

CAPABILITY CLASS 2 TECHNOLOGIES REVIEW

SUBMISSION ON THE CONSULTATION PAPER

1. INTRODUCTION

The Lantau Group welcomes the opportunity to comment on the Capability Class 2 technologies Review Consultation Paper (the Consultation Paper), published by the Department of Energy and Economic Diversification on 4 August 2026.

We support the direction of the Review. The case for aligning Demand Side Programme availability obligations with system need is made out; the correction to the Electric Storage Resource Reserve Capacity Test is sensible; the return of Reserve Capacity Security where a large Associated Load permanently exits is a proportionate response to a real problem; and there is a genuine question about Electric Storage Resource state of charge that the Electricity System and Market (ESM) Rules do not presently answer. On the matters where the Review proposes no change, we do not advocate replacing the Linearly Derating Method.

Our comments are directed to the evidentiary and regulatory foundations rather than to the objectives. We have reviewed the Consultation Paper against the operative ESM Rules; the Companion ESM Rules consolidated to 1 April 2026, 1 October 2026 and 1 October 2027; the Electricity System and Market Amendment (Tranche 8) Rules 2025; the relevant AEMO WEM Procedures; the Economic Regulation Authority's Offer Construction Guideline and Trading Conduct Guideline and its Review of the Offer Construction Guideline 2026 discussion paper; the 2026 WEM Electricity Statement of Opportunities, its Appendices and its Data Register; the published Reserve Capacity Testing quarterly reports for the 2024, 2025 and 2026 Capacity Years; the Low Reserve Condition reports; and the papers and minutes of the Capability Class 2 Technologies Review Working Group and the Market Advisory Committee.

This submission sets out 25 comments. Each states the Consultation Paper position, the issue, the evidence relied on, and the change we ask the Coordinator to make. Where we have derived a figure ourselves, we say so and give the calculation. Where we could not establish a proposition from the published material, we identify it as an evidence gap rather than supply support for it.

2. SUMMARY OF POSITIONS

Our position on each comment is set out below. Materiality is our assessment of consequence, not of the strength of our disagreement.

No.	Consultation Paper reference	Comment	Materiality	Position
1	Section 1.1, pp.12-14 (Tables 3 and 4)	The Review may not have addressed the whole of its statutory scope under ESM Rule 4.13B	Critical	Further analysis required
2	Section 1.4 (p.21), Section 2.2 (pp.31-33), Appendix D.2 (pp.109-112)	The future-state modelling may not yet provide a sufficient basis for the conclusions drawn from it	Critical	Further analysis required
3	Section 1.6 (p.22) and Call for submissions (p.5)	The statutory completion deadline leaves little room to consider submissions	Moderate	Further analysis required
4	Section 2.1 (pp.23-27), Appendix C (pp.86-92)	Retaining the linearly derating method is defensible, but the accreditation error should be quantified rather than assumed tolerable	Moderate	Support subject to amendment
5	Section 1.3 (p.17), Section 2.2 (pp.28, 33), Section 4.2 (p.43), Table 7 (pp.28-29)	The Review does not use the 2026 WEM ESOO, which forecasts winter morning unserved energy within the Review's own horizon	Critical	Further analysis required
6	Section 1.4 (p.20), Section 2.2 (p.30), Appendix D.1.1 (pp.93-94)	The system stress event sample is small and its exclusion criteria may bias the timing conclusions	Major	Further analysis required
7	Section 2.3 (pp.34-35)	Chapter 2.3: a historical counterfactual does not answer a prospective investment-signal question	Moderate	Support subject to amendment
8	Table 1 (p.6), Section 3.1 (p.37), Section 3.2 (p.38)	Proposal 1: the operative clause is mis-cited and the consequential amendments are not identified	Major	Support subject to amendment
9	Section 3.1-Section 3.2 (pp.37-38)	Proposal 1: an energy-based test must retain a sustained-output limb, and the materiality of the problem is unquantified	Moderate	Support subject to amendment
10	Section 4.3-Section 4.5 (pp.43-49), Appendix E.3.1-E.3.2 (pp.115-116)	On the current ESOO evidence the abandoned 6:00am-10:00am window outperforms both options put to stakeholders	Major	Do not support in its current form
11	Section 4.4 (p.45), Proposal 2b (p.49)	The 8/12 derating is an hours-based proxy, and its interaction with the future refund formulas is unaddressed	Major	Support subject to amendment
12	Section 4.4 (pp.47-48), Proposal 2c (p.49)	Proposal 2c: removing the ability to offer availability outside the standard windows, and the portfolio reassignment mechanics	Moderate	Support subject to amendment
13	Chapter 5 (pp.50-52)	Proposal 3: the 5 MW threshold and notification arrangements require further justification and clarification	Moderate	Support subject to amendment
14	Section 6.1 (pp.55-57), Proposal 4a (pp.60-61)	The LOR-SOC trigger and the SOC level methodology are delegated entirely to a WEM Procedure under a head of power that may not be sufficient to support obligation-setting	Major	Support subject to amendment

No.	Consultation Paper reference	Comment	Materiality	Position
15	Section 6.1 (pp.56-57), Proposal 4a (p.61)	A single uniform percentage state of charge does not deliver a uniform reliability contribution across a heterogeneous fleet	Major	Support subject to amendment
16	Section 6 (Table 14, p.53), Appendix D.1.3 (Table D3, p.98)	The most severe low-charge event exposes a gap in the proposed trigger and notification framework	Major	Further analysis required
17	Section 6.1 (p.57), Proposal 4a (pp.60-61)	Proposal 4a: notification, withdrawal and the treatment of events arising after declaration	Moderate	Support subject to amendment
18	Appendix D.2 (p.112), Section 6.1 (pp.55-56)	Appendix D.2 identifies a better-targeted trigger that Chapter 6 does not consider	Moderate	Further analysis required
19	Section 6.1 (pp.56-57)	The system effect of a mandated fleet-wide charge has not been modelled	Major	Further analysis required
20	Section 6.1 (pp.57-58), Table 14 (p.53), Section 2.2 (Table 8, p.31)	Constraining pre-ESROI injection may withhold storage from stress events that begin before the Obligation Intervals	Major	Support subject to amendment
21	Section 6.1 (pp.57-59), Proposal 4b (p.61)	Proposal 4b: the need for Option 2 has not been demonstrated and Option 1 leaves the settlement treatment undefined	Critical	Do not support Option 2; support Option 1 subject to amendment
22	Section 6.1 (p.59, "Interaction with ERA guidelines") and Section 6.2 (p.60)	The proposed framework does not establish how the incremental cost of complying with an LOR-SOC mandate can be recovered under the ERA's Offer Construction Guideline	Critical	Do not support in its current form
23	Chapter 7 (pp.62-63)	Proposal 5 is not a new charge shortfall refund, and the doubling is not specified against the Rules it will operate on	Major	Do not support in its current form
24	Section 6.1 (p.55), Section 2.1 (p.26), Section 4.4 (pp.45-46), Section 5.1 (p.51)	The Consultation Paper could more fully reflect the consultation record	Major	Further analysis required
25	Section 1.4 (pp.18-20), Appendices C and E	The State Electricity Objective assessment is qualitative where quantification is available	Moderate	Further analysis required

Of the 25 comments, five are rated Critical, eleven Major and nine Moderate. Eleven elements are supported subject to amendment, ten require further analysis before Rules are finalised, three are not supported in their current form, and one (Comment 21) takes a split position - Option 2 is not supported, and Option 1 is supported subject to amendment. Drafting and cross-reference corrections are set out at Attachment A rather than rated individually.

