

Energy Policy WA
Department of Energy and Economic Diversification
Attn: Director, Wholesale Markets

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

Submission from the WA Expert Consumer Panel on Capability Class 2 Technologies Review: Consultation Paper

Thank you for the opportunity for members of the WA Expert Consumer Panel (ECP) to make a submission on the above consultation.

As a panel supported by the State Government's Western Australian Advocacy for Consumers of Energy (WA ACE) program, we are committed to improving consumer outcomes in the energy sector. We represent energy consumers on the Market Advisory Committee (MAC) and its working groups, and in other consultation processes relevant to consumers of energy in WA.

Initial Comments

Broadly, we support the intent of the Proposals put forward in this Consultation Paper.

It is clear that current obligations and incentives under the Reserve Capacity Mechanism have at times been insufficient to ensure Electric Storage Resources (ESR's) are appropriately charged when we really need them - during System Stress Events (SSE's). There is a clear need for both greater transparency and stronger incentives to ensure ESR's are available when we need them.

Similarly, it is clear current Demand Side Programme (DSP) availability obligation intervals no longer align with the needs of the South West Interconnected System (SWIS). With modelling and real-world experience showing SSE's are increasingly likely in the 8-10pm period, and their likelihood between 12pm-2pm is practically zero, shifting the obligation intervals accordingly seems sensible and necessary.

In regard to the key areas of input sought, ECP members are of the view that:

- *DSP availability obligation windows of 8:00am to 12:00pm and 2:00pm to 10:00pm on Business days are the most appropriate of the proposed times.*
 - *DSP participants should be enabled to participate only in the 2:00pm-10:00pm window and receive a proportional payment (8/12) accordingly.*
 - *There is not sufficient evidence to justify a 4:00am to 8:00am window.*
- *It is appropriate to empower AEMO to include a Lack of Reserve – State of Charge (LOR-SOC) condition in the Low Reserve Condition Framework.*
 - *Our preference is for Option 1: requiring AEMO to apply constraint equations to prevent ESR's from being dispatched for injection before their own ESROI (Electric Storage Resource Obligation Interval), or for withdrawal during the ESROI of other ESR's.*

Specific Comments

Please find below our responses to each of the specific proposals presented in this Consultation Paper.

1) Measure the total energy delivered for assessing ESR performance in a Reserve Capacity Test.

- ***We support this proposal.***

2a) Change the Demand Side Programme (DSP) availability obligation to 8:00am to 12:00pm and 2:00pm to 10:00pm on Business days. An alternative morning window of 4:00am to 8:00am is also suggested instead of the 8:00am to 12:00pm option.

- ***We support changing the DSP availability obligation intervals to match current needs.***
- ***Our preference is for the “8am - 12pm + 2pm-10pm” option for the following reasons:***
 - *Simplicity: Keeps the obligation within both one trading day and one real world date.*
 - *Reliability: Maintains the full 12hr duration of the DSP availability obligation*
 - *Better match to current needs: If expectations of a need for demand side responses during the 4am-8am period emerge in the future, this could be a trigger to review the obligation period for suitability.*

2b) Allow a DSP Participant to choose only the 2:00pm to 10:00pm window and receive the Reserve Capacity Price derated by 8/12.

- ***We support this proposal*** as it will enable large single loads to participate in the DSP which would likely not be able to otherwise.

3) Allow a DSP Participant, with respect to a single Associated Load, to have its Capacity Credits reduced and a corresponding portion of its Reserve Capacity Security returned, provided certain conditions are met.

- ***We support this proposal.***

4a) Empower AEMO to include a Lack of Reserve – State of Charge (LOR-SOC) condition in the Low Reserve Condition Framework. This will allow AEMO to set a minimum state of charge level for the ESR fleet when AEMO determines that ESR discharge will be required during the ESROIs to prevent the risk of unserved energy.

- ***We strongly support this proposal.***
- *It is clear from events in 2025 that existing obligations under the RCM are insufficient to ensure ESR is charged and ready to go when needed during SSE's, and as such further incentivisation is required. It is essential for AEMO to be able to ensure ESR's are available during System Stress Events in order to keep the lights on (and air conditioners running) during peak events.*
- *The proposed approach to having AEMO determine the SOC obligation level required to avoid an LOR-2 declaration seems reasonable, and we look forward to seeing further detail from*

AEMO as this is developed.

- *The proposed notification periods and withdrawal procedures seem reasonable and appropriate.*

4b) Ensure ESR operators can comply with the LOR-SOC obligation and their other obligations through either constraint equations or market submission changes.

- ***We support the proposal to introduce a state-of-charge mandate.***
- ***Our preference is for Option 1*** - requiring AEMO to apply constraint equations to prevent ESR's from being dispatched for injection before their own ESROI (Electric Storage Resource Obligation Interval), or for withdrawal during the ESROI of other ESR's.

It is our view that the greater transparency and automated control this option provides to AEMO will secure the better outcome as far as Power System Security & Reliability is concerned.

- ***Option 2 appears to increase the risk of inefficiencies and 'human error(s)'*** by decreasing transparency, and requiring AEMO to rely more heavily on manual calculations and involved decision making processes during System Stress Events.

5) Introduce an addition to the current refund mechanism for ESRs when an LOR-SOC is in effect.

- ***We support this proposal.***
- *It is important to ensure there is sufficient financial incentive for ESRs to comply with the LOR-SOC obligation. Existing incentives are clearly insufficient, so the proposal to double refund amounts on days when an LOR-SOC obligation is declared seems appropriate. This will need to be monitored to assess its effectiveness in practice.*

Final comments

Thank you for considering this submission and please do not hesitate to contact us to discuss it further.

Sincerely,

WA Expert Consumer Panel members

Anne Hill, Chris Alexander, David Eaton, Kathryn Thorburn, Luke Skinner, Noel Schubert