

Wholesale Electricity Market (WEM) Investment Certainty Review Working Group – Minutes

Date:	25 June 2026
Time:	9:30 AM – 11:30 AM
Location:	Microsoft Teams online

Attendees	Representing	Comment
Dora Guzeleva	Chair, Energy Policy WA (EPWA)	
Tim Robinson	Robinson Bowmaker and Paul (RBP)	Presenter for Item 4
Mena Gilchrist	Australian Energy Market Operator (AEMO)	
Christopher Wilson	AEMO	Proxy for Neetika Kapani
Oscar Carlberg	Alinta Energy	
Lizzie O'Brien	APA	
Jordan Prainito	AuzVolt	
Francis Ip	BLT Energy	
Daniel Kurz	Bluewaters Power 1 Pty Ltd	
Jake Flynn	Collgar Renewables	
Liz Aitken	Empire Carbon and Energy	
William Street	Entego Group Pty Ltd	
Richard Cheng	Economic Regulation Authority	
Noel Schubert	Expert Consumer Panel	
Luke Skinner	Expert Consumer Panel	
Warren King	Frontier Energy Limited	
Timothy Edwards	Metro Power	
Max Collins	Neoen	
Patrick Peake	Perth Energy	
Paul Arias	Shell Energy	
Shane Cremin	Summit Southern Cross Power Pty Ltd	
Rhiannon Bedola	Synergy	
Peter Huxtable	Water Corporation	
Mark McKinnon	Western Power	

Laura Koziol	EPWA	
Shelley Worthington	EPWA	
Luke Commins	EPWA	
Observers / Guests	From	Comment
Jai Thomas	Coordinator of Energy (EPWA)	
Jamie Cullen	Frontier Energy Limited	
Tessa Liddelow	Shell Energy	
Wayne Trumble	Newmont	
Ben Tan	Tesla Corp	
Eija Samson	RBP	
James Seidelin	RBP	
Catlianna Evans	RBP	
Naren Bharatwaj	RBP	
Apologies		
Graham Pearson	Australian Energy Council	
Rachael Smith	Australian Gas Infrastructure Group	
Fraser Maywood	Sustainable Energy Now	
Troy Forward	TransAlta Energy	

1. WELCOME

The Chair opened the meeting with an Acknowledgement of Country and noted the Competition and Consumer Law Obligations of the Working Group members.

2. MEETING APOLOGIES AND ATTENDANCE

The Chair noted the attendance as listed above, and welcomed members back to the Working Group, noting that it was more than two years since the last meeting on the WEM Investment Certainty Review.

The Chair asked new members to introduce themselves and noted there were several observers also in attendance.

3. INTRODUCTORY REMARKS

Mr Thomas opened the meeting, acknowledging the work that the Working Group was about to embark on, and the input and effort from the Working Group to date.

Mr Thomas noted that most electricity markets around the world were facing issues with insufficient investment certainty for renewables due to uncertainty around future energy prices. Investment uncertainty poses a risk to all three limbs of the State Electricity Objective (SEO).

He noted the following considerations for the upcoming work to develop a Renewable Energy Mechanism (the REM):

- the National Electricity Market (NEM) is addressing the lack of investment certainty through the proposals from the Nelson Review, which are very complex and face a

difficult and lengthy implementation. Western Australia (WA) should learn from the NEM and avoid complexity where possible;

- the existing Reserve Capacity Mechanism (RCM) and the energy market in the WEM are set up well, but investment certainty for renewable generation requires further work;
- the Commonwealth's Capacity Investment Scheme (CIS) is not delivering the investment certainty required to bring the needed renewable generation into the South West Interconnected System (SWIS);
- a solution to provide investment certainty for renewable generation is needed in time for the 2028 Reserve Capacity Cycle (2030/31 Capacity Year), which leaves the next 15 to 18 months for the Working Group to develop the REM;
- the focus should be on low complexity for the sake of implementation cost and time, but also to reduce risk for proponents;
- The Department of Energy and Economic Diversification (DEED) has prepared a short list of options to start the discussion but is open to consider any options including new and previously dismissed options.
 - Mr Peake asked whether the State Government was planning to introduce a renewable energy target, noting that the increasing penetration of renewable generation in the WEM will result in an increase of curtailment of these resources (particularly during autumn and spring) when there is not enough demand to absorb the available energy. This curtailment would become significant when considering an 'energy-based' REM.

