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Director Wholesale Markets
Energy Policy WA
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Submitted via email to: energymarkets@deed.wa.gov.au

Dear Ms Guzeleva,

Western Power response to Review of the Non-Co-optimised Essential System Services Framework Consultation Paper

Western Power appreciates the opportunity to provide feedback on the Consultation Paper for the Review of the Non-Co-optimised Essential System Services (**NCESS**) Framework that exists within the Electricity System and Market (**ESM**) Rules.

The NCESS Framework influences Western Power's ability to procure non-network services, delivered as Network Support Services (**NSS**), as alternatives to traditional network augmentation in order to resolve network constraints on the South-West Interconnected System (**SWIS**). Western Power has, with approval from the Coordinator of Energy, triggered the NCESS procurement process several times to date and supports a review of the NCESS Framework to ensure it remains fit-for-purpose, effective at resolving a wide array of power system security and reliability challenges, and aligned with the State Electricity Objective.

Summary of Western Power's positions

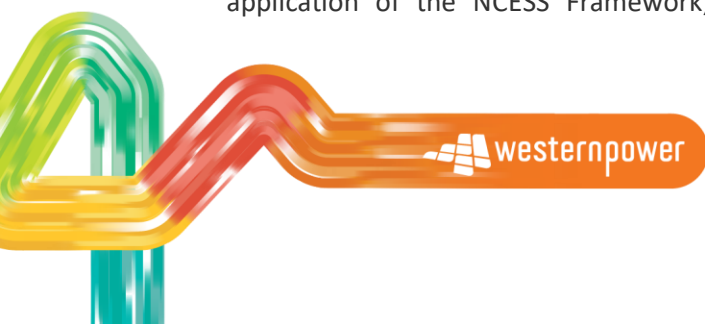
Western Power supports:

1. **A truncated NCESS procurement pathway for repetitive procurements**, that supports the efficient and timely procurement of services to address well understood network constraints.
2. **A temporary exemption from Clause 5.3.1(b)** to remove barriers to value realisation for certain NSS providers, with **proposed amendments to increase the exemption duration to five years** to provide sufficient investment certainty for market development.
3. **Changes to support regional reliability services** by removing unnecessary market registration and Reserve Capacity Mechanism obligations for specific backup supply services that operate in isolation from the power system.

Proposal 1 — Truncated NCESS Procurement Process for repetitive procurement

Western Power **supports** the introduction of a truncated procurement pathway for repetitive procurements, where the service specification and delivery requirements are materially similar to a previously completed procurement.

The NCESS Framework currently applies universally to the procurement of non-network solutions across the SWIS; regardless of consideration to the size, scale or complexity of the network constraint. The universal application of the NCESS Framework, particularly in the case of repetitive services, can introduce



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inefficiencies and limit the ability to deploy non-network solutions to resolve network constraints more rapidly.

Western Power considers that this is a pragmatic proposal that provides an alternative procurement pathway that better reflects proportional requirements, while still retaining appropriate levels of governance and transparency.

Proposal 2 – Removal of barriers for selected services

Western Power **supports, with proposed amendments to the timeline**, the introduction of a temporary exemption from Clause 5.3.1(b) of the ESM Rules that will address barriers to NSS providers realising value through participation in NCESS.

The application of Clause 5.3.1(b), which requires that NCESS payments to a service provider are reduced by the value of Capacity Credit payments, can result in little to no revenue for service providers of NCESS whose Facility also receives Capacity Credits. This is particularly relevant on the distribution network where NSS opportunities are typically of equal or lesser value than that of Capacity Credits on a \$/MW/annum basis, and the result can be little to no locational incentive remaining for a service provider to participate in NCESS.

Western Power considers that the proposed exemption will support the emerging distribution NSS market by enabling service providers to realise value from the provision of NCESS, in turn strengthening Western Power's ability to achieve cost-efficient and timely solutions to managing the network.

Western Power considers the proposed three-year exemption period may be too short to support market growth and sustained participation, given development, contracting and (where relevant) connection lead times. Western Power therefore proposes an exemption period of **five years (1 January 2026 to 31 December 2030)**.

To balance investment certainty with appropriate review during the five-year exemption period, Western Power would support a **mid-term review** (for example after three years) to assess market development, participation and outcomes, and to inform whether the exemption should continue, be amended, or conclude as planned.

Proposal 3 – Network Support Services to support regional reliability

Western Power **supports** proposed NCESS Framework changes to remove the requirement for market registration and the obligation for Reserve Capacity Mechanism (**RCM**) participation for NSS providing backup supplies.

Where a non-network solution providing an NSS operates in isolation from the wider power system (i.e. without parallel operation) Western Power considers that any requirement for Market Participant registration, Facility registration and RCM obligations presents barriers to service providers participating in NCESS, without commensurate benefit to the power system.

We consider that this proposal is a pragmatic one that will support Western Power's ability to deploy non-network solutions to efficiently address reliability challenges and improve customer experience in regional areas.

We look forward to working with Energy Policy WA as these policies are translated into ESM Rules. Should you have any queries, please contact **Andy Kondola** (Energy Market Regulation Manager) by email at andy.kondola@westernpower.com.au.

Yours sincerely

Matt Veryard
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