3. COMMENTS

3.1. CHAPTER 1

3.1.1. Comment 1 — The Review may not have addressed the whole of its statutory scope under ESM Rule 4.13B

Consultation Paper Section 1.1, pp.12-14 (Tables 3 and 4) | Materiality: Critical | Position: Further analysis required

The scope adopted for the Review does not correspond to the scope mandated by ESM Rule 4.13B. Clause 4.13B.3(b) requires the Coordinator to examine whether the use of different Peak Electric Storage Resource Obligation Durations for Electric Storage Resources commissioned in different years remains consistent with the State Electricity Objective. Table 3 characterises that provision as concerning the Availability Duration Gap and the paper excludes it on that basis; the Availability Duration Gap is the subject of clause 4.13B.3(f). The Tranche 8 Amending Rules relied on for the exclusion did amend section 4.13B – but they blanked clause 4.13B.3(c), moved the ADG method question to a new clause 4.16.11A, and left clause 4.13B.3(b) in force. The excluded question – grandfathering – is the direct source of the ESR Duration Requirement Uplift, which AEMO calculates at 392 MW for 2028-29 on approximately 1,700 MW of assigned ESR Peak Capacity Credits. Valuing that 392 MW at the Paper's own cited Benchmark Reserve Capacity Price of \$488,500/MW/year gives a gross order-of-magnitude figure of approximately \$190 million a year. We put it no higher than that: it is not an estimate of actual incremental consumer expenditure, since the cost realised depends on the cleared Reserve Capacity Price and on whether the market is long - the 2026 WEM ESOO forecasts a surplus over the first three years of the outlook. The point is that the quantum is material and is neither quantified nor tested against the State Electricity Objective anywhere in the Paper. We also note that clause 4.13B.1(c) requires review of Reserve Capacity refunds for Demand Side Programmes as well as Electric Storage Resources, and that clause 4.13B.3(g) requires review of the method for the Flexible Demand Side Programme Dispatch Requirement; neither is addressed. We ask that these assessments be completed, or that the final report explain why they are not required.

Recommendation. Complete the clause 4.13B.3(b), 4.13B.1(c) and 4.13B.3(g) assessments, or explain why they are not required; correct Tables 3 and 4.

Suggested drafting. Correct Table 3 to reproduce the operative text of clauses 4.13B.1 and 4.13B.3; delete the reference to clause 4.13B.3(c) in Table 4 (that provision is “[Blank]”).

3.1.2. Comment 2 — The future-state modelling may not yet provide a sufficient basis for the conclusions drawn from it

Consultation Paper Section 1.4 (p.21), Section 2.2 (pp.31-33), Appendix D.2 (pp.109-112) | Materiality: Critical | Position: Further analysis required

The future-state analysis is described inconsistently at Section 1.4 (nine reference years and five outage scenarios, said to produce 180 iterations), Section 2.2 (nine reference years and 20 outage scenarios, 180 outcomes) and Appendix D.2 (five reference years and 20 outage scenarios). The Working Group minutes of 23 April 2026 support the second description. More fundamentally, Appendix D.2 discloses that ESRs are dispatched “with perfect foresight, to optimally avoid unserved energy (i.e., ESROIs are not considered)”. Because ESROIs are not represented, the model can identify periods of system need but cannot test whether the proposed ESROI design would mitigate the participant behaviour that Proposal 4 is intended to address under realistic dispatch incentives. We further note that AEMO’s own 2026 WEM ESOO reliability assessment for this system uses 1,600 iterations built from 16 weather reference years, against 180 built from nine here. We do not consider that this modelling is sufficient, without reconciliation and sensitivity testing, to support the conclusions in Chapter 2.2 or the calibration of Proposal 4, and we ask that it be re-run on a behaviourally realistic dispatch assumption and at ESOO resolution before Rules are finalised.

Recommendation. State one correct model specification; re-run with ESROI-bound, price-responsive dispatch at 2026 ESOO resolution.

3.1.3. Comment 3 — The statutory completion deadline leaves little room to consider submissions

Consultation Paper Section 1.6 (p.22) and Call for submissions (p.5) | Materiality: Moderate | Position: Further analysis required

The Paper does not refer to clause 4.13B.2(a), which requires the first review under clause 4.13B.1 to be completed before 1 October 2026. With submissions closing on 1 September 2026, less than a month remains to consider responses on five proposals, two open options and two express requests for stakeholder justification. Several of those questions turn on processes that will not have concluded – notably the ERA’s review of the Offer Construction Guideline, whose discussion paper issued on 6 August 2026 and which addresses the same state-of-charge and offer-construction interaction. We ask that the final report distinguish between the findings made to complete the review required by clause 4.13B.1 and the matters to be settled through a subsequent Rule change process with its own consultation, and that it state how the outcome of the ERA’s review will be reflected.

Recommendation. Distinguish review completion from subsequent Rule making, and state how the ERA review outcome will be reflected.

3.2. CHAPTER 2.1

3.2.1. Comment 4 — Retaining the linearly derating method is defensible, but the accreditation error should be quantified rather than assumed tolerable

Consultation Paper Section 2.1 (pp.23-27), Appendix C (pp.86-92) | Materiality: Moderate | Position: Support subject to amendment

We do not oppose retaining the linearly derating method. The predictability argument is substantial and the international evidence on volatility is fairly presented. We do, however, consider that the trade-off should be measured rather than assumed. Appendix C.3.1 accepts that the method “does not represent contribution to overall reliability” and that grandfathering means assigned capacity “does not reflect the physical capacity needed to meet demand during the Peak Demand Period”. A quantified proxy for that error already exists: the ESR Duration Requirement Uplift, which AEMO calculates at 392 MW for 2028-29 – some 23 per cent of assigned ESR Peak Capacity Credits – and the underlying data show deliverable depth ranging from 1,179 MW to 1,452 MW across the 16 weather reference years against 1,687 MW of assigned credits. We ask that this error and its projected trajectory to 2031 be presented, and that at least one intermediate option be assessed – for example a fleet ELCC with an accreditation floor and a multi-year accreditation period – so that predictability and accuracy are not treated as mutually exclusive.

Recommendation. Quantify the accreditation error via the ESR Duration Requirement Uplift; assess a fleet ELCC with a floor and multi-year accreditation.