Mr Thomas acknowledged that there were stakeholders requesting a renewable energy target. He noted that the Government has the publicly-stated objective to establish Climate Legislation during the current term however the current design of the REM was not tied to explicit target-based quantities. He agreed that any REM must consider the interaction between increasing the investment in renewable generation facilities and the curtailment of renewable energy.

The Working Group agreed to not allow AI to capture any record of the meeting.

4. REM TO PROVIDE INVESTMENT CERTAINTY TO RENEWABLE GENERATION

The Chair presented Slides 4–7 and noted that the problem the Working Group was reconvened to resolve was one that has been raised repeatedly with EPWA, including by members of this Working Group. She noted that:

- work had been paused on the proposal to introduce a wholesale energy price guarantee for renewable generators to get clarity on whether the CIS would resolve the potential issues;
- after two CIS tenders, including one for renewable generation, it is now clear that it will not provide the needed investment certainty;
- as more renewable energy projects enter the WEM, Real-Time Market prices will start to decrease and could decrease rapidly as more projects enter;
- renewable generators only get a portion of their nameplate capacity in Capacity Credits;
- engagement with industry has informed the understanding that renewable generation projects require Power Purchase Agreement (PPAs) or revenue certainty through the market to reach a final investment decision (FID);
- decreasing energy prices are good for consumers but present a barrier to entry for renewable generation projects;
- additionally, the NEM is developing an Electricity Services Entry Mechanism (ESEM) and the WEM needs its own REM to stay competitive.

Responding to a question on whether the issue is the need for revenue certainty or that the investment cost of renewable generators is too high, the Chair clarified that the intent is to provide revenue certainty because there is a disconnect where:

- project financiers are concerned that prices will collapse as more renewable generation enters the market; and
- those who want to buy renewable energy are not entering into PPAs because they expect market prices to decrease as renewable generation increases.
 - Mr Prainito challenged the premise that prices would fall, considering that as thermal generators exit, the marginal price setter at peak shifts to higher-cost firming resources, preventing the price from decreasing. He pointed to the recent high prices in May with midday troughs filled by storage withdrawals, as evidence for this.

The Chair responded that analysis undertaken by DEED does not support this. Overbuild of renewable generation is required to keep meeting the reliability target, leading to renewables competing for energy injection. Gas will still exist and set the price at peak demand, however its contribution to the energy in the market is declining. The intent is to provide some revenue certainty *only* if prices fall to a certain level, i.e. not cover the cost of renewable generators if the market offers sufficient revenue. Consumers want more renewable generation to see energy prices coming down.

- Mr Cheng agreed with the Chair's observations on pricing.
- Ms Aitken noted that gas will have to be priced in line with take-or-pay obligations, making every gigajoule more expensive than spot prices, leading to more volatile prices.

Noting the need to bring more energy from renewable generators in advance of coal retirements, the Chair advised that the intent is to design the REM by the end of this year and draft any Electricity System and Market Rules early 2027. This is to allow implementation time for AEMO and investment certainty for participants ahead of the 2028 Reserve Capacity Cycle.

The Chair agreed with a comment from Mr Skinner that the market needs more generation from renewable sources to charge the batteries.

Responding to questions, the Chair noted the following:

- There is unlikely to be any overlap with the CIS, other than project commencement dates.
- The Working Group has been reconvened now to work through how to fill the projected generation adequacy gap with renewable generation (including implementation and eligibility criteria) and provide some revenue certainty in order for projects to make FID.
- Certainty for technologies and fuel sources, such as those that will cover renewable droughts, is also important, but will not necessarily be considered in this Review.
 - Mr Skinner suggested that "wind and solar droughts" may be a more accurate term, as other options such as ocean energy are becoming increasingly commercially viable.
 - Mr Arias asked if the project timeline is flexible, noting that the papers eliminate options based on implementation timeframes, rather than on their merit.

