Department of
Energy and Economic Diversification

GOVERNMENT OF WESTERN AUSTRALIA

Energy Policy WA

Meeting Agenda

Meeting Title:	WEM Investment Certainty Review Working Group (WICRWG)
Date:	Thursday 25 June 2026
Time:	9:30 AM – 11:30 AM
Location:	Online via TEAMS

Item	Item	Responsibility	Type	Duration
1	Welcome and Agenda • Conflicts of interest • Competition Law	Chair	Noting	3 min
2	Meeting Apologies/Attendance	Chair	Noting	2 min
3	Introductory Remarks	Jai Thomas	Noting	10 min
3	Renewable Energy Mechanism to provide investment certainty to renewable generation	Chair/RBP	Discussion	100 min
4	General Business	Chair	Discussion	5 min

Please note, this meeting will be recorded.

Competition and Consumer Law Obligations

Members of the MAC's WEM Investment Certainty Review Working Group (**Members**) note their obligations under the *Competition and Consumer Act 2010* (**CCA**).

If a Member has a concern regarding the competition law implications of any issue being discussed at any meeting, please bring the matter to the immediate attention of the Chairperson.

Part IV of the CCA (titled "Restrictive Trade Practices") contains several prohibitions (rules) targeting anti-competitive conduct. These include:

(a) **cartel conduct**: cartel conduct is an arrangement or understanding between competitors to fix prices; restrict the supply or acquisition of goods or services by parties to the arrangement; allocate customers or territories; and or rig bids.

(b) **concerted practices**: a concerted practice can be conceived of as involving cooperation between competitors which has the purpose, effect or likely effect of substantially lessening competition, in particular, sharing Competitively Sensitive Information with competitors such as future pricing intentions and this end:

- a concerted practice, according to the ACCC, involves a lower threshold between parties than a contract arrangement or understanding; and accordingly; and
- a forum like the MAC is capable being a place where such cooperation could occur.

(c) **anti-competitive contracts, arrangements understandings**: any contract, arrangement or understanding which has the purpose, effect or likely effect of substantially lessening competition.

(d) **anti-competitive conduct (market power)**: any conduct by a company with market power which has the purpose, effect or likely effect of substantially lessening competition.

(e) **collective boycotts**: where a group of competitors agree not to acquire goods or services from, or not to supply goods or services to, a business with whom the group is negotiating, unless the business accepts the terms and conditions offered by the group.

A contravention of the CCA could result in a significant fine (up to $500,000 for individuals and more than $10 million for companies). Cartel conduct may also result in criminal sanctions, including gaol terms for individuals.

Sensitive Information means and includes:

(a) commercially sensitive information belonging to a Member's organisation or business (in this document such bodies are referred to as an Industry Stakeholder); and

(b) information which, if disclosed, would breach an Industry Stakeholder's obligations of confidence to third parties, be against laws or regulations (including competition laws), would waive legal professional privilege, or cause unreasonable prejudice to the Coordinator of Energy or the State of Western Australia).

Guiding Principle – what not to discuss

In any circumstance in which Industry Stakeholders are or are likely to be in competition with one another a Member must not discuss or exchange with any of the other Members information that is not otherwise in the public domain about commercially sensitive matters, including without limitation the following:

(a) the rates or prices (including any discounts or rebates) for the goods produced or the services produced by the Industry Stakeholders that are paid by or offered to third parties;

(b) the confidential details regarding a customer or supplier of an Industry Stakeholder;

(c) any strategies employed by an Industry Stakeholder to further any business that is or is likely to be in competition with a business of another Industry Stakeholder, (including, without limitation, any strategy related to an Industry Stakeholder's approach to bilateral contracting or bidding in the energy or ancillary/essential system services markets);

(d) the prices paid or offered to be paid (including any aspects of a transaction) by an Industry Stakeholder to acquire goods or services from third parties; and

(e) the confidential particulars of a third party supplier of goods or services to an Industry Stakeholder, including any circumstances in which an Industry Stakeholder has refused to or would refuse to acquire goods or services from a third party supplier or class of third party supplier.