3.3. CHAPTER 2.2

3.3.1. Comment 5 — The Review does not use the 2026 WEM ESOO, which forecasts winter morning unserved energy within the Review's own horizon

Consultation Paper Section 1.3 (p.17), Section 2.2 (pp.28, 33), Section 4.2 (p.43), Table 7 (pp.28-29) | Materiality: Critical | Position: Further analysis required

The Consultation Paper relies on the 2025 WEM ESOO for its residential battery forecast, its Supplementary Capacity example, and the ESROD and ESROI values in Table 7, notwithstanding that the 2026 WEM ESOO was published in June 2026 on information as at 11 June 2026, some six weeks earlier. That matters because the 2026 ESOO reaches a different conclusion on the question Chapter 2.2 answers. It forecasts unserved energy “in the evening during summer and to a lesser extent in the morning in winter” for 2029-30 and 2030-31 – both inside this Review’s horizon – and in “both morning and evening peaks during summer and winter” from 2031-32. It also identifies the mechanism: with low overnight renewable generation and limited thermal headroom, “insufficient energy is available to recharge storage by morning... the fleet is unable to meet the morning peak, leading to USE”. No proposal in this Paper addresses that failure mode, and Proposal 4 may aggravate it by concentrating fleet charge on the evening window. We ask that Chapters 2.2 and 4 be reconciled with the 2026 WEM ESOO, and that the final report explain the divergence between the two modelling exercises for the same Capacity Years.

Recommendation. Reconcile Chapters 2.2 and 4 with the 2026 WEM ESOO; explain the divergence on morning risk; address overnight recharge.

Suggested drafting. Correct the Table 7 source note: the document is the 2025 WEM Electricity Statement of Opportunities, not the “2025-26 WEM Electricity Statement of Opportunities”.

3.3.2. Comment 6 — The system stress event sample is small and its exclusion criteria may bias the timing conclusions

Consultation Paper Section 1.4 (p.20), Section 2.2 (p.30), Appendix D.1.1 (pp.93-94) | Materiality: Major | Position: Further analysis required

We ask EPWA to restate and test the system stress event selection criteria. Appendix D.1.1 states that “SSEs that were resolved without Directions or load shedding were excluded”. Read literally, that excludes every event the market resolved – the class of events in which adequate storage charge did its work – so that the retained sample is conditioned on the market having failed. Inferences drawn from it about whether existing incentives are adequate, and about when storage is needed, are correspondingly biased. Table D1 also excludes ramp rate shortfalls and Emergency or High-Risk Operating State advisories, which are the two categories most directly connected to storage duration and charge. The samples that carry the policy conclusions are six events over a nine-month window, all in summer, and five low-charge events involving two facilities; Chapter 6 describes all five as post-dating the November 2024 FCESS reforms although Table 14 row 1 is dated 13 January 2024. We ask that the exclusion criteria be restated, that the number of events excluded under each be reported, and that the timing conclusions be tested against the full population with resolved events retained.

Recommendation. Restate the exclusion criteria, report exclusions, and retest the timing conclusions with resolved events retained.

3.4. CHAPTER 2.3

3.4.1. Comment 7 — Chapter 2.3: a historical counterfactual does not answer a prospective investment-signal question

Consultation Paper Section 2.3 (pp.34-35) | Materiality: Moderate | Position: Support subject to amendment

We do not press for sub-classes within Capability Class 2 at this time, but the reasoning should be corrected. The conclusion rests on the finding that the amended prioritisation order “would not have changed previous NAQ outcomes”. Tie-break criteria bind only where the preliminary allocation within a step exceeds the Peak Reserve Capacity Requirement, so their historical inactivity reflects the recent capacity position rather than the prospective strength of the investment signal. The 2026 WEM ESOO forecasts surpluses in the first three years and tightening thereafter, which suggests the conditions in which the tie-break binds are approaching rather than receding. We ask that the outcome be recorded as a deferral, that the observable conditions under which the issue would become material be identified and monitored, and that the risk raised at the Working Group on 26 March 2026 – facilities registering as hybrids to obtain NAQ priority – be recorded and addressed.

Recommendation. Record as a deferral rather than a finding of no effect; monitor the trigger conditions and the hybrid-registration risk.

3.5. CHAPTER 3

3.5.1. Comment 8 — Proposal 1: the operative clause is mis-cited and the consequential amendments are not identified

Consultation Paper Table 1 (p.6), Section 3.1 (p.37), Section 3.2 (p.38) | Materiality: Major | Position: Support subject to amendment

Table 1 and the Proposal 1 box refer to clause 4.22.2E(a). Section 4.22 of the ESM Rules is “[Blank]”; the operative provision, correctly cited in the body of Section 3.1, is clause 4.25.2E(a). We also note that the amendment package appears incomplete. Clause 4.25.4(c) reduces Peak Capacity Credits after a failed re-test by reference to “the higher average performance achieved over the Peak Electric Storage Resource Obligation Duration... in accordance with 4.25.2E(a)”, and must be amended in step, failing which the test and its consequence will be measured differently. The WEM Procedures for Reserve Capacity Testing and for Certification of Reserve Capacity will also require amendment, and the ERA's Offer Construction Guideline expressly cites clause 4.25.2E(a) at page 42 (and describes an eight-interval obligation, which is already out of date). We ask that the consequential amendments be identified in the final report.

Recommendation. Cite clause 4.25.2E(a); add clause 4.25.4(c); identify the WEM Procedure and ERA Guideline consequentials.

3.5.2. Comment 9 — Proposal 1: an energy-based test must retain a sustained-output limb, and the materiality of the problem is unquantified

Consultation Paper Section 3.1-Section 3.2 (pp.37-38) | Materiality: Moderate | Position: Support subject to amendment

We support the intent of Proposal 1. Certification under the linearly derating method is energy-based, so measuring energy in the test is coherent with the basis of certification, and removing an artificial incentive to oversize is desirable. We ask for two changes. First, the Reserve Capacity Obligation Quantity is a megawatt obligation applying in each Dispatch Interval within a Peak Obligation Interval, not an energy obligation across the period. A test that measures only total energy could be satisfied by a facility that exceeds the Required Level mid-window and falls short at the ends, and which therefore cannot in fact sustain its obligation. We recommend a two-limb test: total energy delivered across the Peak Obligation Duration not less than the Required Level multiplied by the duration; and output at or above the Required Level in each Trading Interval other than those in which the facility is ramping. The treatment of ramp energy should be bounded so that only energy delivered within the Obligation Duration counts. Second, the published quarterly Reserve Capacity Testing reports record two ESR tests in total - none in the 2024 Capacity Year, one in 2025 and one in the reported quarters of 2026. We ask that the final report state how many ESR tests have been affected by the ramping issue and by what margin, so that the materiality of the change can be assessed.

Recommendation. Adopt a two-limb test — total energy and sustained output — and publish the number of affected ESR tests.

3.6. CHAPTER 4

3.6.1. Comment 10 — On the current ESOO evidence the abandoned 6:00am-10:00am window outperforms both options put to stakeholders

Consultation Paper Section 4.3-Section 4.5 (pp.43-49), Appendix E.3.1-E.3.2 (pp.115-116) | Materiality: Major | Position: Do not support in its current form

We do not support the proposed 8:00am to 12:00pm morning window on the evidence presented. Using AEMO's own 2026 WEM ESOO Data Register (sheet Ch 5_F.36, modelled time-of-day distribution of expected unserved energy), the forecast winter morning risk is concentrated between about 06:30 and 09:00 and straddles the 8:00am Trading Day boundary. For 2035-36 winter, the 6:00am-10:00am Tranche 8 window captures 312 MWh of forecast EUE, the proposed 8:00am-12:00pm window 219 MWh, and the 4:00am-8:00am alternative 152 MWh; excluding an apparent boundary artefact at exactly 08:00, the figures are 244, 151 and 152 MWh. AEMO's own Figure 37 places the morning Four-Hour Demand Increase peak at the 07:30 Trading Interval, outside the proposed window. The two options now offered are approximately equivalent to each other and both materially inferior to the option being abandoned. We also note that Option 2 halves the inter-window charging block for behind-the-meter storage, from four hours to two, yet is scored as meeting the BTM criterion "fully" where Option 1 is scored "substantially"; the uplift is justified in the text by the evening-only election, which is a large-load consideration. On the Paper's own material the driver for Option 2 is AEMO's implementation cost, and we ask that this be stated and quantified so that it can be weighed against the reliability value forgone.

