



Our ref: [REDACTED]

3 April 2025

Economic Regulation Authority
4/469 Wellington Street
PERTH WA 6000

Energy Offer Price Floor Review 2025

Synergy thanks the Economic Regulation Authority (ERA) for the opportunity to provide a submission in the review of the 2025 Energy Offer Price Floor (Price Floor).

Background

The Price Floor is the lowest price that electricity can be offered into the Real-Time Market (RTM). Per clause 2.26.2C of the Wholesale Electricity Market (WEM) Rules, the ERA is required to review the appropriateness of the Price Floor at least once every three years. The 2025 review is the first review of the Price Floor since the new market commenced on 1 October 2023. Prior to the new market, the ERA was required to conduct a review of the Minimum STEM Price, which was the old market equivalent of the Price Floor. The ERA's previous determination of the Minimum STEM Price was set to -\$1,000/MWh, which carried over at new market commencement.

In conducting a review of the Price Floor, the ERA must apply the principles under clause 2.26.2D:

- (a) Only revise the value of the Price Floor if it determines that the current value is not appropriate under clause 2.26.2E;
- (b) If the ERA determines that the current Price Floor is not appropriate under clause 2.26.2E, the revised value must:
 - i. Allow for the RTM to clear without the Reference Trading Price being equal to the Price Floor in most circumstances; and
 - ii. Subject to clause 2.26.2D(b)(i), limit the exposure of Market Participants to Reference Trading Prices that are reasonably likely to materially adversely affect the financial viability of a prudent Market Participant.

When considering the principles required by clause 2.26.2D, the ERA should note its obligations under 2.26.2E. Synergy's response is separated under each subclause.

Clause 2.26.2E:

In determining whether the current value of the Energy Offer Price Floor is not appropriate for the purposes of clause 2.26.2D(a), the Economic Regulation Authority must consider, without limitation, if, since the previous review of the value of the Energy Offer Price Floor under this section 2.26:

- (a) *the Real-Time Market for energy has cleared at the Energy Offer Price Floor in one or more Dispatch Intervals due to, in the Economic Regulation Authority's reasonable opinion, the Energy Offer Price Floor being too high; and*

As confirmed in the ERA's 2025 draft determination, the RTM cleared at the Price Floor in 44 5-minute intervals since 1 October 2023, less than 1% of the total intervals in this review period. The 44 intervals occurred during low demand conditions in the South-West Interconnected System (SWIS). Synergy believes that generators are responding appropriately to lower system loads and there is no evidence that a lower Price Floor is required to incentivise changes to generator behaviour.

Furthermore, on 20 November 2024, the WEM Rules were amended to introduce a tiebreak method, effectively decreasing the amount of generation required in procurement of Frequency Co-optimised Essential System Services (FCESS). The ERA has noted that since these Rule changes, no Price Floor events have occurred from 12 November 2024 until the end of the review period on 31 January 2025.

(b) there has been a change in the generation fleet in the SWIS that, in the Economic Regulation Authority's reasonable opinion, is likely to result in:

i. the current Energy Offer Price Floor being materially lower than necessary to achieve the criterion in clause 2.26.2D(b)(i), including, but not limited to, an upgrade or the retirement of a Facility with high cycling costs; or

Muja_G6, a facility with high cycling costs, retired on 1 April 2025. Similar facilities (Collie_G1, Muja_G7 and Muja_G8) will remain in Synergy's Portfolio.

ii. the current Energy Offer Price Floor being too high to achieve the criterion in clause 2.26.2D(b)(i), including, but not limited to, the increase of cycling costs due to deterioration or ageing of a Facility.

Synergy submits that the current Price Floor is more than sufficient to achieve the criterion in clause 2.26.2E.

The ERA has determined that the current Price Floor of -\$1,000/MWh remains appropriate and that the instances of the RTM clearing at the Price Floor was not related to this price being too high. The draft determination also notes that there has been little change in the generation fleet during the review period and further change would not be needed until existing high cycling generators have material changes to their cycling costs, or until they retire.

Whilst these may be construed as indicators that the current Price Floor is appropriate per clause 2.26.2E, Synergy submits that consideration should be given to these concerns:

Risk to market

To avoid infeasible dispatch instructions, market generators expecting to be online during a trading interval are likely to bid minimum generation quantities at the Price Floor, irrespective of how low the price is. As such, Price Floor bids are a result of generators bidding in accordance with their facility's physical requirement to bid at their minimum stable quantity until a de-commitment decision is made. Conversely, to avoid infeasible dispatch, generators that do not expect to be online must bid all quantities above the expected Reference Trading Price. The current Price Floor provides sufficient signals for these generators to exit the market in instances where there is low demand. This presents financial risks to thermal generators with slow, inflexible startup profiles, as these facilities may need to ride-through minimum demand periods, or else be unable to come online in advance of evening peak demand.

Another consideration is that minimum demand periods historically coincide with trading intervals



with high distributed photovoltaic (DPV) penetration. During these intervals, Synergy's non-contestable customers are often an aggregated net generator, as non-contestable exports exceed customer load. In these instances, Synergy's Customer Business Unit is a price taker, with largely unavoidable exposure to the Price Floor.

Minimum demand events are also correlated with high FCESS costs for the market. The 2024 WEM ESOO projects continued DPV uptake in the 10-year outlook period, corresponding with decline in minimum operational demand. Considering the above, this is likely to lead to increased occurrence of future Price Floor events, alongside continued high FCESS costs for market participants and consumers. As such, the current Price Floor presents an ongoing risk, with the potential to threaten the financial viability of prudent market participants and increase costs to consumers. As per its 2022 submission regarding the Minimum STEM Price, Synergy maintains that the current Price Floor is too low and does not meet the objectives set out in clause 2.26.2D.

Should you wish to discuss this submission further, please contact [REDACTED]

Yours sincerely,

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