Compliance Procedures for Meetings

If any of the matters listed above is raised for discussion, or information is sought to be exchanged in relation to the matter, the relevant Member must object to the matter being discussed. If, despite the objection, discussion of the relevant matter continues, then the relevant Member should advise the Chairperson and cease participation in the meeting/discussion and the relevant events must be recorded in the minutes for the meeting, including the time at which the relevant Member ceased to participate.

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Renewable Energy Mechanism to provide investment certainty to renewable generation

Working Group discussion

Recap

Previous Working Group considerations

- The Wholesale Electricity Market (WEM) Investment Certainty Review (WIC Review) Working Group considered various mechanisms to provide revenue certainty for renewable generation projects. These included:
    - An energy purchaser obligation (similar to the Renewable Energy Target (RET));
    - A capacity-based revenue top-up, linked to Capacity Investment Scheme (CIS) outcomes;
    - A price guarantee based on wholesale energy prices in a year; and
    - A Benchmark Reserve Capacity Price (BRCP) based on renewable generation fixed costs.
- The Working Group determined that it was important to understand the interactions of the mechanisms with the CIS, as it would be needed only if the CIS was unable to provide sufficient revenue to support investment in new firmed renewables.
- In May 2024, the Working Group decided to cease the work until there was further clarity on the final design of the CIS.
- It is now clear that the CIS will not secure sufficient entry of renewable energy projects in the WEM without additional support from either Power Purchase Agreements (PPAs) or another mechanism.

Objective

The need for a mechanism to provide revenue confidence for renewable projects

- The SWIS needs significant volumes of renewable energy to meet load growth and replace energy from retiring fossil fueled facilities.
- Capacity payments alone are not sufficient to cover the fixed cost of renewables, so renewable developers must find additional revenue from selling energy, either through a PPA or through merchant supply in the Real-Time Market (RTM).
- However, as more renewables enter, the median marginal RTM price will get lower and lower. This means developers are not willing to proceed on a merchant basis, and require long term PPAs to provide revenue confidence.
- Market customers appear unwilling to agree PPAs that come at a higher cost than projected RTM prices after renewable entry. Customers may be assuming they will be able to source energy from the market at lower cost because someone else will take the risk of new build.
- There is currently a gap between what developers are willing to sell for and what customers are willing to pay, and significant risk that the gap will not close in time to avoid energy shortfalls.
- This Renewable Energy Mechanism (the Mechanism) is intended to redress this risk, by providing revenue confidence to renewable projects whose output is needed, but is not covered by an existing PPA at the time the Mechanism is implemented.
- This Mechanism is intended to apply to generation facilities entering from 2030, providing the minimum support required to reach Final Investment Decision (FID).

The Mechanism must be in place by October 2030

- To address any potential energy shortfalls following the planned retirements of coal fired generation, new renewable generation will be needed in the Capacity Year starting 1 October 2030.
- Generation entering in 2030 will participate in the 2028 Reserve Capacity Cycle, applying for Certified Reserve Capacity (CRC) in June 2028.
- To provide investment certainty to enable these Facilities to reach FID, and participate in the 2028 Reserve Capacity Cycle, the Mechanism must be signalled well in advance of the commencement of the 2028 Reserve Capacity Cycle, and fully implemented by December 2027.

Potential options examined

Initial options

1. Renewable Electricity Certificates
2. Revenue guarantee scheme (CIS-like)
3. Renewables based-Benchmark Reserve Capacity Price (BRCP)
4. 10 Year fixed Reserve Capacity Price (RCP)
5. Contracts for Differences
6. Electricity Services Entry Mechanism
7. Voluntary secondary market
8. Minimum energy price for renewables

Options examined

Out of the eight options initially identified, four are expected to be reasonably feasible to implement by December 2027.

Two options would enhance revenue confidence but not be sufficient on their own:

- 10-year fixed RCP
- Voluntary secondary market

Each of the other two options could be sufficient to provide revenue confidence by itself:

- Renewable BRCP
- Minimum energy price for renewables

	Feasible by 2027?
Purchaser obligation	No
Revenue Guarantee Scheme (CIS-like)	No
Renewables based BRCP	**Yes**
10 year fixed RCP	**Yes**
Contracts for Differences	No
Electricity Services Entry Mechanism	No
Voluntary secondary market	**Yes**
Minimum energy price for renewables	**Yes**

Shortlisted options that can fully achieve the objective

Minimum energy price for renewables

The Coordinator determines a minimum $/MWh price for renewable generation, based on the value of energy and cost reduction contribution of renewable generation, in recognition of low revenue from the RCM.