The Chair advised that options will be considered with the timeframes in mind, but any options including new and previously dismissed options are open for discussion and, potentially, later implementation. However, the cost of implementing an option cannot be so high as to undermine the relevant limb of the SEO.

- Noting that the Government is already "directing" Synergy and the Water Corporation to underwrite wind, subsidised by taxpayers, Mr Trumble asked if another mechanism subsidised by the market is required.
- Mr Huxtable clarified that the Water Corporation had not been directed to enter into PPAs.

The Chair replied that the objective has always been to have a competitive market within the SWIS and, if Government Trading Enterprises (GTEs) underwrite all renewable energy, the market would revert to how it was in 1994.

Mr Thomas stated that the Government had publicly committed to decarbonise 80% of its Government emissions by 2030, and the Synergy and the Water Corporation PPAs will contribute to this commitment. Beyond this, increased renewable energy, supported by storage and gas, is required in the WEM to deliver decarbonisation while maintaining reliability and affordability under the SEO. Mr Thomas noted that:

- the lowest cost energy mix going forward for WA is renewable generation, backed by storage and gas; and
- the Working Group is required to work through how to achieve that, while avoiding the need to issue directions to the GTEs, whose PPAs are to achieve the Government's decarbonisation objectives and are the reason there is time to work through the design of this mechanism and ensure that it is fit for purpose.
 - Ms Aitkin considered that the actions of Government over the years have eroded the competition objective.
 - Mr Carlberg noted that there are potentially 3 gigawatts (GW) of renewable energy entering by 2031, and not all of it underwritten by Government. He considered that the NEM's Nelson Review had clearly articulated what the generation gap was, what technology types faced an investment gap and why the current settings were not fit to bridge that gap. He requested further refinement of the problem statement for the Working Group. Otherwise, there was a risk of the REM not being targeted enough and potentially more complicated than it needs to be, undermining the market signals already in place.

The Chair noted the requests to continue to refine the problem statement, but noted that the 3GW of projects Mr Carlberg referred to include the same projects proposed by stakeholders that EPWA has consulted with and all of them were requesting revenue certainty to reach FID.

- Mr Carlberg, noting comments on curtailment, added that if the planned generation amount eventuates, discussion is required on what the system can actually cope with.
- Mrs Bedola, Mr Prainito and Ms Liddelow supported Mr Carlberg's point.
- Mr Cheng supported Mr Carlberg's point. He noted that investors should be considering curtailment as they would be asking these questions to determine their risk and return.
- Mr Trumble added that the cost of energy should refer to the 'delivered cost' of energy.

The Chair noted that the Government is targeting net zero emissions by 2050 and must continue to work towards that goal. Until longer-duration storage or some other technology becomes viable, it is unclear how to reach that target without more renewable generation.

- Mr Prainito supported the points raised by Mr Carlberg. He suggested that if the system needs firm renewable peak energy, the focus should be the delivery of this rather than subsidising midday generation. This could include extending the fixed 10-year Reserve Capacity Price (RCP) to storage facilities if they demonstrate charging from new renewable generation for 10 years. He considered this would:

- provide batteries with an improved bankable RCP floor;
- provide renewable projects a bankable 10-year offtake, while tying support directly to firmed output; and
- solve the reliability and evening peak problem without distorting the Real-Time Market dispatch signal or crowding out private PPAs.

The Chair noted that:

- determining how the market incentivises the right mix of technology, including hybrids and firmed renewables is required;
- EPWA will consider how the problem was articulated in the NEM Review, revisit the problem statement and adjust it, if necessary; and
- if this Working Group determines that no support for renewables is required and provides evidence of this, that will also be considered.

Mr Robinson provided a brief recap of the process to get to the four options assessed as viable. He advised that, due to the work undertaken two years ago by the Working Group, eight options were already on the table and reconsidered to determine if they could be implemented in the timeframe. He outlined them briefly.

- Ms Aitken asked whether the dismissed options on Slide 10 were ruled out due to implementation timeframes rather than on merit. She considered that the Contracts for Differences (CfDs) option looks strong against the specified criteria and that CfDs are common in the NEM, suggesting to repurpose the Short-Term Energy Market to reduce implementation time.

