



Media Statement

30 November 2022

Wholesale Electricity Market review

The Minister for Energy has tabled the Economic Regulation Authority's report on the effectiveness of the Wholesale Electricity Market.

The ERA's review considers how well the Wholesale Electricity Market objectives will be achieved in the future, particularly the objectives of ensuring a reliable supply of electricity at the lowest sustainable cost to consumers.

The report finds that improvements to market mechanisms will be required to facilitate efficient investment in renewable generation and battery storage as conventional thermal generation leaves the electricity market and the economy decarbonises.

As more renewables enter the market, renewable facilities' profitability is expected to decline. The revenue available for battery storage declines with the addition of each new storage facility to the energy market. The report recommends measures will be needed to account for the contribution that any resources make towards meeting emission reduction goals.

The ERA's analysis also identified a risk to the reliability of the South West Interconnected System arising from the market price signals not suitably incentivising investment in flexible capacity as and when required to maintain system reliability. The State Government's review of the reserve capacity mechanism is likely to address this matter.

ERA Chair Steve Edwell said "This review comes at a time when energy markets globally are transitioning away from conventional fossil fuel generation, such as coal and gas, to renewable low marginal cost technologies like wind and solar and large-scale storage technologies.

"As the government moves towards its net zero policy, it will need to ensure that price signals in the WEM encourage an appropriate mix of generation to reliably meet demand, at the lowest cost possible."

The WEM Review is required under the *Electricity Industry Act 2004* (WA) and occurs every three years.

The report is available on the [ERA's website](#).

About the ERA

The ERA is Western Australia's independent economic regulator. We aim to ensure the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers.

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