Implemented through the Electricity Market Rules (ESM) Rules

Costs recovered from all Market Participants

Renewables based BRCP

Dedicated (higher) RCP for renewable generators, with obligations to firm output

Implemented through the ESM Rules

Costs are recovered from Market Customers, as far as capacity costs

Shortlisted options that partially achieve the objective

10 Year fixed RCP

Renewable generators can opt for a fixed RCP for ten years from the date of entry, rather than a floating price which changes each year.

Implemented through the ESM Rules.

Costs recovered from Market Customers, as for other capacity costs

Voluntary secondary market

Industry, facilitated by EPWA, develops a secondary market scheme for standardised bilateral contracts, in which sellers of renewable energy and capacity submit offers, and purchasers submit bids. Willing participants are matched. Trading is voluntary.

Implemented through an off-market platform delivered by industry

Costs recovered from scheme participants/industry

Assessment Criteria

Assessment Criteria

1. Deliverability – Delivers capacity by 1 Oct 2030
2. Sustainability – Sustainable until 2035
3. Cost – revenue certainty for renewables
4. Cost – minimise costs (potential to get lowest cost)
5. Cost – minimise risks (risk of cost blowout)
6. Cost – allocate costs appropriately (large users not hit)
7. Financial - Delivers a competitive outcome
8. Financial - Reduces WA Government financial exposure
9. Market – maintains incentives to produce energy
10. Market – minimises impact on competitive market

Assessment Criteria – Timeline

Deliverability

The WA Government is committed to closing Synergy's coal-fired power stations by 2030. To support this, while maintaining system security and reliability, requires significant volumes of renewable generation to provide sufficient energy to the system by 2030.

Therefore, the Mechanism must be implemented by the end of 2027, before the start of the 2028 Reserve Capacity Cycle in January 2028. This criteria focuses on the feasibility of implementing the Mechanism by December 2027.

Sustainability

The Mechanism must be able to be efficiently sustained until at least Capacity Year 2035-36, and until it can be replaced by a new mechanism designed for a primarily renewable SWIS, and simple to maintain in a small market such as the WEM.

Assessment Criteria - Cost

Revenue certainty for renewables

The Mechanism must provide confidence to investors in the revenue that a given project will earn.

Minimise Cost

The Mechanism must deliver the lowest feasible cost to consumers while meeting all other criteria.

Minimise Risk

The Mechanism must not impact, reliability or security of supply or lead to inefficient market outcomes.

Allocate Cost Appropriately

This criteria assesses whether the Mechanism reasonably allocates costs.

Assessment Criteria – Financial & Market

Competitive outcome

The Mechanism needs to provide some level of competitive pressure between renewable developers to participate. It should encourage enough renewables to meet the energy demand and deliver secure and reliable energy, while not encouraging unnecessary build.

Reduces WA Taxpayers_financial exposure

The Mechanism should not require direct government expenditure or underwriting. That includes ensuring that Synergy does not shoulder more than its reasonable share of the cost to develop renewables.

Incentive to produce

Aside from incentivising development of renewables, the Mechanism should also ensure that energy production is rewarded. That is, renewable generators are exposed to the RTM energy price in some way, so that their real-time behaviour matches market needs.

Minimise impact on market

The Mechanism should have minimal impact on the existing competitive energy and ESS markets. Incentive to invest in renewables should not interfere with current market arrangements in a way that affects the competitive outcomes.

Supporting option: 10 year fixed Reserve Capacity Price

10-year Fixed Reserve Capacity Price

The fixed facility RCP allows generators to secure a fixed price for the Capacity Credits assigned to them. Currently, only renewably fuelled facilities in Capability Classes 1 and 2 are eligible for a 10-year fixed. This Mechanism presents an option for renewable facilities to have a 10-year fixed RCP, calculated according to clause 4.29.1D of the ESM Rules, where:

- The price applicable for a renewable generator will be fixed at the RCP for the first Capacity Year that the facility receives Capacity Credits.
- The fixed price would be adjusted for the CPI for the succeeding nine Capacity Years.

