPWA and the AEMO are required to publish a decision to either support or reject the NSS procurement following the consultation by Western Power with EPWA and the AEMO.
 - The decision document should detail EPWA and the AEMO's views on how the NSS procurement supports the WEM in meeting the SEO and delivers value to network users.
- The tender process for each truncated NSS procurement is open to all interested bidders and is not limited to solely participants in the Expressions of Interest (**EOI**) stage of the initial NCESS process.
- The Coordinator's determination for the initial trigger submission and generic service specification are time-bound (suggest one to two years), after which Western Power will be required to reapply to the Coordinator for approval (or rejection) of the NCESS trigger and generic service specification. This requirement should exist for all NCESS triggers regardless of the materiality of changes (or lack thereof) to the service specifications of the NSS being sought.

In addition, Synergy seeks clarity if the NSS that are sought to be procured through the truncated NCESS process are intended to address the Power System and Security Reliability (**PSSR**) requirements identified in Western Power's annual Transmission System Plan and Network Opportunity Map.

Lastly, Synergy considers that measures should be established to ensure Western Power is continually incentivised to identify the most economically efficient pathway to addressing network support requirements and is motivated to invest in the South West Interconnected System's (**SWIS**'s) network as appropriate. These measures could include:

- Requiring Western Power to publish, as part of the EOI, its estimated costs for network augmentation to meet the NSS requirements. This will provide an indicative range to network users of the augmentation costs for which Western Power is seeking cost reduction opportunities. Importantly, it will give transparency and assurance to the market that Western Power is pursuing the optimal solution for the SWIS, be it investment in network augmentation, NCESS procurements or other regulated mechanisms such as network reference services. Additionally, it will assist in deriving a benchmark for the assessment and selection (or rejection) of NCESS bids. Synergy's request is consistent with SEO as it will promote efficient investment in and efficient operation of electricity services for the long-term interests of electricity consumers by addressing asymmetry of information that currently favours Western Power.
- Requiring an independent third party to undertake periodic retrospective reviews of the NCESS procurements to assess whether longer term cost savings have been achieved under the NCESS

Proposal 1

procurement process at various locations, as compared to if investment in network augmentation had been pursued by Western Power. This review will assist in establishing governance and oversight of the NCESS process and allow for learnings to be applied to future procurements or augmentations.

Consultation Question

What should constitute a “material amendment” to the approved service specification that would require a new Coordinator determination?

Synergy’s Response/Comments

Synergy suggests that changes to the NSS service specification that would result in new information being provided for a selection of the subclause items of clause 3.11B.5 of the ESM Rules should be considered material amendments. Synergy’s initial consideration is that changes to the following information should be considered material:

- the service requirements [*clause 3.11B.5(a)*];
- the expected technical capability of a facility or equipment that may be able to provide the service [*clause 3.11B.5(b)*];
- the material contractual terms associated with the NCESS, including required pricing structure [*clause 3.11B.5(g)*];
- the selection criteria that may apply to the NCESS Submissions [*clause 3.11B.5(h)*]; and
- any other relevant matters added or taken out of the approved service specification [*based on clause 3.11B.5(i)*].

Proposal 2

Proposal 2– Proposed Outcomes

To remove barriers to participation in the emerging distribution NSS market and ensure service providers can realise sufficient value, a temporary and limited exemption from Clause 5.3.1(b) of the ESM Rules is proposed. This exemption would apply if all of the following criteria are met:

- *The NSS is provided by a Facility connected to the distribution system;*
- *The Facility has an aggregated capacity of 5MW or less, including:*
 - *A sub-limit of 1.2MW per Connection Point to apply in the case of Electric Storage Resources; and*
 - *A sub-limit of a 0.6MW per Connection Point to apply in the case of all other technology types; and*
- *The NCESS Contract is entered into during the exemption period (for services procured from 1 January 2026 to 31 December 2028).*
 - *The exemption applies to the procurement completion date, that is the date on which contracts are executed, not the commencement or completion date for the services.*

Consultation Question

Do stakeholders support the proposal for a temporary exemption, for distribution connected services below the proposed size, from clause 5.3.1(b) of the ESM Rules?

Synergy’s Response/Comments

Synergy is supportive of this proposal for a temporary exemption from clause 5.3.1(b) aimed at encouraging potential providers to participate in NSS procurement processes and allow deferral of network augmentation. Synergy also recommends the following:

- Only NCESS contracts with a short- to medium-term service duration (suggest up to a maximum of three years) should be eligible for this temporary and limited exemption. Synergy proposes this considering the Economic Regulation Authority’s (ERA’s) recently issued draft determination of the 2026 Benchmark Reserve Capacity Prices (BRCPs) of \$491,700 per MW per year, which is a 36 percent increase on the 2025 BRCPs (\$360,700 per MW per year); and 114 percent increase on the 2024 BRCP (\$230,000 per MW per year)¹. As the BRCPs are a key determining factor of the price paid per Capacity Credit, limiting the exemption from clause 5.3.1(b) of the Electricity Market and System Rules (ESM Rules) to short and medium duration NCESS contracts to allow for reconsideration and assessment of this policy decision and developing a better understanding of the value of NSS procurement and deferral of costs that are provided

¹ [2026 Benchmark Reserve Capacity Prices for the 2028/29 capacity year: Draft determination, section 3. Draft determination, Figure 1: BRCPs from the 2021/22 capacity year to 2028/29, pg. 5.](#)

before locking in longer term contracts (or alternatively network augmentation costs), enabling economically efficient decisions to be made closer to the timing of future requirements.

- Prior to any decision on whether to extend the temporary exemption period, a review to ascertain the effectiveness of this exemption in supporting the development of the distribution NSS market should be conducted, and consultation with industry on the review findings be held.
 - The review should capture any incremental cost impacts to WEM consumers of the temporary exemption as compared to costs that would have been incurred if network augmentation had been pursued.

Lastly, Synergy suggests that services providers in the emerging distribution NSS market could also be incentivised if they are able to value-stack payments from individual NCESS contracts with AEMO or Western Power. This option would be predicated on service providers being able to concurrently meet the service requirements and terms of these individual contracts over the contracted duration, while allowing the providers to realise increased value from their facilities and the services they provide. Therefore, Synergy proposes that value-stacking of individual AEMO and Western Power NCESS contracts be examined as another possible option to supporting the emerging distribution NSS market and welcomes feedback.

Proposal 3

Proposal 3 – Proposed Outcomes

To support distribution-based NSS necessary to support regional reliability, it is proposed that Market Participant registration, Facility registration, and participation in the RCM is not required for relevant services, provided all of the following criteria are met:

- a) The Facility associated with an NCESS Contract quantity has a System Size of 5MW or less, and*
- b) The generating unit(s) comprising the Facility operate exclusively on a section of the distribution system while islanded from the wider power system.*

Consultation Question

Do stakeholders support removing WEM registration requirements for small-scale, distribution connected, islanded, regional NSS?

Synergy's Response/Comments

Synergy is supportive of this proposal.