Recommendation. Retain the 6:00am-10:00am window unless the implementation cost is quantified and exceeds the reliability value forgone.

3.6.2. Comment 11 — The 8/12 derating is an hours-based proxy, and its interaction with the future refund formulas is unaddressed

Consultation Paper Section 4.4 (p.45), Proposal 2b (p.49) | Materiality: Major | Position: Support subject to amendment

We support allowing an evening-only election but not the basis of the 8/12 factor. It is the ratio of contracted hours, not of reliability contribution, and the Paper's own analysis records that there have been no DSP dispatch events before 2:00pm and no low spare capacity intervals between 9:00am and 2:00pm. On that evidence an evening-only DSP delivers close to the whole of the reliability service for two-thirds of the price, while a full-window DSP is paid in full for four hours in which dispatch has never been required. That under-rewards precisely the participants – behind-the-meter storage and large loads with restart limitations – that the proposal seeks to attract. We also draw attention to a consequential matter the Paper does not address. The DSP per-interval refund price changes on 1 October 2026 to the Peak Reserve Capacity Price divided by the product of DSP_MIN_AV_TI (referenced to clause 4.10.1(f)(iii)) and the number of Business Days, and again on 1 October 2027 to a formula normalised by the intervals falling within the period specified under clause 4.10.1(f)(vi). If DSP_MIN_AV_TI for an evening-only DSP is set at 16 Trading Intervals the derated price and the reduced interval count offset exactly and the refund rate per interval is preserved; if it is left at 24 the refund rate falls by a third for an obligation that is, in the evening window, identical. We ask that the Rules confirm the former.

Recommendation. Derate on reliability contribution, or state 8/12 is a proxy; confirm DSP_MIN_AV_TI is 16 for evening-only DSPs.

Suggested drafting. Amend cl 4.10.1(f)(iii) and cl 4.10.1(f)(vi) so that, for a Demand Side Programme electing the evening availability obligation intervals only, the minimum number of Trading Intervals is 16 and the specified period is the evening availability obligation intervals.

3.6.3. Comment 12 — Proposal 2c: removing the ability to offer availability outside the standard windows, and the portfolio reassignment mechanics

Consultation Paper Section 4.4 (pp.47-48), Proposal 2c (p.49) | Materiality: Moderate | Position: Support subject to amendment

We support allowing DSPs to associate different loads with the morning and evening windows, but the mechanics need work. The Relevant Demand baseline is calculated from the most recent 10 Business Days or 5 non-Business Days without a dispatch event; a three-week notice period does not of itself ensure that a load reassigned to a window has an established baseline for that window, and baseline integrity is what makes a measured DSP response meaningful. We recommend that the Rules require each Associated Load to have an established Relevant Demand baseline for the window in which it is nominated, and that the Reserve Capacity Testing WEM Procedure specify how a portfolio that reassigns loads between windows is tested and how a failure in one window affects credits attributable to the other. We also question the removal of the ability to offer availability outside the standard windows. No participant has used it, so it imposes no present cost, and removing it forecloses participation by loads whose profile does not match the standard windows at the same time as the Paper seeks to broaden participation. If the certification cost is material it should be quantified.

Recommendation. Require an established Relevant Demand baseline per window; retain out-of-window availability unless its cost is quantified.

3.7. CHAPTER 5

3.7.1. Comment 13 — Proposal 3: the 5 MW threshold and notification arrangements require further justification and clarification

Consultation Paper Chapter 5 (pp.50-52) | Materiality: Moderate | Position: Support subject to amendment

We support the policy underlying Proposal 3 and accept the distinction drawn between a load exit, which reduces the Reserve Capacity Requirement, and a supply exit, which does not. The parameters, however, are asserted rather than derived. The Paper states that a strict threshold “greater than 5 MW” is required so that security is returned only where the demand reduction is sufficiently large, but does not show what change in the Reserve Capacity Requirement a load of that size produces, or why 5 MW is the point at which the reduction becomes material. The threshold is also stated inconsistently: the executive summary and one of the conditions in Section 5.1 use “equal to or greater than 5 MW” while Proposal 3 uses “greater than 5 MW”. We ask that the threshold be derived and published, that the inconsistency be resolved, that the 1 April Year 3 notification date be tested against the ESOO and Reserve Capacity Target timetable with the treatment of later cessations specified, that the exclusion of facilities certified under clause 4.10.1B be explained, and that the consequence of a load resuming operations within the Capacity Year be dealt with in the Rules rather than left to the Reserve Capacity Security WEM Procedure.

Recommendation. Derive the 5 MW threshold; resolve the “greater than” inconsistency; test the 1 April Year 3 date.

3.8. CHAPTER 6

3.8.1. **Comment 14 — The LOR-SOC trigger and the SOC level methodology are delegated entirely to a WEM Procedure under a head of power that may not be sufficient to support obligation-setting**

Consultation Paper Section 6.1 (pp.55-57), Proposal 4a (pp.60-61) | Materiality: Major | Position: Support subject to amendment

The proposed framework should specify at Rules level the principles governing the LOR-SOC trigger and the determination of the mandatory SOC level. Leaving both the trigger calibration and material elements of the SOC methodology entirely to the Low Reserve Conditions WEM Procedure would materially alter an ESR's capacity obligations and commercial exposure – including its exposure to a civil penalty and to doubled refunds – without equivalent Rules-level safeguards. At minimum, the Rules should prescribe the objective, the inputs, minimum methodology requirements including the confidence standard and a prudent allowance for forecasting error in the terms of clause 3.17.12, the treatment of outages and partial deratings, and the conditions for withdrawal, with the Procedure confined to implementation mechanics. We also question whether clause 3.17.11 is the correct head of power: it is directed to how AEMO assesses and declares a Low Reserve Condition and requires the Procedure to specify at least three probability levels. An LOR-SOC condition is not a probability level, and the obligation it triggers attaches to Peak Certified ESRs under Chapter 4 and is enforced through the Chapter 4 refund regime. The obligation should be anchored in Chapter 4 with the trigger in Chapter 3.

Recommendation. Anchor the obligation in Chapter 4; prescribe objective, inputs, methodology minimums, outages and withdrawal in the Rules.

