



Notice

18 May 2020

Review of the methods used to calculate the benchmark reserve capacity price and energy price limits

Suspension of the method reviews

Market rule 2.26.3 requires the ERA to periodically conduct a review of the methods for setting the annual benchmark reserve capacity price and energy price limits. The benchmark reserve capacity price is used to compensate generators for making their capacity available and the energy price limits are the price caps that limit the movement of electricity prices in the wholesale markets. A report of the review must be provided to the Minister for Energy and the ERA must act on any recommendations by developing a rule change proposal.

In preparation for the reviews, the ERA identified considerable overlap with work being undertaken through the Energy Transformation Strategy. For example:

- The ERA's review of the method used to calculate energy price limits overlaps with the Energy Transformation Implementation Unit's work stream on market power mitigation.
- The Energy Transformation Implementation Unit's is developing rule changes to implement constrained network access. The ERA will find it difficult to conduct its review of the method used to calculate the annual benchmark reserve capacity price when it is not yet determined how capacity will be certified in a constrained network environment.

On 4 May 2020, the Minister for Energy wrote to the ERA acknowledging these overlaps and that rule changes undertaken through the Energy Transformation Strategy could be used to formally delay the ERA's obligation to undertake the reviews. A copy of the Minister's letter has been published on the ERA [website](#).

The ERA has chosen to suspend its method reviews under market rule 2.26.3.

The ERA has a separate obligation under market rule 4.16.9 to periodically review the market procedure that the Australian Energy Market Operator follows to calculate the benchmark reserve capacity price. The ERA had intended to review this procedure at the same time as conducting its method review on the benchmark reserve capacity price.

The ERA intends to continue with the review of the market procedure, following feedback from generators indicating that some aspects of the market procedure are out of date and would benefit from review.



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Further information

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