24 June 2026

Energy Policy WA
Level 1, 66 St Georges Tce
PERTH WA 6000

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

Tranche 10: Exposure Draft Proposed Electricity System and Market (ESM) Amending Rules

Alinta Energy appreciates the opportunity to provide feedback on the Tranche 10 ESM Amending Rules Exposure Draft. We provide the following feedback for EPWA's consideration.

We support extending the existing exemption for Flexible Capacity obligations

We support extending the exemption of the Flexible Capacity obligations from the 2025 Reserve Capacity Cycle to future Reserve Capacity Cycles in which the Flexible Reserve Capacity Price is less than or equal to the Peak Reserve Capacity Price. This decision aligns with the 2026 WEM ESOO which forecasts a substantial flexible capacity surplus for the next 10 years. This gives market participants reasonable exemption from obligations for non-required services for future capacity cycles. Without the exemption extension, flexible capacity providers would carry compliance obligations and refund exposure with no corresponding revenue benefit.

We recommend consideration of amendments to support consistent capacity pricing for Facility upgrades

Where new capacity is added through a new Facility Technology Type (FTT), it is treated as a separately certified component and receives the Floating Daily Peak Reserve Capacity Price, reflecting current new entry costs.

By contrast, where a similar increase in capacity is delivered via an upgrade to an existing FTT, the additional MW continues to receive the Transitional Daily Peak Reserve Capacity Price. This outcome does not appear fully aligned with the original policy intent of transitional pricing, which was to apply transitional pricing to legacy investments made prior to the 2019 reforms, rather than subsequent expansions.

This results in equivalent investments being treated differently:

- new components receive contemporary pricing;
- upgrades remain subject to legacy pricing.

We note that upgrades are already recognised separately in other parts of the framework, including:

- prioritisation in the allocation of Capacity Credits; and

- the assignment of Network Access Quantities.

As a period of low capacity excess continues, this difference in treatment may have the effect of disincentivising comparatively lower-cost brownfield expansion options, relative to functionally equivalent alternatives.

A more neutral approach would be to treat incremental capacity from upgrades consistently with other new capacity such that the incremental MW associated with an upgrade would receive the Floating Daily Peak Reserve Capacity Price, while the existing (legacy) capacity continues to receive the Transitional price.

To implement this, we provide the following drafting suggestions:

<u>Option 1</u>
Treat upgrade MW as a "pricing-only" subset of Separately Certified Components. This would involve the following amendments:

- Extend "Separately Certified Component" to include: incremental capacity from an upgrade to a Facility or FTT.

- Capacity Credit assignment (clause 4.20): Require AEMO to identify and assign Capacity Credits to the incremental MW as a distinct component.

- Pricing (clause 4.29.1A(c)): Clarify that these components are: not subject to transitional or fixed pricing and therefore receive the Floating price.

- Specify that upgrade components:
  - are not separate Facilities;
  - do not submit outages, bids or telemetry separately;
  - are only treated separately for pricing and Capacity Credit allocation.

<u>Option 2</u>
- Define "Facility Upgrade" as: an increase in Certified Reserve Capacity after the 2019 Reserve Capacity Cycle.
- Require AEMO to separately identify Capacity Credits associated with a Facility Upgrade.
- Pricing (clause 4.29.1A): add a limb noting that a Facility Upgrade capacity receives the Floating Daily Peak Reserve Capacity Price.

<u>Option 3</u>
- Adjust pricing treatment directly without new definitions.
- Add to clause 4.29.1A that where a Facility's Certified Reserve Capacity increases relative to the previous Reserve Capacity Cycle, AEMO must treat the incremental Capacity Credits as not subject to transitional pricing.

Thank you for considering our submission.

Yours sincerely,

Oscar Carlberg
Regulatory Affairs Manager