3.8.2. Comment 15 — A single uniform percentage state of charge does not deliver a uniform reliability contribution across a heterogeneous fleet

Consultation Paper Section 6.1 (pp.56-57), Proposal 4a (p.61) | Materiality: Major | Position: Support subject to amendment

We support AEMO having flexibility to set the mandated level, but not its expression as a uniform percentage. A percentage of charge is not a measure of deliverable energy, and the fleet is heterogeneous in duration, discharge efficiency, auxiliary consumption, state of health, minimum charge level and Peak Electric Storage Resource Obligation Duration - the last because grandfathered facilities retain shorter durations, so that a uniform percentage leaves systematically different amounts of energy available in the late-evening tail. The percentage also has no stated denominator: nameplate, certified maximum discharge capability, or current tested capability. The Rules already contain a better construct. Charge Level is defined in the Glossary as “the current level of stored energy in MWh in an Electric Storage Resource, as provided to AEMO in a real-time data feed”, and clause 4.26.1F already uses Charge Level above Minimum Charge Level to test whether an ESR can deliver its Reserve Capacity Obligation Quantity. We note that Charge Level measures energy stored in the facility while the Reserve Capacity Obligation Quantity is a sent-out quantity; an energy-denominated obligation makes that conversion explicit and requires the treatment of discharge and auxiliary losses to be settled, whereas a percentage leaves it unresolved. We recommend that the LOR-SOC obligation be expressed in MWh on the clause 4.26.1F basis. We note that an energy-based approach was raised at the Working Group on 23 April 2026 but is not recorded or addressed in the Paper.

Recommendation. Express the obligation in MWh on the clause 4.26.1F basis, with the stored-to-sent-out conversion stated.

Suggested drafting. The Market Participant must ensure that, at the start of each relevant Peak Electric Storage Resource Obligation Interval, the Charge Level of the Electric Storage Resource less its Minimum Charge Level is not less than the energy, in MWh, required to deliver its Reserve Capacity Obligation Quantity for the number of Trading Intervals specified in the LOR-SOC declaration - that is, the Reserve Capacity Obligation Quantity in MW multiplied by that number of Trading Intervals and by 0.5 hours - adjusted for any applicable Capacity Adjusted Planned Outage Quantity and Capacity Adjusted Forced Outage Quantity, and for the conversion between stored and sent-out energy.

3.8.3. Comment 16 — The most severe low-charge event exposes a gap in the proposed trigger and notification framework

Consultation Paper Section 6 (Table 14, p.53), Appendix D.1.3 (Table D3, p.98) | Materiality: Major | Position: Further analysis required

We ask EPWA to test the proposed trigger against its own evidence base. Event #4 in Table 14 - the 25 August 2025 Significant Incident, in which COLLIE_ESR1 was at 17 per cent at event start and 22 per cent at the start of its Obligation Intervals - is by a wide margin the most severe case in the sample. AEMO did not declare a Low Reserve Condition that day: as recorded in the Working Group minutes of 26 March 2026, “conditions deteriorated throughout the day, and AEMO chose to manage the situation in real time rather than declare an LOR event”. Because AEMO had not identified the relevant conditions by 8:00am, the proposed preventative mechanism as described in the notification provisions would not have operated ahead of the most severe event in the sample. The Paper separately states that, where an LOR-SOC has not previously been declared but AEMO subsequently declares an LOR2 or LOR3 condition, an LOR-SOC will also be declared. Those two propositions need to be reconciled: the Paper does not explain what SOC obligation can practicably arise from a declaration after 8:00am where an ESR may already have discharged or may no longer have sufficient time or system access to attain the mandated level. AEMO's closed response to Action Item 2/2026, published in the Working Group papers of 23 April 2026, points the same way for a second occasion: on 9 February 2026 no direction was issued because “system reserves were assessed as being relatively high and there were no indications of a material event or emerging shortfall during the peak period”, and demand “peaked significantly lower than forecast and also earlier than forecast”. Taken together, the two records illustrate two-sided forecast uncertainty: conditions may deteriorate materially after the morning assessment, while precautionary action may also be taken on days when forecast risk does not ultimately materialise. Both bear on whether a forecast-based declaration made by 8:00am will fire when it is needed, and only when it is needed. The Paper states that an LOR-SOC will be declared if an LOR2 or LOR3 is subsequently declared, but does not explain what obligation a post-8:00am declaration can create for a facility that has already dispatched. We ask that the final report set out, for each of the five events in Table 14, whether a declaration would have been made and by what time, and that the Rules specify the obligation arising on a late declaration.

Recommendation. Test the trigger against each Table 14 event; specify the obligation arising on a post-8:00am declaration.

3.8.4. Comment 17 — Proposal 4a: notification, withdrawal and the treatment of events arising after declaration

Consultation Paper Section 6.1 (p.57), Proposal 4a (pp.60-61) | Materiality: Moderate | Position: Support subject to amendment

Three aspects of the notification and withdrawal arrangements should be tightened. First, the 8:00am long-stop is a deadline rather than a minimum notice period. A longer-duration facility starting from a low charge level may be unable to reach the mandated level before an Obligation Interval commencing at 16:30, and the Rules should express the requirement as a minimum notice period calibrated to the longest Peak Obligation Duration in the fleet, with AEMO required to be satisfied that the level is achievable from the fleet's forecast position. Second, the withdrawal power is unqualified. A facility that has charged in response to a declaration and is then released has incurred a cost it cannot recover; the Rules should specify the consequences of withdrawal, including for a participant that has already complied. Third, the obligation is said to apply to remaining available capacity "taking outages into account", but only partial planned outages are addressed. Forced outages arising after declaration, partial deratings, network constraints preventing charging, and simply not being dispatched to charge are each circumstances in which a participant would face a civil penalty and doubled refunds for a failure outside its control. Each should be provided for expressly.

Recommendation. Set a minimum notice period rather than a clock time; specify withdrawal consequences and extend the outage relief.

3.8.5. Comment 18 — Appendix D.2 identifies a better-targeted trigger that Chapter 6 does not consider

Consultation Paper Appendix D.2 (p.112), Section 6.1 (pp.55-56) | Materiality: Moderate | Position: Further analysis required

Appendix D.2 concludes that "the need for ESR support is concentrated during periods of low wind generation" and that state-of-charge requirements "could potentially be made conditional on low wind generation forecasts". AEMO's 2026 WEM ESOO independently identifies low wind, with consequent failure to recharge storage overnight, as the driver of its modelled reliability events. Neither finding is reflected in Chapter 6, which proposes a trigger expressed as a risk that an LOR2 condition may arise. A trigger conditioned on a forecast of low wind coincident with high demand would be narrower, more objective and more predictable, and would reduce the degree of AEMO discretion that stakeholders have identified as their principal concern with this proposal. We ask that a wind-conditional formulation be assessed against the LOR2-margin formulation, with the number of days on which each would have bound over the study period reported, and that the final report explain why the appendix finding was not carried into the proposal if it is not adopted.

Recommendation. Assess a wind-conditional trigger against the LOR2-margin trigger, or explain why the appendix finding was not adopted.