The Chair agreed that implementation, cost and complexity were factors for options not being shortlisted. She noted her support for CfDs, similar to how they exist in the United Kingdom (UK), but noted that these had taken years to implement.

Mr Robison provided an overview of slide 10 and explained the timeline. He noted that discussion was welcome on whether the assessment of complexity and time were correct but advised that to participate in the 2028 Reserve Capacity Cycle, projects need to know what the arrangements will look like before the end of 2027. Therefore, a REM must be in place by December 2027.

The Chair noted that in the UK, the government is behind CfDs, while in the NEM CfDs had emerged naturally as a secondary market instrument and this could be adopted by industry in the WEM. She added that the RECs option had been discussed, but considered expensive to develop and operate.

- Mr Huxtable asked if part of the concern with RECs was the need to verify the renewable generation and whether there was a way to piggyback on the established process for the Renewable Electricity Guarantee of Origins (REGOs) scheme.

The Chair agreed that this could be considered, but questioned why the NEM would move forward with implementing an expensive ESEM mechanism instead of sticking with REGOs.

Mr Robinson explained the two parts to a purchaser obligation scheme - the certification of a facility as renewable, tracking its output and issuing certificates, and setting obligations and the redemption and/or cancellation of certificates, which likely could not be outsourced.

- Mr Peake considered that, from an investment perspective, revenue guarantee schemes like the CIS are attractive because investors are concerned with getting a certain amount of dollars per year and not how much energy is produced, and noted that:

- Any mechanism should provide fair assurance to investors of a return on investment.
- The CIS does appear to have worked well in the Eastern States and, therefore, a CIS type scheme should still be considered, provided that it is not too complex.

The Chair responded that EPWA's consultation with stakeholders has made it very clear that, in the WEM, the CIS alone is not enough to make FID and bring projects to fruition.

- Mr Peake considered that this was a problem with competitive bidding - projects were bidding low to win a CIS contract and then realising that they have not got enough money.

The Chair noted that she had heard similar concerns but that she was unsure about how a CIS-like REM could be designed to avoid a "race to the bottom".

- Mr Schubert considered that potentially some good options may be eliminated due to the timeline and it was important to give them proper consideration to work out a good solution.
- Mr Carlberg noted that it was important to ensure that the 2030 target date is necessary. If the concern is that CIS projects will not eventuate when they are needed, he considered that perhaps the best solution is fixing the incremental issues with the CIS or allowing renegotiations of the CIS contracts and spending more time on a longer-term framework.

Mr Thomas advised that EPWA had lobbied extensively for the CIS to evolve around strike prices that allow projects to proceed to FID. However, the Commonwealth did not want to amend the cap and collar model particularly deeply.

The Chair noted that the analysis suggests that, as coal plants retire, the system needs to replace the energy they provide. Where this energy comes from is the question but, to meet decarbonisation targets and reduce the energy price, more renewable generation is where the evidence is pointing to. The Chair asked the Working Group to present any evidence that the looming energy gap can be filled through some other means.

Mr Robinson noted that engagement with this Working Group helps to frame the narrative and that, perhaps, a distinction between a stopgap measure and a permanent long-term solution may be required. He acknowledged that the work to date had focussed on the short to medium term but, if the Working Group disagreed with that approach, it could be revisited.

- Mr Edwards noted that projects face two hurdles - requiring both grid connection and PPAs. Without some kind of mechanism, there is a risk that the opportunities provided from the work on transmission could be disrupted.
- Mr Edwards suggested implementing an extension to the secondary market, i.e. a new Government Certificate scheme that Western Australian resource companies (grid-connected or off-grid) could use to demonstrate that they are meeting their decarbonisation targets.
- Noting the focus on securing sufficient renewable energy, Mrs Bedola considered the REM should focus on energy that is capable of being delivered.
- Mr Cheng seconded Mrs Bedola's comment, adding that the focus should be on unconstrained parts of the network to avoid unnecessary curtailment.
- Mr Frood asked whether a minimum price for renewables could be combined with a CIS-type mechanism - the Government sets the floor and the auction sets the ceiling.

The Chair agreed that Mr Frood's proposal should be considered, but noted that auctions take time to design and run, and need to be carefully designed due to the risks and liabilities for those who run them.

