Department of
Energy and Economic
Diversification

GOVERNMENT OF
WESTERN AUSTRALIA

# Capital Charges Scheme

## Consultation Paper:
## Impact on Connections to Existing Transmission Infrastructure

18 August 2026

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# 1. Introduction

The State Government is progressing the Capital Charge Scheme that will replace the existing approach to capital contributions for shared assets with a fixed capital charge of $100,000 per MW for new and expanded transmission connections of 10 megawatts (MW) or more.

Under Western Power's existing capital contribution arrangements, shared assets contributions are calculated on a project-by-project basis and can be highly variable and difficult to estimate in advance. The capital charge will provide greater certainty and transparency regarding shared asset costs from the outset of the connection process.

Significant investment is needed in the South West Interconnected System (SWIS) to ensure that the power system continues to operate securely and reliably as ageing State-owned coal-fired power stations retire, to facilitate the delivery of low-emissions electricity and to support Western Australia's transition to a lower-emissions energy system.

The Capital Charge Scheme will support this objective by replacing the existing shared assets capital contribution arrangements with a fixed charge that provides for a more certain investment environment in Western Australia.

# 2. Capital Charge

The Capital Charge is intended apply to all new and expanded transmission connections to the SWIS of 10 MW or more and does not presently distinguish between connections to a Clean Energy Link project or the existing network.

Electricity does not remain confined to the part of the network where a generator, storage project or load connects. Projects using the existing transmission network rely on, and benefit from, capacity and investment across the broader SWIS.

For example, there are generation projects in regional Western Australia that sell electricity to industrial users in Kwinana, despite being in different parts of the network. This illustrates that projects physically connected to a particular part of the transmission infrastructure are not the only beneficiaries of that infrastructure.

The Government is therefore considering a consistent and system-wide approach rather than attempting to allocate transmission expansion costs on a project-by-project basis (e.g., by charging different capital charges depending on where a project connects to the SWIS). Doing otherwise would reintroduce the complexity and uncertainty that the capital charge is intending to address, and could lead to costs not being distributed equitably across all beneficiaries of a given network investment.

The Government recognises that some smaller qualifying projects connecting to the existing network may face different commercial circumstances.

To support commerciality more broadly, and in response to feedback received during consultation conducted by the Department of Energy and Economic Diversification on the Fixed Capital Charge over December 2025 and January 2026, the capital charge will be able to be paid over five years, instead of over three years, as previously proposed.

Additionally, the Economic Regulation Authority can now account for the capital charge in the Benchmark Reserve Capacity Price (BRCP). This will allow generators and storage providers to recover most of the capital charges through the Reserve Capacity Mechanism, with the balance expected to be able to be recovered through the energy market.

The Commonwealth Government's Capacity Investment Scheme and Synergy's renewable procurement processes provide further opportunities for proponents to secure revenue certainty.

Noting these considerations, it is the Government's view that renewable energy and storage projects are likely to be able to recover the cost of the capital charge through existing market mechanisms and have greater certainty of recovering the connection costs.

# 3. Matters For Feedback

Based on information received through the various consultation processes to date, DEED has not been made aware of any renewable generation or storage projects seeking to connect to the existing transmission network that would be rendered commercially unviable because of the capital charge.

To ensure that the commencement of the Capital Charge Scheme does not create unintended consequences by making projects that are crucial to the energy transition unviable, feedback is sought from renewable generation and storage projects seeking a new or expanded connection greater than 10 MW to the existing SWIS (i.e., not connecting to a Clean Energy Link project) that can demonstrate how their project would become commercially unviable due to the introduction of the capital charge.

Stakeholders would need to provide financial analysis that demonstrates how their project(s) would become commercially unviable.

If DEED receives information through this process, which suggests otherwise commercially viable projects would be unreasonably impacted by the changes, appropriate measures to resolve those issues prior to implementing the new arrangements may be considered.

# 4. Making a Submission or Presentation

DEED welcomes feedback on the matters outlined in this paper via a written submission or a presentation.

Feedback can be submitted or a meeting can be arranged by email:
EPWA-info@deed.wa.gov.au.

If information is provided via a presentation, the presentation materials would need to be made available to DEED.

Consultation on these matters, including presentations to DEED, concludes at **5:00pm (AWST) on Monday 7 September 2026.**

Late submissions or presentations may not be considered.

In the interests of transparency and to promote informed decision, submissions may be published on www.energy.wa.gov.au. Accordingly, stakeholders should clearly specify if the information they provide is confidential and, where possible, should separate confidential information from non-confidential information.

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