

11 December 2025

Economic Regulation Authority
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Via email: publicsubmissions@erawa.com.au

Procedure Change Proposal: Benchmark Reserve Capacity Price

Thank you for the opportunity to comment on the proposed changes to the method to determine the Benchmark Reserve Capacity Prices (BRCP) in response to the Coordinator for Energy's determination to change the Benchmark Capacity Providers (BCPs) from the 2026 Reserve Capacity Cycle.

Alinta Energy's response:

1. We support the proposal to continue to “oversize” the BESS to ensure the battery has sufficient power and energy capacity to meet the Benchmark Capacity Provider requirements at the start of its first year of operation.
2. The WEM Procedure should specify the degree of “over-sizing” required for the Benchmark Capacity Providers to achieve 200 MW of injection capacity and 1,200 MWh of energy storage at the start of its first year of operation.
3. The provisions to recover ‘Direct and Upfront’ and ‘Fixed O&M’ costs should recognise and include the requirement to set-up and provide ongoing Community benefit sharing arrangements as well as any compulsory monetary contributions to third parties, such as the Construction Training Levy Fund.
4. We recommend that the ERA consider whether the annuity tilt should be modifiable - not fixed as a set value in the Procedure - subject to certain criteria being met.

1. We support the proposal to continue to “over-size” the BESS to ensure the battery has sufficient power and energy capacity to meet the Benchmark Capacity Provider requirements at the start of its first year of operation.

We support the continuation of the approach to “over-size” the BESS to enable compliance with the Coordinator's BCP Determination that requires 200 MW injection capacity and 1,200 MWh Beginning of Life (BOL) energy storage. We consider that this approach is essential to ensure sufficient incentive is provided, via the BRCP, to invest in facilities with the power and energy capacity to meet the forecast demands of the SWIS.

As set out in GHD's report on the Benchmark Lithium BESS Costs¹, the ability to provide the full 200 MW on day one of operation necessitates accounting for:

- temperature-related inverter derating.
- sufficient reactive power at the point of connection to meet the ESM Rules / technical requirements and compensate for losses in transformers and other equipment.

¹ GHD, Benchmark lithium BESS costs: BRCP Procedure Update, 15 March 2024, page 7-10

We support GHD's recommendation that a power capability (total inverter capacity) uplift of 25% should be applied².

We also support GHD's recommendation to "over-size" the energy capacity (amount of installed battery modules) by 10% to account for losses due to calendar fade and temperature-induced degradation prior to the commencement of commercial operation³.

2. The WEM Procedure should specify the degree of "over-sizing" required for the Benchmark Capacity Providers (BCP) to achieve 200 MW of injection capacity and 1,200 MWh of energy storage at the start of its first year of operation.

To maintain confidence in the determination of the BRCP and uphold the integrity of the Reserve Capacity Mechanism, we recommend that BRCP WEM Procedure specifies the degree of BCP "over-sizing". This would include the specific values, as defined by GHD⁴ (25% uplift in power capability - total inverter capacity; 10% uplift in energy capacity - the battery modules/enclosures), and how they will be applied in the methodology to determine the BRCP.

This greater level of transparency will remove ambiguity from the process and provide stakeholders with confidence that the BRCP determination is based on consistent and verifiable assumptions. By specifying the "over-sizing" parameters and how they will be applied, the WEM Procedure will strengthen the Reserve Capacity Mechanism and promote confidence in its ability to continue to deliver reliable capacity to the system.

3. The provisions to recover 'Direct and Upfront' and 'Fixed O&M' costs should recognise and include the requirement to set-up and provide ongoing Community benefit sharing arrangements as well as any compulsory monetary contributions to third parties, such as the Construction Training Levy Fund.

To ensure the BRCP accurately reflects the true cost of delivering capacity, the provisions for recovering 'Direct and Upfront' and 'Fixed O&M' costs should explicitly recognise obligations that extend beyond technical construction and operational expenses. These should include the costs associated with:

- the establishment, administration and disbursement of community benefit sharing arrangements, which are expected as part of responsible project development; and
- any compulsory monetary contributions to third parties such as the Construction Training Levy Fund.

Incorporating these requirements into the cost recovery framework will ensure that the regulated pricing arrangements capture all necessary compliance and social obligations, providing confidence that the BRCP, as determined in any given year, accurately reflects the expected annualised capital cost and the annual fixed operating and maintenance cost of the BCP.

² GHD, Benchmark Lithium BESS Costs: WEM Procedure - BRCP Update, 12 November 2025, section 2.2.1 page 6

³ GHD, Benchmark Lithium BESS Costs: WEM Procedure - BRCP Update, 12 November 2025, section 2.2.1 page 6

⁴ GHD, Benchmark Lithium BESS Costs: WEM Procedure - BRCP Update, 12 November 2025, section 2.2.1 page 6

4. We recommend that the ERA consider whether the annuity tilt should be modifiable - not fixed as a set value in the Procedure - subject to certain criteria being met.

While we agree that an annuity tilt of 1 is appropriate while the BRCP is not declining, we consider that it will require adjustment, in circumstances where capital costs reduce, to avoid under-recovery of fixed costs by new entrants. In preparation for this situation, we recommend the ERA consider whether the Procedure can codify the circumstances where the tilt can be adjusted. This might include where the BRCP is lower than the previous determination. This would support investment certainty associated with future BRCP determinations and allow the ERA to adjust the annuity tilt without further amendment to the Procedure.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact me at [REDACTED]

Yours sincerely

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