This Mechanism affects the facility revenue through capacity payments.

This Mechanism would only require minor rule changes that would allow renewable generators to be eligible for 10-year fixed RCP.

This approach alone would not be sufficient to ensure revenue certainty for new renewable generation projects.

Initial assessment – 10-year fixed RCP

Assessment criteria		Reason
Deliverability	✓	This option requires minor rule amendments
Sustainability	✓	This option is feasible for an indefinite period
Revenue Certainty	×	A 10-year fixed RCP provides some confidence in future revenues, but does not guarantee sufficient revenue to cover long run costs
Minimise Cost	-	A fixed RCP could potentially increase or decrease the overall cost to customers, depending on the future capacity price trajectory
Minimise Risks	✓	Consumers could be exposed to paying a higher RCP for longer than otherwise, but the cost is based on the actual capacity prices in particular years
Allocate costs appropriately	✓	Costs are borne by market customers in proportion to their Individual Reserve Capacity Requirement (IRCR) and Capacity Credit position
Competitive outcome	✓	The option is open to all new developments
Reduce taxpayer exposure	✓	Costs are borne by capacity purchasers
Incentive to produce	✓	Generators retain exposure to RTM prices
Minimise impact on market	✓	No impact on RTM dynamics

Supporting option: Voluntary Secondary Market

Voluntary secondary market

Green energy trading already exists in Australia, where renewable energy generated is treated like a commodity – typically in the form of energy certificates or environmental credits. Similarly, central trading of standardised electricity contracts is a feature of most electricity markets around the world, but not in the WEM. This option presents a mechanism for trading renewable electricity in the WEM, where:

- Participants agree a standard form of contract that covers both capacity and energy
- Energy users (generators, retailers, and large consumers) develop a central platform to trade energy and capacity.
- Trading would be voluntary

Although this mechanism is straightforward, setting up a new platform would require significant effort. This includes establishing standard contract forms, developing the platform, and participant adoption.

A voluntary trading platform would allow smaller users to sign contracts for renewable energy without underwriting an entire renewable project. It would reduce friction for contracting, improving depth and liquidity of the contracts market, but by itself would not be sufficient to ensure revenue certainty for renewable developers.

Initial assessment – Voluntary secondary market

Assessment criteria		Reason
Deliverability	✓	A simple bulletin board would have minimal implementation effort. Agreeing a standardised contract would be the most difficult activity
Sustainability	✓	As the volume of renewable energy increases, a more sophisticated platform could deliver additional value, but a simple platform would still be useful
Revenue Certainty	×	A secondary market would provide another route to market, but does not guarantee long run costs are covered
Minimise Cost	✓	Increased liquidity and transparency of contract pricing would place downward pressure on contract prices by reducing transaction friction
Minimise Risks	✓	Transactions between willing buyers and sellers reduce potential for unexpected cost imposition
Allocate costs appropriately	✓	Transactions between willing buyers and sellers allows costs to be set at an appropriate level
Competitive outcome	✓	Matching based on offers and bids allows competition to occur
Reduce taxpayer exposure	✓	More efficient contract pricing would improve retailers' (including Synergy) ability to negotiate with generators
Incentive to produce	✓	Contracts with an energy component retain incentives for renewable generators to produce energy
Minimise impact on market	✓	No impact on RTM dynamics

Renewable BRCP

Strawman for discussion

Renewable BRCP (1)

The BRCP is based on the cost of installing the cheapest low emissions technology in the SWIS. In the 2024 cycle, the benchmarked technology was an OCGT. In the 2025 cycle it was a 4-hour BESS, and for the 2026 cycle it is a 6-hour BESS.

The current capacity price is not sufficient to cover the capital costs of intermittent renewables. If the benchmark technology was changed to wind or solar, there would be a significant increase in the capacity price, and significant over-recovery of cost for all other technologies, including storage facilities and thermal generation.

