



Notice

22 December 2018

Wholesale Electricity Market Review 2017/18

Publication of discussion paper

The Economic Regulation Authority has published a [discussion paper](#) on how well the Wholesale Electricity Market (WEM) is achieving its objectives, to assist in preparing its annual report to the Minister for Energy.

The discussion paper covers pricing trends, future risks to reliability and the investment market, and general administration, governance and reform.

Prices in the WEM have increased by just under 50 per cent in the last six years. The ERA has investigated the usual drivers of price increases, demand and fuel costs, and has found that these do not seem to be driving up prices.

Overall demand is low, and the profile of demand is changing as consumers continue to install rooftop solar photovoltaics. The output from rooftop solar during the middle of the day lowers demand on the network, but demand then increases rapidly when the sun goes down and consumers turn on their appliances in the evening. Increased use of gas-fired generators to provide the quick ramp-up in generation to meet the evening peak could be driving higher wholesale costs, but the ERA's initial analysis does not support this.

Higher prices in the WEM may also result from the use of market power. Synergy is dominant in the WEM through owning or controlling around 80 per cent of electricity generation.

This discussion paper presents an opportunity for participants to respond to the information presented. The ERA encourages interested parties to make submissions during the consultation period, providing evidence or practical examples where possible.

Background

Each year, the ERA reviews how effectively the WEM is meeting the market objectives. The findings are reported to the Minister for Energy, along with recommendations for improvement. This year, the report to the Minister will combine findings from both the ERA's annual review and the triennial review of the WEM required under the *Electricity Industry Act 2004*.

The ERA has analysed market data, considered information provided in discussions with market participants and collected evidence from past reviews of the market. This discussion paper combines this analysis and outlines the ERA's initial observations and inferences on how well the WEM is achieving its objectives and what may be driving market outcomes.

Invitation for submissions

The ERA invites interested parties to make submissions on the discussion paper.

Submissions close 4:00 pm (WST) Friday, 8 February 2019.

Submissions should be lodged online using the form on our website
www.erawa.com.au/consultation.

Further information

General enquiries

Sara O'Connor
Ph: 08 6557 7935 | Mob: 0414 452 305
info@erawa.com.au

Media enquiries

Natalie Warnock
Ph: 08 6557 7933 | Mob: 0428 859 826
media@erawa.com.au