- Mr Tumble asked if the REM was only for new projects, and if existing wind farms would be affected by increased curtailment and their PPA customers asked to pay twice.

The Chair responded that that was a good question and discussions were required on eligibility.

- Mr Cremin proposed a state-backed single buyer, rather than an auction, that still benefits from competition amongst bidders.

The Chair replied that there must be competition across all the competitive market components, including retail, especially for contestable customers, who are currently raising concerns that prices are too high. A single buyer would still need to pass the PPAs costs back to the market and consumers.

Mr Robinson added that the Northern Territory is deciding whether a signal buyer is better for them, but they are small enough to manage it. He noted that this is not an option for consideration.

- Mr Cremin considered that costs are increasing because new renewables are more expensive. Retailers and loads are not contracting, because contracts must be long-term, and because prices have increased relative to previous costs.

The Chair disagreed, noting the analysis suggests that traditional fuel costs have driven some recent price increases and the system has not seen significant increase of renewables in recent years.

- Mr Cremin considered that if renewables were cheaper, they would have counter parties to contract with. Renewables will decrease the Real-Time Market price, but price and cost are two different things, and it costs more to bring renewables in. Mr Cremin agreed with Mr Trumble, that the Working Group should consider the total cost of delivered energy rather than the Real-Time Market price, which reduces with excess renewables.

The Chair agreed that the energy cost is not the only component in the cost stack, but noted that it is still the largest component of the cost stack. In response to Mr Cremin's statement that the bilateral contracts energy cost is the biggest component and not the Real-Time Market price, she noted that the RTM prices do influence the price of new bilaterals, including those that are replacing the expiring ones.

Mr Robinson presented slide 11 – Shortlisted options that can fully achieve the objective – Minimum energy price for renewables and a renewables based BRCP.

Regarding the minimum energy price for renewables, the Chair clarified that if prices, on average over the year, *do not* fall below a set benchmark, no top up revenue stream is generated.

Mr Robinson added that, if the volumes are relatively small, they are proposed to be recovered through Market Fees.

- Mrs Bedola supported a minimum energy price but noted that care is required to ensure that "efficient" curtailment still occurs. Renewables should not be able to bid at the floor.

The Chair answered that there was no expectation that this scheme would entail any bidding, but that discussions about curtailment are necessary going forward.

Responding to a comment from Mr Trumble about the proposal looking dangerously close to what he considered to be the problems with the cost of Essential Systems Services (ESS) and Non-co-Optimised ESS, the Chair noted that she was unsure why that would be the case.

- Ms O'Brien provided support for a minimum energy price and asked if the actual issue was the market price falling too low and whether this should be limited only to renewables. Raising the minimum price more generally would be simpler.
- Ms Aitken noted that although a generic price floor sounds simpler, it will create windfall gains for existing generators, increase consumer costs, and distort market price signals. She noted that falling Real-Time Market prices are a natural result of increased renewable generation, and that a targeted top-up better preserves market signals, and incentives for storage and demand response, while supporting new investment at lower cost.

In response to Ms Liddelow's comment that modelling the cost recovery from Market Participants for the minimum energy price would be required to assess the option, the Chair advised that modelling was the next step in the process.

- Mr King considered that a minimum energy price would deter hybrid projects, and there is no benefit to delivering energy when needed. Project capital costs are higher for hybrids than for energy-only projects, so this option would be too low to support project finance.

The Chair noted that hybrids and discussions around how they will work in terms of the REM will be extremely important. She noted that several Working Group members supported Mr King's comments, including Mr Frood who noted that hybrid projects should be the most efficient and a REM is required to encourage them.

- Regarding the option to introduce a renewables-based BRCP, Mrs Bedola disagreed with charging customers based on their Individual Reserve Capacity Requirement (IRCR). This targets certain types of customers, whereas all customers want clean, green energy, not just those who consume more in peak demand periods.

The Chair agreed that the downside to the renewables-based BRCP approach is that costs would be recovered on the basis of IRCR and contribution to peak, and the cost resulting from this proposal may be high.