Rather than applying the same BRCP to all facilities, this option would implement different BRCPs for different Capability Classes where:

- Classes 1 and 2 follow the current BRCP.
- A separate BRCP is determined for Class 3, based on a renewable benchmark technology.

Renewable BRCP (2)

Not all renewable capacity would be eligible.

AEMO would calculate a separate Reserve Capacity Requirement for renewable generation based on rule 4.5.12(i), which is the minimum required quantity of energy generating capacity (Class 1 and 3)

- In years with a capacity shortfall, all renewable class 3 new entrants would be eligible to receive the Renewable BRCP. This would incentivise pulling capacity investment forward.
- In years without a capacity shortfall, the Renewable BRCP would only apply to the extent any oversupply remains under the prescribed 103%.

As the quantity of renewable generation entry increases:

- the capacity price for the current capacity cycle would reduce based on the capacity price curve
- the benchmark price in the following capacity cycle would increase to reflect lower capacity contribution of new generation.

This mechanism would reuse existing rule constructs, with moderate rule changes and changes to relevant processes and procedures.

Incentives to generate and firm

Capacity payments incentivise energy production during the IRCR intervals

Capacity payments do not incentivise firming, but exposure to RTM price signals does.

The NAQ regime will likely not provide sufficient incentive to connect to an uncongested part of the network, because variable renewable facilities receive significantly less CRC than their nameplate capacity. However, network constraints would lead to renewable generators curtailment, which should provide the necessary incentive.

Initial assessment – Renewable BRCP

Assessment criteria		Reason
Deliverability	✓	This Mechanism builds on existing rules and processes.
Sustainability	✓	The programme could operate indefinitely, and represents a potential long term solution. However, it could be difficult to revert to a single BRCP at the end of the programme
Revenue Certainty	✓	A BRCP based on the long run costs of renewable technology would provide revenue certainty
Minimise Cost	-	A higher capacity price for renewable generation would lead to higher capacity costs for consumers. This may or may not be offset by RTM price decreases. This will be assessed through market modelling
Minimise Risks	-	The interaction between the RCP curve and the projected reduction in Capacity Credits for non-firmed renewable generators could potentially lead to significant cost increases over time
Allocate costs appropriately	✓	Costs would be allocated to capacity purchasers, who remain free to negotiate bilateral contracts to reduce their exposure to the higher priced Capacity Credits
Competitive outcome	×	An administered capacity price available to all renewable generators can reduce competitive outcomes
Reduce taxpayer exposure	✓	Retailers pay costs on behalf of electricity users
Incentive to produce	✓	Generators retain incentive to generate and earn payment for energy
Minimise impact on market	✓	RTM operations are not affected

Minimum verage energy price for renewables

Strawman for discussion

Minimum Energy Price for Renewables

- Under this approach, renewable generators would receive a guaranteed minimum average price for their energy.
- The Coordinator would determine a generation weighted average target capture price for renewable generation, based on the most efficient new entrant.
- If an eligible facility's average RTM price for the year is less than the target capture price, it would be paid a top up to ensure it receives, on average, the target capture price.
- Costs would be recovered through market settlement – potentially by including them in Market Fees.

Setting the target minimum price

The target capture price represents the contribution from energy market payments required to meet build costs. It will be calculated based on the most efficient new entrant, as follows:

((CSIRO capital cost multiplied by regional uplift ratio, divided by expected asset life) less (capacity payment * expected nameplate:CRC ratio))

divided by

(expected post-curtailment capacity factor multiplied by number of hours in the year)

The price will be revised each year for new facilities based on updated CSIRO data and the capacity price from the previous year.

Facilities can choose to fix their price for 10 years, with CPI adjustments, or to take the annual recalculated price. They must decide in their first application.

Treatment of different technologies

Wind facilities have higher capital costs than solar facilities, but receive a higher proportion of Capacity Credits to nameplate capacity, as they are more likely to be generating during periods of system stress.

If the target capture price is set only using the lowest cost technology, diversity of generation sources in the SWIS will decline. To maintain diversity in new entrant generation, there would need to be different target capture prices for solar and wind facilities.

