

Submission: 2026 Benchmark Technology Review – Draft Determination

To: Coordinator of Energy, Department of Energy and Economic Diversification
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From: Strike Energy Limited (ASX: STX)

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Executive Summary

Strike Energy Limited (Strike) owns and operates the South Erregulla Power Plant (SEPP), an 85 MW gas-fired peaking facility in the SWIS where capacity revenue is a key pillar of the investment case and any future expansion. Strike urges policies pertaining to BRCP setting and determination result in investment signals that are stable, cost-reflective and financeable. Without such EPWA risks undermining investor confidence in the WEM.

Strike recommends that EPWA consider the following items:

1. the Benchmark Technology should change only at scheduled reviews and a capped transition;
2. the emissions threshold signalled since December 2023 should not be abandoned through a benchmark review without a formal policy decision, notice and transition;
3. the BRCP must reflect current equipment prices, lead times, fuel obligations and connection costs;
4. facilities that reached FID on prevailing price signals should have access to a fixed price; and
5. Resulting reserve capacity price should value duration, through a multiplier for capacity able to sustain output beyond the reference duration.

1. Investment certainty

The draft is the third change in benchmark technology in three consecutive cycles, triggered by a one-hour change in the ESR Duration Requirement one year after the 2025 review.

Capacity Year	Benchmark Technology	Peak BRCP (\$/MW/yr)	Change
2027/28	4-hour BESS (200 MW)	360,700	–
2028/29	6-hour BESS (200 MW)	488,500	+35%
2029/30 (draft)	E-Class SCGT, dual fuel	~344,900 (indicative)	≈ –29%

Sources: ERA final determinations; 2029/30 is DEED's estimated annualised fixed cost (Draft Determination s2.5), prior to ERA determination.

Swings of this size creates significant uncertainty in investment signals. They add a regulatory risk premium to every new project and raise the cost of capacity to consumers, which is the opposite of what the Investment Certainty Review intended.

Emissions threshold reversal

In December 2023 the Coordinator changed the reference technology from a 160 MW liquid-fuelled OCGT to a BESS, on the basis that the Benchmark Technology must be able to meet the emissions threshold proposed under the WEM Investment Certainty Review (indicatively 0.55 tCO₂e/MWh). Subsequent determinations, including the 2025 review, applied the threshold as a shortlisting constraint and continued to select a BESS. Every BRCP since has been set on that basis.

The draft now drops the threshold. The reason is not a policy decision to abandon it, but that there “has not been any progress” towards it and DEED’s “best expectation” is that it will not be imposed in the

relevant timeframe. That change alone makes the SCGT eligible and drives the switch back to a gas turbine and the resulting fall in the BRCP.

Strike opposes this change. Dropping the threshold and switching the benchmark from storage to a gas turbine in a single step is a dramatic change. It follows almost three years of government signalling, through these determinations, that new capacity would be subject to the threshold, and comes one year after a 35% price increase. Participants have made technology, development and investment decisions on that signal. A reversal of this scale, driven by policy inaction and made through a technical benchmark review rather than a formal policy decision, will create high investment uncertainty across the RCM and undermine confidence in future policy signals in the WEM.

Strike recommends:

- **Scheduled reviews only:** technology changes only at the three-yearly review. Out-of-cycle triggers should update the parameters of the incumbent benchmark, not reopen technology selection.
- **Transition cap:** BRCP movement caused by a change in technology or methodology is capped (e.g. $\pm 10\text{--}15\%$ per cycle) and phased in over the following cycles.
- **Emissions threshold:** retain it in this determination unless and until the government formally withdraws the policy.
- **Withdrawal process:** any withdrawal should be made through a transparent policy decision and applied only at a scheduled review, with notice and the transition cap above.

If these measures are outside the scope of this Review, Strike asks the Coordinator to progress a concurrent rule change so they apply from the 2027 cycle.