- Mr Schubert considered that the solution should focus on energy, not capacity which would add complexity.
- Mr Collins noted that a minimum price would help a little but would not be bankable unless the volume is also fixed.

The Chair noted that she was unsure how to address the volume issue without an offtake.

- Mr Arias noted that the preference is to focus on cost recovery and, having recently completed the Cost Allocation Review, it is important not to reintroduce inefficiencies to be fixed later.
- Mr Tan noted that if the support is on a \$/kWh basis, then the curtailment risk should sit with Market Participants who choose where to build their project, not the market.

Mr Robinson noted that a fully renewable energy system requires renewables overbuild. In the future, curtailment will not only come from locating in the wrong network location, but rather it becomes a fundamental feature of high-renewables systems. He considered that policy should be designed around an acceptable level of curtailment rather than assuming it can be avoided.

- In response to Mr Robinson's comment on renewable overbuild, Ms Aitken suggested that gas storage could perhaps optimize the system.
- Mr Peake noted his support for having another RCM criterion, i.e. a set MW number of renewables. He was unsure that hybrids would necessarily provide extra value, given the amount of storage already in the WEM.

The Chair clarified that the goal is to shift the solar from the middle of the day because of the very high penetration of rooftop PV. Therefore, the focus of the discussion is on Solar/BESS hybrids.

- Mr Carlberg noted his concern that the minimum price would undermine project economics for existing and new generators, and entrench the need for ongoing interventions/support at customers' expense. The theoretical benefit of the ESEM is that it aims not to disrupt prices but to cover the contracting term gap, not a price gap.
- Several members agreed with Mr Carlberg's concern that requiring all customers to underwrite the minimum price may penalise customers who have contracted to hedge their position and reward those who rely on intervention, undermining the incentive to contract and reinforcing the perceived contracting issue in the problem statement.

The Chair responded that these were concerns to be mindful of, especially when discussing eligibility criteria and recognising that some customers may be contracting for renewable energy.

The Chair explained that the ESEM does not just cover a contract gap, but also a price gap, which is then recovered from consumers, as a price must be agreed and guaranteed for the out years in the auction.

- Mr Carlberg agreed that the price is auction based, but considered that there will still be some gap.

The Chair added that the ESEM had also evolved, with contracts originally starting after 7 years and now down to 3 years, which represents a significant reduction in short-term expectations.

- Mr Cheng added that if the price floor were raised (rather than a top-up mechanism as proposed), this could undermine storage energy arbitrage if set too high.
- Mr Carlberg added that another problem with a price floor is the lack of a cap/target. The natural cap that the market imposes on how much is built will be removed and cap/target is needed to protect customers.

The Chair responded that curtailment may result in a natural cap, which the modelling will provide insight into. She also agreed with Mr Frood that hybrids also help manage curtailment.

Mr Robinson added that, if there are sufficient incentives for storage to come in, there is less need for site-specific storage for hybrids. Nevertheless, it must be determined whether a mechanism is needed to ensure storage is dedicated to firming renewables.

The Chair concluded that discussion is needed to ensure that renewables become the fuel source for storage within this REM.

- Mr Prainito reiterated his suggestion to extend the 10-year fixed RCP to storage when contracting with new renewable generation for its charging on a like-for-like 10-year basis.

The Chair responded that Mr Prainito's proposal was examined as part of the RCM Review and could be re-visited through this REM development.

The Chair confirmed that Mr Prainito was suggesting adding an option to require storage facilities to be charged by renewables with some benefit in return, i.e. a 10-year fixed RCP. She noted that storage already gets a guarantee on their duration for 10 years, which does not sit well with some stakeholders, but if an obligation on storage to be filled by renewables could bring sufficient renewables in the market, this would be the easiest proposal to implement. She noted that Mr Prainito's proposal would be revisited.

- Ms Aitken supported Mr Prainito's proposal. She considered this to be a good short-term option, while providing time to think about some of the more equitable options and noted that:
 - it is a stronger idea than the administered options presented and ties support to what delivers value (firmed evening peak);
 - it reuses an existing rule construct (4.29.1D), providing an implementation advantage, given the December 2027 deadline;
 - a battery's commercial incentive is to charge as cheaply as possible, including off negative or near-zero midday prices and the bankability on the renewables side hinges entirely on what the charging contract price is, not on the storage fixed RCP;
 - this necessitates either a minimum charging price requirement or some other mechanism to make sure the contract is priced to actually support the generator, not just to satisfy a volume-matching objective;
 - only renewables fuelled facilities in Capability Classes 1&2 get the 10-year fixed RCP, so eligibility criteria and verification of the "like-for-like" charging match requires defining.

