

Economic Regulatory Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

ENERGY OFFER PRICE FLOOR 2025: DRAFT DETERMINATION

The Chamber of Minerals and Energy of WA (CME) is the peak representative body for the resources sector in Western Australia (WA). CME is funded by member companies responsible for 90 per cent of the state's mineral workforce employment.¹

In 2023-24, the WA resources sector accounted for 45 per cent of WA's economic activity,² 93 per cent of goods exports³ and 43 per cent of investment.⁴ The sector contributed one third (31.5 per cent) of the WA Government's general revenue via royalties, payroll and other taxes and fees,⁵ enabling the provision of essential public goods and services such as doctors and nurses, teachers and police. CME's 2023-24 Economic Contribution Survey found that the WA resources sector supported 3 in 10 jobs in the state.⁶

CME appreciates the opportunity to provide this submission on the Economic Regulatory Authority's (ERA's) draft determination⁷ on the Energy Offer Price Floor, which finds that the floor of -\$1,000 per Megawatt-hour (MWh) is appropriate.

CME supports the ERA's draft determination and agrees with the conclusions drawn from their analysis. This includes that the Real-Time Market (RTM) for energy has not cleared at the Energy Offer Price Floor in one or more dispatch intervals due to the price floor being too high, and that there have been no changes in the South West Interconnected System's generation fleet that are likely to require the price floor to change.

More broadly, it is critical that the ERA continues to scrutinise arrangements in the WA Wholesale Electricity Market (WEM) to ensure that costs are kept as low as possible. Recent CME work highlights industry's concerns over the current trajectory of electricity costs in the WEM, noting total costs have roughly doubled over recent years. This reflects a doubling in wholesale electricity costs between 2021 and 2024, a 5-fold increase in key stability and reliability costs since October 2023, a tripling in market fees and a 45 per cent increase in transmission and distribution costs.⁸

Energy Offer Price Floor

As the ERA notes in its draft determination, the Energy Offer Price Floor (previously called the Minimum STEM Price) was set at -\$1,000/MWh and the ERA's two previous reviews concluded this value was appropriate. When the new WEM commenced operation, the Energy Offer Price Floor carried over the -\$1,000/MWh value.

¹ Government of Western Australia, [2023-24 Economic Indicators Resource Data File](#), full-time equivalents onsite under State legislation, Department of Energy, Mines, Industry Regulation and Safety, 29 October 2024.

² As measured by gross value add (GVA). Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 6.

³ Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2023-24 Economic Indicators Resource Data File](#), 9 January 2024.

⁴ Includes Gross Fixed Capital Formation plus minerals and petroleum exploration. Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 25. Australian Bureau of Statistics, [8412 Mineral and Petroleum Exploration](#), Table 4.

⁵ Includes royalties, Commonwealth grants from North West Shelf royalties and iron ore lease rentals plus surveyed expenditure on payroll and other taxes and fees. Government of Western Australia, [2023-24 Annual report on State finances](#), Department of Treasury, 27 September 2024, Table 2.1 Operating Revenue: General Government, pp 164-165; CME 2023-24 Economic Contribution Survey.

⁶ Direct and indirect jobs. CME, 2023-24 Economic Contribution: Western Australia, March 2025.

⁷ The Economic Regulation Authority must review the Energy Offer Price Floor every three years to determine whether it remains appropriate. The 2025 review covers the period between 1 February 2022 and 31 January 2025. Prior to 1 October 2023, the Price Floor was referred to as the Minimum Short Term Energy Market Price.

⁸ 3 Electricity prices consist of four cost components: wholesale, reliability, transmission and distribution, and administration. ESS costs, including FCESS and NCESS, increased to around \$100 million per quarter since Q3 2024, compared with roughly \$20 million per quarter in power system management costs in 2021-22. AEMO, [QED Q4 2023](#), January 2024. [QED Q2 2024](#), July 2024. Market fees of roughly \$2.5/MWh in 2024-25 will be almost triple the fee charged in 2020-21. ERA, [AEMO's AR6 second in-period allowable revenue and forecast capital expenditure proposal: Final Determination](#), June 2024, figure 2, p 15. Forecast transmission and distribution revenue for Reference Tariff 7: High Voltage Contract Maximum Demand increased from \$142.55 million in 2021-22 to \$206.54 million in 2024-25. [Determination on the proposed 2021/22 price list for the Western Power network](#), May 2021, table 2. [2024/25 Price List for the Western Power Network](#), May 2024, table 1.5.

The ERA's review includes assessing how often the Real-Time Market cleared at the Energy Offer Price Floor, which was found to be less than 0.19 per cent of the time.⁹ CME acknowledges that negative pricing is also an issue for some of its members that are generators. We note that the ERA's draft determination is that the current Energy Offer Price Floor allows the RTM to clear above it in most circumstances and there has been no evidence to suggest that this price floor will result in market participants being exposed to prices that will materially threaten their financial viability or the efficient operation of the market. If generators with high cycling costs experience material changes to their cycling costs, then this could indicate that the current Energy Offer Price Floor may no longer be appropriate.

The ERA also reviewed information from generators with high cycling costs, which showed that their cycling costs had slightly increased over the review period but were not material enough to change their willingness to bid.

Conclusion

CME's members operate in competitive global markets and reliable, low emissions electricity at globally competitive prices is critical to both the ongoing sustainability of existing operations and the development of sustainable, competitive new industries. In particular, low emission, reliable and cost-competitive electricity is a critical enabler to capture the opportunities presented by the global energy transition in WA, including value adding in critical and battery minerals, green hydrogen and manufacturing industries, and creates opportunities to further reduce emissions through future process electrification.

Once again, we appreciate and thank the ERA for the opportunity to provide our views on their draft determination the Energy Offer Price Ceiling, and on the ERA's approach and analysis.

For further information regarding this letter, please contact [REDACTED]

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Kind regards

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⁹ Economic Regulatory Authority (ERA), [Energy Offer Price Floor Review](#), p. 16