2. Cost-reflective BRCP

The BRCP must be high enough that a real project could be delivered for it by the Capacity Year. Otherwise, reliability is bought later, and at higher cost, through NCESS or emergency procurement. Global demand for gas generation equipment (heavy-duty, aeroderivative and reciprocating) is driving up prices and pushing delivery slots into the early 2030s. The draft acknowledges this but, in our view, does not reflect the following:

- **Equipment cost:** turbine and plant costs are drawn from the Thermoflow cost database (v33, March 2025) at 0.655 USD/AUD rather than current OEM pricing, which DEED acknowledges may lag the market. The total project estimate is then taken at expected value (approximately P50) with no risk contingency, whereas companies and financier often commit capital against a P80–P90 estimate. Equipment costs should be tested against current OEM quotes and recent contract awards, and a project risk contingency included where appropriate.
- **Lead time and the Benchmark Technology definition:** the ESM Rules define the Benchmark Technology as a facility “expected to be able to provide” capacity for the relevant Reserve Capacity Cycle. The draft expressly disregards lead times and assumes a facility reaching FID in 2027 is operating by 1 October 2029, around three years after the draft was published. Current lead times for gas turbine projects are five years or more. An E-Class SCGT cannot reasonably be expected to provide capacity for the 2029/30 Capacity Year, so in Strike’s view it does not meet the definition of a Benchmark Technology. If it is retained, reservation and deposit costs and financing costs over a realistic build period should be included.
- **14-hour fuel obligation:** the benchmark is assumed to “mainly run on gas” but carries no gas transport cost, while the gas-certified option carries about \$34–36M/yr of DBNGP capacity. The assumption and its costs should be made consistent, whilst dual fuel might represent lowest annual fixed cost solution this may not reflect actual operational cost base.

- **Connection:** it relies on a September 2024 Western Power estimate for a 200 MW BESS. An updated estimate is needed for a thermal plant of this size, with its lead time tested against a 2029/30 commercial operation date.

Strike recommends that the final determination publish BRCP sensitivities to each of these items.

3. Protect committed capacity

Only new facilities without prior Capacity Credits award can elect a Fixed Reserve Capacity Price. Current generators cannot fix its price, whereas new entrants from the 2027 cycle can lock in a price based on the new benchmark. The capacity that responded first bears the full risk of an administrative re-pricing unrelated to SWIS supply and demand. Strike recommends:

- **Fixed price election:** facilities that reached FID or were assigned Capacity Credits in the three cycles before a benchmark change may make a one-off election to fix their price at the average RCP applying over first three Capacity Years, for the balance of a 10-year term.

The set of affected facilities is small and closed, so the cost to consumers is minimal and the benefit to RCM credibility is significant.

4. Valuing duration

The RCM pays the same price per MW for a facility that can sustain output for 7 hours as for one that can sustain it for 7 days. Above the ESR Duration Requirement, additional duration earns no additional capacity revenue. Thermal facilities must already demonstrate 14 hours of fuel availability, twice the 7-hour ESR requirement, yet receive the same price per MW.

This is increasingly at odds with the reliability need. The ESR Duration Requirement has risen from 4 to 7 hours in two ESOOs, which shows the period of risk is widening beyond the evening peak. As coal retires and storage share grows, the binding risk will shift to extended low-wind, low-solar periods lasting more than a day, which short-duration storage cannot cover. A capacity price that ignores duration will over-procure short-duration capacity and under-procure the firm, long-duration capacity the system will need. Strike recommends:

- **Duration multiplier:** apply a multiplier to the Reserve Capacity Price that increases with demonstrated sustained output, e.g. tiers at the ESR Duration Requirement (1.0x), 14 hours, 24 hours and multi-day.
- **Within the existing requirement:** designed to reallocate value within the Reserve Capacity Requirement rather than increase total capacity cost.

The ESM Rules already recognise long-duration storage in eligibility for a 10-year Fixed Reserve Capacity Price; that recognition should extend to price. Strike asks the Coordinator to scope a duration-based capacity price in the next RCM review or a rule change, phased in consistent with the transition principles in section 1 of this paper.