The Chair responded that existing storage has a 10-year protection and a problem will emerge if this is applied only to new storage.

- Ms Aitken considered that this could be constructed so existing storage was able to demonstrate their source of energy (which they must do for their REGOs) which could be a straightforward check.

The Chair cautioned that none of these proposals were designed to apply retrospectively and this would require careful consideration of how requiring existing storage to be charged by renewables brings in new renewables.

Mr Robinson presented slide 12 - Shortlisted options that can fully achieve the objective – 10 Year fixed RCP and a voluntary secondary market.

- Mr King considered that the issue with the 10-year fixed RCP is that electing it at the start of the Network Access Quantities process risks the potential that the Facility receives zero Capacity Credits (if committed but the capacity surplus is greater than 3%), while the same Facility selecting the 'floating' RCP would receive Capacity Credits.

The Chair agreed with Mr King and noted that this would have to be considered.

Regarding Voluntary Secondary Markets, Mr Robinson noted that the idea initially would be 'coordination', i.e. some kind of bulletin board to match people who might otherwise have difficulty finding each other. This would enhance liquidity and depth in the contracts market.

The Chair added that this proposal aims to bring loads and other off-takers together with renewable generators, ensuring there is a mechanism for proponents to discover their projects and for loads to shop around more easily.

- Mr King considered that there are issues with a Voluntary Secondary Market including:
 - there are very few PPA buyers available in the SWIS;
 - developers have a significant amount of uncertainty in timing which is not good for buyers who typically want a significant discount for risk; and
 - renewables are intermittent and, therefore, suitable for a limited market.

Answering a question from Mr Frood, the Chair explained that larger loads are seeking suitable renewable generator projects to buy energy from.

- Mr Prainito agreed with the Chair and noted that, while a secondary market is unlikely to be used by many existing loads in the SWIS, new loads looking to connect would find value, and this option could potentially improve general economic activity in the SWIS.
- Ms Aitken disagreed and stated that a 10-year fixed RCP is the most equitable of the four 'No' options but was only a partial fix on its own. She cautioned against leaning too hard on the voluntary secondary market to close the gap, noting the small size of the WEM and the dominance of Synergy and, therefore, uncertain genuine depth and liquidity.

Mr Robinson noted that the secondary market might not resolve the issues on its own but could help. He highlighted activity in other markets indicated more direct contracting between off-takers and projects, citing the Business Renewables Centre in Australia as an example.

The Chair noted that Standard Products are offered on the retail market, and what is proposed here is to bring together proponents of renewable generation with larger retailers or loads.

Mr Robinson presented slide 14, providing a brief overview of the assessment criteria.

- Mr Collins suggested that "will it lead to large loads leaving the SWIS" should be added to assessment criteria.
- Mrs Bedola noted that cost allocation should account for participants with existing renewables outside of this scheme. In terms of Government exposure, she noted that additional consideration needs to be given to how non-contestable customers are liable for a larger proportion of Reserve Capacity costs and then subsidised by Government.
- Mr Peake stressed the magnitude of what this is trying to resolve. In essence, convincing investors to stump up something in the order of \$3-10 billion dollars.

5. GENERAL BUSINESS

The Chair thanked members for their contributions, asked them to review the remaining slides and to email through any additional comments. She advised that the Working Group would also be used for the Coordinator's review of the Benchmark Technologies.

Mr Thomas closed the meeting noting that:

- the problem statement will be revisited, to take into account any learnings from the process in the NEM and to ensure that it is fit for purpose for WA; and
- while time is of the essence, there is a long way to go and balancing detail, simplicity and feedback from the Working Group is key.

Working Group members agreed that upcoming meetings would be held monthly and that the next meeting would be 3 hours long.

The meeting closed at 11:30am.