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Mr Jai Thomas
Level 1, 66 St Georges Terrace
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By email to: energymarkets@deed.wa.gov.au

Dear Mr Thomas

DEED CONSULTATION: 2026 BENCHMARK TECHNOLOGY REVIEW – DRAFT DETERMINATION

Synergy appreciates the opportunity to provide feedback on the Department of Energy and Economic Diversification's (DEED's) *2026 Benchmark Technology Review - Draft Determination for consultation* paper (Consultation Paper) released on 9 September 2026. The Consultation Paper outlines the Coordinator of Energy's (Coordinator's) findings and recommendations for the Benchmark Technologies, being the reference technologies used to set the Peak and Flexible Benchmark Reserve Capacity Prices (BRCPs).

Opening Remarks

Synergy acknowledges the various drivers for the review, including requirements of the ESM Rules (clause 4.16.11(b)) and interplay with the Electric Storage Resource (ESR) Duration Requirement changing from 6 hours to 7 hours as announced in the Australian Energy Market Operator's (AEMO's) Wholesale Electricity Market (WEM) 2026 Electricity Statement of Opportunities (ESOO).

Synergy recognises and appreciates the competing tensions that must be balanced, between investment certainty on the one hand, and efficient prices for consumers in the WEM on the other hand. Further, Synergy understands a key driver for the proposed change in reference technology is to support efficient capacity prices in the WEM. Against a broader backdrop of heightened global energy prices and inflationary pressures, efforts to support efficiency in electricity costs are a worthwhile objective.

However, the proposed changes are significant. Synergy is concerned that changing the Benchmark Technologies from a battery energy storage system (BESS) to a dual fuelled Single Cycle Gas Turbine may reduce capacity prices in the short term while creating broader risks for investment confidence, policy stability and the State's decarbonisation objectives in the medium term. This is particularly important given the need for ongoing investment in Western Australia to support the energy transition, and maintain system security and reliability as thermal generation assets age or retire.

Synergy considers that there are alternative, more targeted reforms that could support efficient electricity costs for consumers without materially impacting future investment signals in the WEM. Synergy encourages DEED to consider the alternatives outlined in this submission.

Extend and expand the Transitional Facilities framework

Synergy recommends DEED consider whether the existing Transitional Facilities framework could be extended beyond its current 2028 Reserve Capacity Cycle end point and expanded to capture a broader group of existing facilities. This would lower the weighted average capacity price recovered from customers by applying a lower administered capacity price to a larger share of existing capacity, while preserving the broader investment signal for new capacity.

For the Capacity Year commencing 1 October 2027 (2027 Capacity Year), Transitional Facilities will be paid a Peak Reserve Capacity Price of \$177,636 per MW compared with \$360,700 per MW for other non-Transitional Facilities. Synergy understands the weighted average capacity price that will be recovered from customers in 2027 Capacity Year is approximately \$239,353 per MW. Maintaining differential pricing for a longer period, and expanding the group of facilities captured by the Transitional Facilities framework, would place downward pressure on customer capacity costs without lowering the headline Peak Reserve Capacity Price for new investments.

Synergy considers that the current exclusion of Demand Side Programmes from the Transitional Facilities framework should be reviewed. The current arrangements result in Demand Side Programmes being paid a higher capacity price (i.e., \$360,700 per MW in the 2027 Capacity Year) while being charged at the lower weighted average customer price (i.e., \$239,353 per MW in the 2027 Capacity Year). This outcome should be tested to support efficient and reliable customer outcomes.

Review battery grandfathering arrangements

Synergy supports investment certainty for BESS facilities. Synergy considers it would be appropriate to review whether the interaction between the current 10-year protection afforded to BESS facilities and increases in the ESR Duration Requirement may result in payments that do not reflect the duration capability grandfathered BESS facilities are required to provide.

For example, a four-hour BESS certified in an earlier Capacity Cycle may continue to receive capacity credits on a four-hour basis while being paid a Peak Reserve Capacity Price set by reference to a longer-duration BESS that has been determined as the Benchmark Technology for a Reserve Capacity Cycle. Synergy considers this may result in customers paying for capacity at a price linked to a higher-cost technology, with longer duration capability, than the grandfathered BESS facility is required to provide.

Rather than changing the Benchmark Technology to a dual fuelled Single Cycle Gas Turbine, DEED could consider options to align grandfathered certification with set price outcomes. This could include locking grandfathered facilities to the Reserve Capacity Price that applied when they entered the market, or applying a capacity price that aligns with the duration capability they are grandfathered to provide.

Review the Reserve Capacity Target and reserve margin assumptions

A third alternative option could be to review the Reserve Capacity Target and the reserve margin embedded in the Planning Criterion. The higher the Reserve Capacity Target, the more capacity customers are required to fund through the Reserve Capacity Mechanism. A targeted review of the reserve margin required to maintain reliability may identify opportunities to reduce total capacity costs without reducing the investment signal provided by the BRCPs.

Concluding Remarks

Synergy supports the objective of efficient electricity costs for consumers. Synergy encourages DEED to consider whether the alternatives outlined above may allow for similar policy objectives to be achieved, whilst stable investment signals are also maintained in the WEM.

Synergy would welcome the opportunity to discuss this further with DEED. If you have any questions, please contact [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED].

Your sincerely

[REDACTED]

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A/EXECUTIVE GENERAL MANAGER, STRATEGY AND CORPORATE AFFAIRS