3.8.6. Comment 19 — The system effect of a mandated fleet-wide charge has not been modelled

Consultation Paper Section 6.1 (pp.56-57) | Materiality: Major | Position: Further analysis required

The Paper analyses the SOC mandate facility by facility and does not analyse its aggregate effect. A declaration could create a coincident charging requirement across a substantial portion of the Peak Certified fleet – currently around 1,557 MW of Peak Capacity Credits, rising to approximately 1,700 MW for 2028-29 – to the extent individual facilities sit below the mandated level, falling in the same window on a day of forecast system stress. The Working Group minutes of 26 March 2026 record a member's observation that the one comparable instance, on 9 February 2026, increased the clearing price. We note AEMO's closed response to Action Item 2/2026, that reserves were relatively high that day; the observation is therefore evidence of the price effect of mandated charging rather than of a stress-day outcome. AEMO's own 2026 WEM ESOO describes a modelled stress event in which "all available headroom is used to charge storage", which indicates that the pre-peak hours on such days are not slack. We ask that the aggregate charging requirement be modelled on representative days, reporting additional withdrawal by Trading Interval, the effect on the pre-peak capacity margin and on prices, and whether the network can deliver it. We also ask that the Rules provide relief where a facility cannot reach the mandated level because of a forced outage arising after declaration, a partial derating, a network constraint or an inability to be dispatched to charge – the Paper presently addresses only partial planned outages.

Recommendation. Model the aggregate charging requirement on declaration days and provide relief where charging is not achievable.

3.8.7. Comment 20 — Constraining pre-ESROI injection may withhold storage from stress events that begin before the Obligation Intervals

Consultation Paper Section 6.1 (pp.57-58), Table 14 (p.53), Section 2.2 (Table 8, p.31) | Materiality: Major | Position: Support subject to amendment

The proposed constraint on injection before the Obligation Intervals should not be absolute. Table 14 row 5 records KWINANA_ESR1 at 70 per cent at the start of the system stress event on 11 December 2024 and 32 per cent at the start of its Obligation Intervals at 17:30 – that is, the low charge level arose because the facility discharged into the stress event that was already under way from 15:00. Table 8 shows that all six post-reform events began before the Obligation Intervals, one at 11:25am. A blanket constraint would remove the fleet from the market during those hours, and the FCESS and PSSR carve-outs cure it only through manual instruction, which is the outcome the Paper says it wishes to avoid. This objection was made at the Working Group on 26 March 2026 but is not recorded in the Paper. We recommend that the constraint be formulated to preserve only the mandated energy, permitting injection down to but not below the level required at the start of the Obligation Intervals – a charge-level-aware approach analogous to the existing storage constraints under clause 7.5.10 – and that the Rules provide expressly that injection in response to a dispatch instruction does not of itself breach the obligation.

Recommendation. Constrain only to the extent needed to preserve the mandated energy, using a charge-level-aware approach analogous to clause 7.5.10.

3.8.8. **Comment 21 — Proposal 4b: the need for Option 2 has not been demonstrated and Option 1 leaves the settlement treatment undefined**

Consultation Paper Section 6.1 (pp.57-59), Proposal 4b (p.61) | Materiality: Critical | Position: Do not support Option 2; support Option 1 subject to amendment

We do not support Option 2. The ERA's Offer Construction Guideline already provides a compliant means for an ESR to preserve charge before its Obligation Intervals – offering “very high prices up to the energy offer price ceiling” – which achieves the same physical outcome while leaving the facility's true capability visible to AEMO in the quantity. Permitting zero quantity offers would remove that visibility precisely when a contingency response may be needed, would sit uncomfortably with clause 7.4.2(a)(i), and would create an unnecessary monitoring problem under the Trading Conduct Guideline. We support Option 1 in principle but consider it incomplete. New clause 7.7.8A, commencing 1 April 2026, deems a Constraint Equation facilitating a direction for minimum injection during a Low Reserve Condition to be a Network Constraint for the purposes of clauses 7.14.1 and 9.9.9. The Option 1 constraints are not directions and fall outside that provision, leaving the Congestion Rental and mispricing treatment of a constrained-off ESR undefined. We also note that the proposed deeming of a constraint violation as a clause 7.7.5 direction, with the clause 4.12.5(g) consequence that RCOQ falls to zero for the remainder of the Trading Day, would allow a single pre-ESROI FCESS instruction to extinguish a facility's entire refund exposure for that day. These points should be resolved in the Rules.

Recommendation. Adopt Option 1 only, with a clause 7.7.8A equivalent and a proportionate clause 4.12.5(g).

Suggested drafting. Insert a provision in the same terms as clause 7.7.8A applying to Constraint Equations included to give effect to an LOR-SOC obligation; and amend clause 4.12.5(g) so that the reduction in RCOQ is limited to the Dispatch Intervals affected by, and to the energy displaced by, the direction.

3.8.9. **Comment 22 — The proposed framework does not establish how the incremental cost of complying with an LOR-SOC mandate can be recovered under the ERA's Offer Construction Guideline**

Consultation Paper Section 6.1 (p.59, “Interaction with ERA guidelines”) and Section 6.2 (p.60) | Materiality: Critical | Position: Do not support in its current form

We do not consider the interaction between the proposed LOR-SOC obligation and the ERA's Offer Construction Guideline to be resolved. The Paper devotes three sentences to it and asserts that additional payment would be double compensation because ESRs are already paid to make their RCOQ available during their ESROIs. That reasoning does not hold: the mandate imposes obligations that are not that service – a positive obligation to withdraw energy to a specified level, a prohibition on injection before the ESROIs, and a prohibition on charging during other facilities' ESROIs. The Paper does not identify compensation for these additional obligations and, under the ERA's current guidance, charging costs cannot be carried forward into subsequent discharge offers. The ERA's own discussion paper of 6 August 2026 states that “once a BESS Facility has charged, those costs are sunk and cannot be included in a battery's future price offers”, and that this applies “regardless of whether the charging occurred under a direction by AEMO”. The Working Group record contains a worked example of the consequence: the Working Group minutes of 26 March 2026 record a member's observation that, when AEMO asked a participant to charge ahead of the evening peak on 9 February 2026, the main impact was an increase in the clearing price and that the facility was likely to incur a loss. A framework that imposes additional uncompensated costs on storage may cause those costs to be reflected in future capacity offers and ultimately in consumer costs. We ask that EPWA, AEMO and the ERA publish an agreed position on cost recovery before Rules are made.

Recommendation. EPWA, AEMO and the ERA to publish an agreed position on cost recovery before Rules are made.

3.9. CHAPTER 7

3.9.1. Comment 23 — Proposal 5 is not a new charge shortfall refund, and the doubling is not specified against the Rules it will operate on

Consultation Paper Chapter 7 (pp.62-63) | Materiality: Major | Position: Do not support in its current form

Chapter 7 is headed “New charge shortfall refund”, but a charge shortfall refund already exists. Clause 4.26.1E, with clause 4.26.1F, calculates an ESR Charge Shortfall by reference to Charge Level above Minimum Charge Level and feeds it into the Reserve Capacity Deficit Refund; because the Reserve Capacity Obligation Quantity is zero outside the Peak Obligation Intervals, it already applies to a facility that enters its Obligation Intervals under-charged. The proposal is therefore a recalibration, and the Paper should explain why the existing calibration is insufficient. The Consultation Paper states that refund amounts will be multiplied by two. What is not specified is where that multiplier enters the calculation. Clause 4.26.1A(b) caps the Facility Reserve Capacity Deficit Refund at the Maximum Facility Refund for the Capacity Year, less refunds already applied. If the multiplier is applied before that cap, it does not double a facility's exposure - it merely exhausts the annual ceiling twice as fast, so that for a facility approaching the cap the additional deterrent is nil. If it is applied after the cap, the cap is exceeded and clause 4.26.1A(b) requires express amendment. The Paper should say which, and should confirm whether the refund factor cap of six in clause 4.26.1(c)(i) is unaffected. The trigger is also described three ways in a single chapter - failure to comply with the SOC mandate, failure to deliver the Reserve Capacity Obligation Quantity, and failure to offer it - which are distinct events with different settlement consequences. Finally, the refund architecture the proposal amends is replaced in its entirety on 1 October 2027 by the Peak Trading Interval Refund Rate, under which the ESR divisor becomes the facility's actual Peak Electric Storage Resource Obligation Duration rather than a fixed eight. Proposal 5 should be specified against that architecture. We also note that Chapter 7 states that AEMO advised the change “would be simple to implement”, while Action Item 3/2026 - “AEMO to provide an estimate of the implementation costs associated with an additional refund mechanism” - was recorded as Open in the Working Group papers of 23 April 2026. We ask that the estimate be published before Rules are finalised.

