

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

Via online submission form at: <https://www.erawa.com.au/consultation>

Submission from the WA Expert Consumer Panel on the Benchmark Reserve Capacity Price Procedure Change Proposal.

Thank you for the opportunity for members of the WA Expert Consumer Panel (ECP) [Anne Hill, Chris Alexander, Luke Skinner, Noel Schubert, Rosh Ireland] to make a submission on the above consultation paper.

As a panel supported by the State Government's Western Australian Advocacy for Consumers of Energy (WA ACE) program, we are committed to improving consumer outcomes in the energy sector. We represent energy consumers on the Market Advisory Committee (MAC) and its working groups, and in other consultation processes relevant to consumers of energy in Western Australia.

Key points

ECP members support the ERA's proposed changes to the BRCP Procedure required to reflect the determinations by the Coordinator of Energy to:

- increase the energy storage capacity of the Flexible and Peak Benchmark Capacity Providers from an 800 MWh, 4-hour BESS to a 1200 MWh, 6-hour BESS, with a corresponding increase in land requirement; and
- change the connection location to be on the Clean Energy Link - North.¹

We also support retention of the aspects of the current procedure that are listed in the procedure change proposal (page iii and elsewhere) to be retained, including retaining the neutral annuity tilt value of 1.0 (no tilt).

We comment on the following matters that the ERA has discretion to take into account in its determination of the final BRCP Procedure to apply:

1. The assumed BESS discharge limit (minimum operational charge level), which affects the useable energy storage capacity (which must be 1200 MWh) and therefore the BESS capital cost; and related to that,
2. The allowance for energy storage (MWh) oversizing assumed – proposed by GHD and the ERA to remain at 10% (which seems high) to allow for degradation up to initial operation.
3. GHD's proposal to update its cost estimate accuracy class, from +/-50% in its previous report (last year), to AACE Class 5 (+100% / -50%). It is concerning that this would allow

¹ [ERA Benchmark Reserve Capacity Price Procedure Change Proposal](#), 13 November 2025

GHD's new cost estimate to be up to 100% higher than actual costs. We ask the ERA to consider whether this is reasonable, and suggest that GHD's cost estimate accuracy class should be revisited to avoid the possibility of the estimate being so much higher than likely actual costs.

4. The risk premiums applied in calculating the Weighted Average Cost of Capital (WACC) should reflect the actual level of risk associated with BESS projects. In our view, these risks are relatively low for both debt and equity, as BESS revenue streams are more certain under the Reserve Capacity Mechanism even though Reserve Capacity Prices do vary. The RCM provides a relatively stable and secure source of income, significantly reducing uncertainty and risk compared to other energy projects (especially in different regulatory markets that do not have a capacity market). Given this relatively strong revenue certainty, we urge the ERA to review the risk premiums currently assumed and consider lowering them to better align with the true risk profile of BESS investments if this is appropriate. Doing so would ensure that the WACC calculation is fair, cost-reflective, and does not unnecessarily inflate costs that need to be recouped through higher consumer electricity bills.

Minimum operational charge level

In the 20 November MAC meeting, it was suggested that a discharge limit down to 20% of charge (minimum discharge level) should be assumed in the procedure. This seems an unnecessarily high minimum, and would add materially to the capital cost of the BESS for extra capacity to make up for it, when we understand that with current technology BESS are capable of discharging to much lower charge levels (like 3 - 4%) without degrading the life and performance of the BESS unacceptably.

The ERA's energy price Offer Construction Guideline also allows price offers to include costs associated with maintaining the capacity of the BESS over time to manage any operational degradation, so there is no need to include an upfront capital cost in the procedure for extra capacity to cover operational degradation over time. This indicates that there is no need to assume 20% extra initial energy storage capacity of the BESS to allow for such a high proposed minimum operational charge level. A 10% oversizing of energy storage capacity is already assumed, and we consider that this may be higher than necessary to cover degradation up to the point of initial operation of the BESS. This 10% oversizing is likely to already cover a more realistic minimum discharge level without adding one.

We suggest that the ERA ask GHD to investigate whether an allowance for a minimum discharge level is really needed given the 10% oversizing already proposed.

Proposed Fixed Capital Charge

Since the ERA published the BRCP Procedure Change consultation paper that this submission is responding to, the Department of Energy and Economic Diversification (DEED) has published a proposal to introduce a Fixed Capital Charge (FCC) for project proponents to contribute to the

cost of new shared network transmission assets required to be constructed for the projects to connect to.²

The FCC consultation paper states that: “If the FCC is adopted, the ERA would be expected to account for the FCC in determining the BRCP”.

Implementation of the FCC is still to be decided and then implemented (requiring legislation change), which is unlikely in time for incorporation into this current BRCP procedure change.

However, it raises the question of whether the FCC should be added to the fixed costs assumed for the Benchmark Capacity Providers in future. It will be debated, but our initial concern is that the FCC will transfer shared transmission costs, normally covered by network tariffs, into WEM reserve capacity costs by being included in the BRCP. It does not appear to be good practice, and may have perverse outcomes yet to be considered.

It will increase the BRCP even more, when it is already high (at \$360,700/MW/annum for the 2027-28 capacity year), which is of concern from a consumer perspective. It affects the capacity payments to all applicable generators, not just the new entrant ones. It will increase total WEM capacity market costs more than necessary to provide an adequate revenue stream to new entrant generators only, which we acknowledge are needed.

Final comments

We ask the ERA and GHD to consider the technical and economic aspects of the above matters, and ask the ERA to avoid any unnecessary inclusions in the procedure that would increase costs to consumers. The total WEM capacity cost is significantly affected by the BRCP because it affects the capacity credit price paid to all generators, other than generators covered by the ‘transitional’ RCP mechanism for the next few years.

Additional net revenue being earned by BESS from the WEM energy and ESS markets – not taken into account by the ERA

Although the Coordinator of Energy has determined that the procedure must use the gross CONE (cost of new entry) to determine BESS costs for the BRCP, we ask the ERA - for procedure matters where it has discretion and uses judgement to decide, to at least bear in mind the material net revenue being earned by BESS in these markets at present and how this might change in future.

One analysis published recently estimated that existing BESS earned net revenue of \$62 million in the month of October 2025 from the WEM energy and ESS markets.³ This may decrease in future due to increasing competition in the ESS market, and a narrowing of the difference between BESS energy market charge and discharge prices that support energy arbitrage, but the quantum of this net revenue (not taken into account due to the use of gross CONE) is likely

² [Fixed Capital Charge consultation](#)

³ [New energy storage facilities go head-to-head in WA's Wholesale Electricity Market](#)

to remain material. Even if net CONE is adopted in future, these sources of extra revenue to BESS would continue but the BRCP would be lower, reducing overall capacity costs.

The BRCP has a direct impact on total WEM costs and, by extension, consumer prices (especially for contestable customers). It is therefore critical to consider these revenues when assessing cost recovery, to ensure alignment with the State Electricity Objective.⁴

Thank you for considering this submission, and please do not hesitate to contact us to discuss it further.

Sincerely,

WA Expert Consumer Panel

Anne Hill, Chris Alexander, Luke Skinner, Noel Schubert, Rosh Ireland

⁴ The State electricity objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity in relation to:

- the quality, safety, security and reliability of supply of electricity; and
- the price of electricity; and
- the environment, including reducing greenhouse gas emissions.