

ANNEX A TO THE SUBMISSION OF FINESS

HOW THE LINEARLY DERATING METHODOLOGY TREATS DURATION, AND WHAT A RISING REQUIREMENT DOES

A WORKED ILLUSTRATION SUPPORTING SECTION 8. ILLUSTRATIVE FIGURES ONLY.

FINAL v1.0 · 28 August 2026 · accompanies the submission to the Capability Class 2 Technologies Review

1. WHAT THIS ANNEX SHOWS

Section 8 sets out how the Duration Requirement is rising for new entrants while incumbents are grandfathered. This annex gives the arithmetic behind it, at each of the three Duration Requirements now in play.

The capacities below are illustrative. They describe no particular facility and are chosen only to make the method's shape visible.

2. THE METHOD

The ESM Rules define Linearly Derating Capacity as the maximum capacity, in megawatts, which can be guaranteed to be available over the Peak Electric Storage Resource Obligation Duration, being the minimum of:

- the nameplate capacity; and
- the maximum Charge Level capability in megawatt hours, divided by half the number of Trading Intervals in that Duration.

Three Duration Requirements are currently relevant. Table 7 sets eight Trading Intervals — four hours — for incumbent Electric Storage Resources across 2025-26 to 2027-28, and twelve Trading Intervals — six hours — for a new Electric Storage Resource in 2027-28. The 2026 WEM Electricity Statement of Opportunities has since lifted the requirement from six hours to seven, obliging the Coordinator to reset the Benchmark Technologies under clause 4.16.11. Peak Certified Reserve Capacity may not in any event exceed the Declared Sent Out Capacity for the Facility.

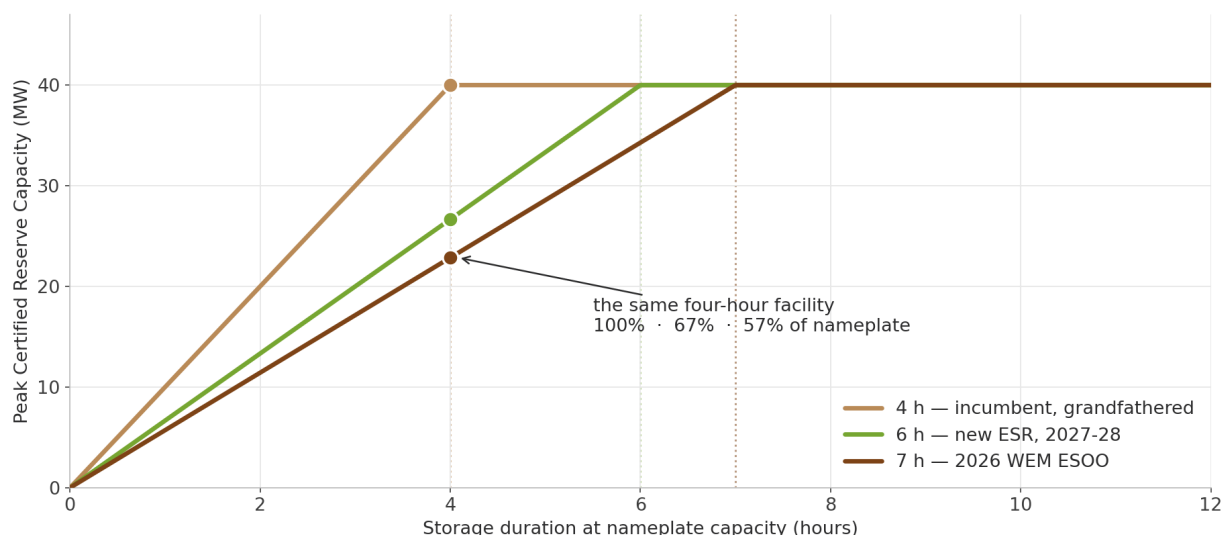
3. FIVE DURATIONS, AT EACH OF THE THREE REQUIREMENTS

Each facility has a nameplate capacity of 40 MW and differs only in how much energy it holds. Figures are Peak Certified Reserve Capacity, with the percentage of nameplate in brackets.

Storage duration	2 h	4 h	6 h	7 h	10 h
Charge Level capability	80 MWh	160 MWh	240 MWh	280 MWh	400 MWh
At 4 h requirement — incumbent	20 MW (50%)	40 MW (100%)	40 MW (100%)	40 MW (100%)	40 MW (100%)
At 6 h requirement — new ESR 2027-28	13 MW (33%)	27 MW (67%)	40 MW (100%)	40 MW (100%)	40 MW (100%)
At 7 h requirement — 2026 WEM ESOO	11 MW (29%)	23 MW (57%)	34 MW (86%)	40 MW (100%)	40 MW (100%)

4. THE SHAPE OF THE METHOD

Plotted against duration, each Duration Requirement produces the same shape — a straight line rising to the requirement, flat thereafter — with the kink moving right as the requirement rises.



Below the requirement the method derates proportionately, which is the method working as intended and is not in question. Above it the line is flat. What changes as the requirement rises is not the shape but where the kink falls, and therefore which facilities sit on the sloping part.

A facility does not move on this chart. The chart moves underneath it.

5. WHY THIS IS A MATTER FOR THE REVIEW RATHER THAN AN OBSERVATION

We accept that the flat section is defensible on the method's own terms. Peak Certified Reserve Capacity measures a contribution to a peak need presently defined as four hours, and energy that cannot be called on within that window adds nothing to it. On that reasoning the shape above is correct.

Two things sit beside it. The first is that long-duration storage is being sought in Western Australia at a duration the mechanism does not price. The second, and more directly a matter for this Review, is that the transitional arrangements recognise duration in one direction only.

Incumbent Electric Storage Resources retain their original Duration Requirement for up to ten years. A facility whose duration falls below a rising requirement is therefore protected from the change, and where that grandfathering leaves a shortfall against system need an ESR Duration Requirement Uplift is added to Limb A of the Planning Criterion so that additional capacity is procured to cover it. The market pays to insure against duration that has become inadequate.

Nothing corresponds for duration that is already ahead of the requirement. Facility B, certified today, carries the risk that the requirement never rises to meet it and receives none of the certainty an incumbent receives that its own requirement will not rise against it. As the Availability Duration Gap widens, that asymmetry widens with it.

6. WHAT THIS ANNEX DOES NOT DO

It contains no facility-specific information and no figure drawn from the financial model of any project. The capacities are illustrative. It does not ask that the Linearly Derating Methodology be reopened, and it does not seek capacity credit the method does not support. The arithmetic would run identically for any three facilities of differing duration.

FiNESS · Annex A · Enquiries: Liz Aitken, Empire Carbon & Energy · liz@empirecae.com