Recommendation. Re-frame as a recalibration of clauses 4.26.1E and 4.26.1F; state where the multiplier enters the calculation relative to the Maximum Facility Refund cap; state a single trigger; and specify the proposal against the 1 October 2027 architecture.

3.10. CROSS-CUTTING

3.10.1. Comment 24 — The Consultation Paper could more fully reflect the consultation record

Consultation Paper Section 6.1 (p.55), Section 2.1 (p.26), Section 4.4 (pp.45-46), Section 5.1 (p.51) | Materiality: Major | Position: Further analysis required

We ask that the final report fairly reflect the consultation record. The Paper records that members “expressed support for the LOR-SOC mandate but noted some concerns regarding how it interacts with FCESS and other requirements”. The minutes record more than that: a member’s observation that AEMO’s request to charge ahead of the evening peak on 9 February 2026 increased the clearing price and was likely to leave the facility with a loss; that further Rule changes of this kind “increase the risk of operating in the WEM, which already has a higher risk relative to the National Electricity Market”; that restricting ESRs to their Obligation Intervals “could pose a risk to the system”; and a proposal that ESR certification be based on deliverable energy in megawatt-hours rather than duration. None of these is reflected in the Paper. We further note that AEMO’s responses to Action Items 1/2026 and 2/2026 - on the 23 January 2025 price spike and on why no direction was issued on 9 February 2026 - were closed and published in the Working Group papers of 23 April 2026, and that both bear directly on the design of the proposed trigger, yet neither is reflected in the Paper. Action Item 3/2026, seeking AEMO’s estimate of the implementation costs of an additional refund mechanism, remained Open. We also note that the future-state capacity assumptions were supplied to the Working Group only as an image and cannot be independently verified.

Recommendation. Summarise the recorded objections fairly; explain how AEMO’s closed responses to Action Items 1/2026 and 2/2026 informed Proposal 4; publish the Action Item 3/2026 implementation-cost estimate; and publish the future-state capacity assumptions in machine-readable form.

3.10.2. Comment 25 — The State Electricity Objective assessment is qualitative where quantification is available

Consultation Paper Section 1.4 (pp.18-20), Appendices C and E | Materiality: Moderate | Position: Further analysis required

We ask that the State Electricity Objective assessment be quantified where the material to do so already exists. The reliability benefit of each candidate DSP window can be expressed as forecast expected unserved energy captured, using the time-of-day distribution in the 2026 WEM ESOO Data Register. The cost of Proposals 4 and 5 to storage owners can be expressed as the sum of foregone pre-Obligation-Interval injection revenue, unrecoverable charging cost and expected refund exposure on a declaration day. The scale of the capacity requirement effect can be quantified through the ESR Duration Requirement Uplift and translated into an indicative consumer-cost range under stated Reserve Capacity Price assumption. The environmental limb receives one line; given that the Paper’s own criteria identify the use of stored renewable energy instead of curtailment as an environmental benefit, the effect of mandated charging on thermal dispatch and curtailment on declaration days should be assessed.

Recommendation. Quantify the change in expected unserved energy, the consumer cost and the risk premium for each proposal.

4. QUESTIONS ON WHICH CLARIFICATION IS SOUGHT

The questions below are those on which the answer could change our position. They are cross-referenced to the comments in section 3.

No.	Question	Comment
1	Why was clause 4.13B.3(b) excluded from scope, given that the Tranche 8 Amending Rules blanked clause 4.13B.3(c), relocated the Availability Duration Gap method question to a new clause 4.16.11A, and left clause 4.13B.3(b) in force?	1
2	What is the projected trajectory of the ESR Duration Requirement Uplift to 2031, and what is its effect on capacity requirements and indicative consumer costs under relevant Reserve Capacity Price assumptions?	1, 4
3	Which of the three descriptions of the future-state model is correct, and will the analysis be re-run with storage dispatched by Obligation Interval and by a price-responsive rather than perfect-foresight rule?	2
4	Why does the CC2T modelling find no morning requirement for 2029-30 and 2030-31 when the 2026 WEM ESOO forecasts winter morning unserved energy in those same Capacity Years?	5
5	What quantified reliability benefit does each candidate morning window deliver - 6:00am-10:00am, 8:00am-12:00pm and 4:00am-8:00am - measured as forecast expected unserved energy captured?	10
6	What is AEMO's quantified implementation cost of a morning window that crosses the Trading Day boundary, and how does it compare with the reliability value forgone?	10
7	Why is the evening-only Reserve Capacity Price derating exactly 8/12, when the Consultation Paper records no Demand Side Programme dispatch before 2:00pm and no low spare capacity intervals between 9:00am and 2:00pm?	11
8	For an evening-only Demand Side Programme, what value will DSP_MIN_AV_TI take under clause 4.10.1(f)(iii) from 1 October 2026, and what period will be specified under clause 4.10.1(f)(vi) from 1 October 2027?	11
9	What evidence supports the 5 MW threshold for the return of Demand Side Programme Reserve Capacity Security, and what change in the Reserve Capacity Requirement does a load of that size produce?	13
10	How will a uniform percentage state of charge apply across facilities with different durations, discharge efficiencies, auxiliary consumption, states of health and Obligation Durations, and what is the denominator?	15
11	Would an LOR-SOC condition have been declared on each of the five events in Table 14, and by what time - in particular on 25 August 2025, when AEMO chose to manage conditions in real time rather than declare a Low Reserve Condition?	16
12	What obligation arises where an LOR-SOC condition is declared after 8:00am on the Trading Day, and how is achievability assessed for the longest-duration facilities in the fleet?	17
13	What is the aggregate withdrawal required of the Peak Certified fleet on a declaration day, and what is its effect on prices, on the pre-peak capacity margin and on the network?	19
14	What happens where a facility cannot reach the mandated level because of a forced outage arising after declaration, a partial derating, a network constraint, or not being dispatched to charge?	17, 19
15	What is the settlement treatment of a facility constrained off by an LOR-SOC Constraint Equation, given that clause 7.7.8A applies only to constraints facilitating a direction?	21
16	How will charging costs incurred to comply with an LOR-SOC obligation be recovered, given the ERA's position that such costs are sunk and cannot enter later price offers even where the charging occurred under an AEMO direction?	22

