



Economic Regulation Authority

Addendum to the energy price limits final determination

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Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

Telephone 08 6557 7900

Email info@erawa.com.au

Website www.erawa.com.au

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National Relay Service TTY: 13 36 77

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Revised alternative maximum short term energy market price: Fuel Cost component

This addendum specifies the ERA's estimate of distillate fuel cost for its determination of the alternative maximum STEM price published on 24 January 2022.¹

The WEM Rules specify two maximum price limits, which includes the alternative maximum short term energy market (STEM) price.² This price limit applies to offers from generators that use liquid fuel for generating electricity. This price limit is indexed to the liquid fuel price. The Australian Energy Market Operator (AEMO) resets this price limit monthly based on prevailing distillate prices inputted into an indexation formula determined by the ERA.³

The WEM Rules require the ERA to annually review the energy price limits. On 24 January 2022, the ERA published its final determination of the energy price limits. To estimate the alternative maximum STEM price, the ERA followed the calculation process stipulated in clauses 6.20.7 and 6.20.3 of the WEM Rules. The ERA revised the alternative maximum STEM price as follows:

- The alternative maximum STEM price will be revised monthly according to the following indexation formula:

$$\begin{aligned} \text{Alternative maximum STEM price} \\ = 33.627 + 25.426 \times \text{net ex-terminal distillate price } (\$/GJ)^4 \end{aligned}$$

The ERA is publishing this addendum to specify the estimate of fuel cost in determining the alternative maximum STEM price to begin on 1 February 2022. This is presented in Table 1.

Table 1: Distillate price to determine the alternative maximum STEM price

Item	Price in Australian cents per litre (ACPL)	Price in \$/GJ ⁵
Perth terminal gate price (TGP) ⁶	145.73	38.06
TGP less GST	132.48	34.60
TGP less GST and excise ⁷	89.18	23.29

¹ ERA, 2022, *Energy price limits, Final determination*, ([online](#)), including section 3.2.

² Wholesale Electricity Market Rules, 18 December 2021, clause 6.20.1, ([online](#)).

³ Ibid, clause 6.20.3.

⁴ ERA, 2022, *Energy price limits, Final determination*, p. iii, ([online](#)).

⁵ Assumes 1 litre of diesel fuel is equivalent to 38.29 MJ. US Energy Information Administration, 2022, 'Energy conversion calculators, Diesel fuel and heating oil conversion calculator', ([online](#)).

⁶ Based on the average of daily Perth diesel terminal gate prices over October to December 2021 as published by the Australian Institute of Petroleum ([online](#)). See also Wholesale Electricity Market Rules, 18 December 2021, clause 6.20.3(b)(i)(2), ([online](#)), which requires the diesel price in this determination to be based on the average of prices over "the three months ending immediately before the month preceding the month in which the revised Alternative Maximum STEM Price takes effect...".

⁷ Diesel excise is \$0.433/litre from 2 August 2021. The Australian Taxation Office (ATO) notes that "Excise rates on fuel and petroleum products (other than aviation fuels and certain petroleum-based products) are indexed twice a year, based on the upward movement of the consumer price index (CPI). Generally, indexation occurs on 1 February and 1 August. The CPI indexation factors for rates from 2 August 2021 is 1.014." ATO, 2021, *Excise duty rates for fuel and petroleum products*, ([online](#)).

Based on a distillate price of \$23.29/GJ and the indexation formula determined by the ERA, the alternative maximum STEM price is \$626/MWh. The revised energy price limits will take effect on a date specified by AEMO as per clause 6.20.3 of the WEM Rules.