The Mechanism could also include a sculpted price calculation to incentivise firming intermittent output to be available during peak demand periods. This would require assessing output of hybrid facilities on a facility basis, with eligibility for facilities with at least 50% intermittent renewable capacity, and payments restricted to the energy produced by the renewable facility on that specific day.

While a sculpted price would align with the incentives to be available in times of system stress provided by the RCM, it would introduce additional complexity. Options for this need to be examined further.

Calculating payments

The minimum price for each eligible facility would be calculated as follows:

max(0, target capture price less generation weighted average capture price)

And the top up payment to each eligible facility would be calculated as follows:

support price * (total annual generation less bilateral contract volumes)

The generation weighted average capture price would be calculated using a minimum RTM price of $0/MWh. In periods where the RTM price is negative, the calculation would use a deemed capture price of $0. This avoids incentives for renewable generators to drive RTM prices below cost in order to increase support prices.

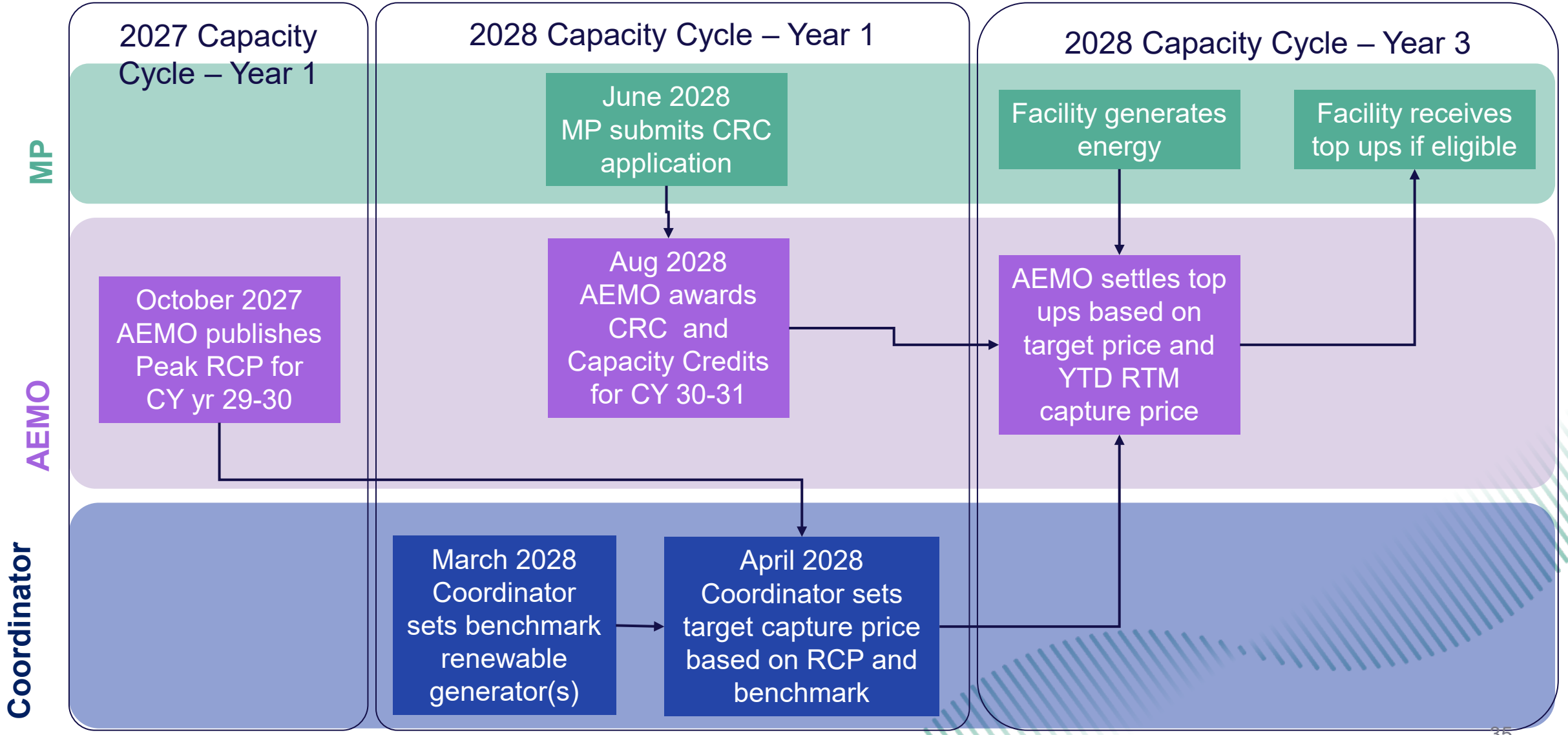
Although the Mechanism aims to ensure a minimum capture price across the whole year, it would not be prudent to wait until the end of the year to calculate top-up payments and recover costs. Doing that would mean a new, large financial exposure outside the regular settlement cycle, and provide an additional source of commercial risk for market participants.