No.	Question	Comment
17	Is an LOR-SOC obligation a direction for the purposes of Chapter 7 and of the ERA Guidelines? The Consultation Paper and the ERA's discussion paper presently describe it differently.	22
18	Where in the Reserve Capacity Deficit Refund calculation will the Proposal 5 multiplier be applied relative to the Maximum Facility Refund cap in clause 4.26.1A(b), and is the refund factor cap in clause 4.26.1(c)(i) unaffected? What is the single compliance trigger — failure to reach the mandated charge level, failure to deliver the Reserve Capacity Obligation Quantity, or failure to offer it?	23
19	Why do clauses 4.26.1E and 4.26.1F - the existing ESR Charge Shortfall - not already provide the incentive Proposal 5 seeks, and how will Proposal 5 be expressed against the refund architecture commencing 1 October 2027?	23
20	How will the clause 4.13B.2(a) deadline of 1 October 2026 be met while properly considering submissions, and how will the outcome of the ERA's Offer Construction Guideline review be reflected?	3

5. CONCLUDING REMARKS

We would welcome the opportunity to discuss any aspect of this submission with the Coordinator, with AEMO or with the Economic Regulation Authority. Several of the matters raised - in particular the recovery of costs incurred in complying with a state-of-charge obligation, and the settlement treatment of a facility constrained off under Proposal 4b - sit across the responsibilities of more than one body, and in our view would benefit from being resolved jointly and in public before Rules are drafted.

We consent to this submission being published in full.

6. ATTACHMENT A - DRAFTING AND CROSS-REFERENCE CORRECTIONS

The following are corrections rather than matters of policy. Several are also dealt with in section 3 where they carry substantive consequences.

No.	Location in the Consultation Paper	Issue	Correction
1	Table 1 (p.6) and Proposal 1 box (p.38)	Cites clause 4.22.2E(a). Section 4.22 of the ESM Rules is "[Blank]".	Cite clause 4.25.2E(a), as the body of s3.1 correctly does.
2	s1.4 (p.21) v s2.2 (p.31) v Appendix D.2 (p.109)	Three inconsistent model specifications: nine reference years and five outage scenarios producing "180"; nine and 20 producing 180; five and 20 (which is 100).	One specification may be stated. The Working Group minutes of 23 April 2026 support nine reference years and 20 iterations.
3	s1.4 (p.21) and s2.2 (p.31) v Appendix D.2 (p.109)	Modelling horizon given as 2026-27 to 2030-31 in the body and as "the next nine years" in the appendix; Figure D14 runs to 2034.	The stated horizon needs to be aligned.
4	s1.4 (p.20) and s2.2 fn.10 v Appendix D.1.1 (p.93)	System stress event window given as "October 2023 and August 2025" in the body and "November 2023 and August 2025" in the appendix.	The stated period needs to be aligned.

No.	Location in the Consultation Paper	Issue	Correction
5	Table 14 (p.53)	States that all five low-charge events represent periods after the November 2024 FCESS Cost Review amendments. Row 1 is dated 13 January 2024 and predates the amendments; rows 2 to 5 post-date them.	The statement may be corrected to record that four of the five post-date the reform.
6	Appendix D.1.3 (p.97)	Refers to the SSE that commenced after the start of the ESROI as 28/08/2025. Table D3 and Table 14 both give 25 August 2025, as does the Significant Incident reference.	Needs to be corrected to 25 August 2025.
7	Appendix D.1.3 (pp.97-98)	Refers to “Figures 17 to 19” and then to “Figure D5”; figure numbering is inconsistent within the same passage.	A single figure numbering convention may be adopted.
8	s2.2 (p.30) v Appendix D.1.2 (p.94)	Chapter 2.2 states 20 of 26 events occurred in summer (23% outside summer); Appendix D.1.2 states 16% occurred in shoulder and winter months.	The figures need to be reconciled, or the seasonal definition used in each needs to be stated.
9	s2.2 (p.33)	“Accordingly, these low levels of forecasted ESR dispatch do indicate a statistically meaningful trend.” The preceding reasoning, and the parallel statement at p.31, require the negative.	Insert “not”.
10	Footnote 11 (p.29)	Directs the reader to Appendix B.2 for AEMO’s modelling approach. Appendix B is the jurisdictional review of demand-side mechanisms; B.2 is PJM. The modelling approach is at Appendix D.2.	The cross-reference to Appendix D.2 needs to be corrected.
11	s2.1 (p.26)	States that the detailed evaluation of ESR derating options against the SEO is provided in B.1.3. It is at Appendix C.3.	The cross-reference to Appendix C.3 needs to be corrected.
12	Appendix E.3.3 (p.120)	Section headed “Option 3: Include DSPs in ESROD calculation” but its table is captioned “Table E5: Evaluation of Option 4 against the SEO”. An “Overall Performance” row also appears above the criteria table.	The caption and the table structure need to be corrected.
13	Table 12 (p.44) v Table E2 (p.114)	Option 3 described as “Include DSPs in ESRDR calculation” in Chapter 4 and “Include DSPs in ESROD calculation” in Appendix E.	One term may be used consistently to avoid confusion.
14	Table 7 (pp.28-29)	The displayed ranges appear to use Trading Interval start timestamps - a Trading Interval being a period of 30 minutes commencing on the hour or half-hour - such that 17:30-21:00 denotes eight half-hour Trading Intervals extending through 21:30. That convention is not stated, so the ranges can be misread as elapsed clock periods.	It may be explicitly stated that the timestamps denote Trading Interval start times, or express the full elapsed clock period.
15	Table 7 source note (p.29)	Cites the “2025-26 WEM Electricity Statement of Opportunities”. No document of that name exists; the reports are named by year of publication and the current document is the 2026 WEM ESRO.	The document title may be revised to the 2025 WEM Electricity Statement of Opportunities. Separately, and as discussed in Comment 5, the values may be reconciled against the 2026 WEM ESRO.
16	Table 14 (p.53)	Gives KWINANA_ESR1 an Obligation Interval start of 16:30 on 10 December 2024 and 17:30 on 11 December 2024 - consecutive summer Business Days in the same Capacity Year.	The Obligation Interval start times may be confirmed or corrected.

No.	Location in the Consultation Paper	Issue	Correction
17	s4 (p.39)	Cites clause 4.10.1(iii) for the 24 Trading Interval minimum. The correct citation is clause 4.10.1(f)(iii), as confirmed by the refund formula commencing 1 October 2026.	The citation may be corrected.
18	Table 1 (p.8) and s5.1 (p.51) v Proposal 3 box (p.52)	Threshold expressed as "equal to or greater than 5 MW" in the executive summary and one condition, and "greater than 5 MW" in Proposal 3 and elsewhere in s5.1.	One formulation may be adopted.
19	Chapter 7 (pp.62-63)	Headed "New charge shortfall refund" although clauses 4.26.1E and 4.26.1F already establish an ESR Charge Shortfall; the trigger is described as failure to comply with the SOC mandate, failure to deliver the Obligation Quantity, and failure to offer it, in three consecutive statements.	It may be re-titled as a recalibration of the existing mechanism, and a single trigger may be stated.