Instead, interim calculations would need to be conducted in each settlement period, calculating the year-to-date average capture price, and the year-to-date top-up payment. If a period with low prices results in top up payments, and is followed by a period of high prices, the top-up payments for the previous period would be clawed back. By the end of the year, the total top up payment would match the formula above.

Risk sharing

- A minimum energy price exposes the facility to RTM price changes. It has incentive to generate as much as possible when it can, when the price is positive. When the price is negative, it is not protected by the price floor and is incentivised to curtail by market price signals.
- With only a floor, consumers bear downside risk, but do not share in potential upside if prices are high. In markets with extremely high market price caps, this upside potential can be significant.
- In the WEM, the maximum RTM price is already limited, to recognise that there is a capacity mechanism, so there is less potential for significant upside from high prices.
- Because payments are restricted to actual energy output, outside bilateral contracts, consumer exposure is limited, even if entry is higher than expected.
- If a facility has a PPA for part of its generation, the remaining generation would be eligible for support.

Example timeline for CY 2030



Initial assessment – minimum energy price

Assessment criteria		Reason
Deliverability	✓	This Mechanism would require new settlement calculations for payments and cost recovery
Sustainability	-	This Mechanism would need to be reviewed after three to five years of operation
Revenue Certainty	✓	A guaranteed minimum average price for energy output provides confidence in revenue from generation for participants that are confident in their expected level of curtailment. Certainty for individual projects is provided through their ability to lock in the minimum price for 10 years.
Minimise Cost	✓	If the target price is based on the most efficient new renewable generator, costs can be minimised
Minimise Risks	✓	Whatever the price, customer exposure is limited to the volume of energy actually generated
Allocate costs appropriately	-	Depending on the modelling outcomes, allocating costs via Market Fees may need to be assessed further. An allative cost allocation method is likely to be complex and increase implementation costs and time
Competitive outcome	✓	Market outcomes remain based on competitive pressure
Reduce taxpayer exposure	✓	Market Participants pay costs on behalf of electricity users
Incentive to produce	✓	Generators remain exposed to RTM prices, and are incentivised to generate when the market price is above zero
Minimise impact on market	✓	No impact on RTM dynamics

Eligibility for Participation

Start of eligibility

The Mechanism may not be required after the first 5 years, so it must be clear that it is not guaranteed for all new entrants for all time.

The Mechanism will only be available for selected intermittent renewables subject to receiving Capacity Credits for the first time for the 2028 Cycle or a later cycle.

The relevant date after which projects would be eligible to participate is the date of publication of the final Information Paper. This avoids developers delaying investment decisions until the mechanism starts.

Eligibility criteria

To be eligible for payments, facilities must:

- Be fuelled by a renewable source;
- Participate in the capacity mechanism for the first time in an eligible capacity cycle;
- Not have reached “committed” status before the eligibility date;
- Submit bilateral contract data to the settlement process.
- Provide PPA information to AEMO if required.

Eligibility criteria will not include:

- Proof of ability to deliver promised generation
- Operation date
- Location at an uncongested network location
- Firming of output

These criteria are not required, because participants are incentivised to maximise their output. They can receive more revenue by being firmed, commissioned early, and at an uncongested location. If a project somehow stacks up commercially at a congested location, then it can still receive support.

Thank you