CHAMBER OF MINERALS AND ENERGY WA

19 February 2026

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

Dear Economic Regulation Authority (ERA),

2026 Benchmark Reserve Capacity Price – Draft Determination

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia (WA).

CME members are estimated to account for around 60 per cent of large industrial electricity demand on the South West Interconnected System (SWIS), and rely on the SWIS for reliable, cost-competitive and low emission electricity for their operations.

In 2024-25, resources operations in SWIS-connected regions accounted for at least 12 per cent of WA minerals production value, 6 per cent of WA royalties ($650 million) and 19 per cent of onsite minerals employment (26,398 full-time equivalents).[1] The South West region in particular is home to significant value-adding manufacturing of strategic materials including bauxite-alumina and critical minerals including lithium, silicon, zircon and titanium, which have been in operation for decades.

CME sincerely appreciates the extension granted by the ERA to provide a submission on the Draft Determination for the 2026 Benchmark Reserve Capacity Price (BRCP) for the 2028-29 capacity year.

The proposed Benchmark Reserve Capacity Price would substantially increase total electricity prices on the SWIS

Sharp increases in total delivered costs for industrial customers on the SWIS are of significant concern, threatening the ongoing viability of existing operations, the development of new projects and industries, and the decarbonisation pathways of CME members. Using publicly available data, CME estimates that total delivered wholesale power costs for large industrial customers on the SWIS have roughly doubled from around $125/MWh in 2020 to at least $210/MWh in 2025.[2]

The draft determination for the 2026 BRCP of $491,700 per Megawatt (MW), to apply in the 2028-29 capacity year, would add substantial additional cost to delivered electricity prices in the SWIS. CME estimates the proposed BRCP would add around $260 million – around $14 per Megawatt-hour (MWh) – to total Reserve Capacity costs in the 2028-29 capacity year, should the Reserve Capacity Price (RCP) end up at the BRCP.

More broadly, the draft determination would exacerbate the already significant anticipated growth in Reserve Capacity costs over coming years. CME estimates Reserve Capacity costs will more than double from $776 million in 2025-26 to around $1,700 million in 2028-29, even after adjusting for the likelihood of the RCP being below the BRCP due to an expected surplus of reserve capacity.[3] **This means Reserve Capacity costs would rise from around $40/MWh today to over $90/MWh in 2028-29**.[4] Large increases

[1] Conservative estimates including South West, Peel, Perth, Mid West Wheatbelt and Great Southern regions but excluding Goldfields-Esperance where a substantial number of resources operations are not SWIS-connected. DMPE, 2024-25 Spatial and Regional Resource Data File, WA Government, 4 December 2025.
[2] Estimated total delivered cost of $211/MWh uses real-time energy prices to estimate the cost of energy generation. AEMO, Quarterly Energy Dynamics Q2 2025, Figure 127; Economic Regulation Authority, 2024/25 Price List for the Western Power Network, 14 May 2024, Table 1.5, RT7.
[3] AEMO estimates peak capacity credits in 2028-29 of 6,825 MW, above the 2028-29 Peak Reserve Capacity Target of 6,330 MW. AEMO, Request for Expressions of Interest for the 2026 Reserve Capacity Cycle, Figure 11, 15 January 2026.
[4] Floating, transitional and fixed peak reserve capacity quantities and prices sourced from AEMO, Market Data > Post Reform > Reserve Capacity Prices, accessed 12 February 2026. Expected SWIS demand figures from AEMO, WEM Electricity Statement of Opportunities > 2025 WEM ESOO Data Register, Figure 2, accessed 12 February 2026.

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in the RCP directly drive around 40 per cent of this expected increase, with the remainder driven by increases in the Reserve Capacity Target (RCT) and a decline in the share of Reserve Capacity Credits on (lower) transitional prices.

With industry feedback indicating *total* delivered electricity costs of around $100/MWh are required for producers to be commercially viable against international competitors, such increases pose a direct threat to existing operations on the SWIS, let alone the development of new electricity-intensive projects.[5]

The draft BRCP should be reduced to better reflect efficient costs

CME recognises the importance of ensuring reserve capacity prices incentivise sufficient capacity to ensure reliability during periods of peak demand.

However, there are several components of the BRCP estimate that appear inefficient. Reducing these costs to more appropriate levels would reduce the impact of changes in the BRCP and help support the viability of electricity-intensive industry on the SWIS, while still ensuring reliability.

Capital costs – BESS Supply and Installation costs

Growth in Battery Energy Storage System (BESS) Supply and Installation costs of 47 per cent relative to the 2025 BRCP determination do not appear to reflect economies of scale nor recent and expected reductions in battery storage costs.

The CSIRO's 2025-26 GenCost consultation draft estimates battery costs (battery and balance of plant in total) have decreased significantly – by 11 per cent to 16 per cent – over the past year depending on the duration.[6] While the report does not estimate capital costs for 6-hour battery storage systems, its estimates for 4-hour and 8-hour BESS systems indicate economies of scale for larger systems, with capital costs per kilowatt-hour (/kWh) for 8-hour BESS around 20 per cent lower than 4-hour BESS, and capital costs per kW for 8-hour BESS around 66 per cent higher than 4-hour BESS (instead of double).

As such, GHD's estimated doubling of Power Conversion System (PCS) costs appears substantially inflated, notwithstanding the reasons provided in their report.

It also appears that further reductions in BESS capital costs ('learning rates') have not been incorporated into the draft BRCP, which would be expected to offset (and perhaps outweigh) assumed escalation in labour and materials costs.

CME recommends BESS Supply and Installation costs are reduced, with PCS costs in particular revised materially lower.

CME supports the ERA using the lower of grid-forming or grid-following costs in the BRCP, noting that neither the Electricity System and Market (ESM) Rules nor the Coordinator of Energy's Benchmark Technology determination specify the type of inverters that must be used for estimating the BRCP.

Capital costs – Construction costs

Growth in construction costs of 82 per cent relative to the 2025 BRCP determination does not seem reasonable or efficient.

The unit costs for the Site Preparation Contract and Main Works Construction Contract in GHD's report are 100 per cent and 16.9 per cent higher, respectively, than in their 2025 BRCP report.[7] This growth in unit costs is far higher than measured ABS inflation of only 3.9 per cent for non-residential construction costs in WA over the past year.[8] **CME therefore recommends the unit construction cost assumptions are substantially reduced**.

In addition, while some elements of construction costs may be scaled in line with the 50 per cent increase in battery storage duration, many should not. **CME calls for a review of assumptions regarding which elements of construction costs should be scaled to reflect the higher battery storage duration for the 2026 BRCP, and by how much**.

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[5] Total delivered energy costs include energy generation costs, reliability costs (of which reserve capacity costs are the most significant), transmission and distribution costs, and market fees.
[6] Graham, P and Hayward, J, GenCost 2025-26: Consultation draft, CSIRO, accessed 17 February 2026.
[7] GHD, Benchmark Reserve Capacity Price costs 2027/28 Capacity Year, 29 November 2024.
[8] ABS, Producer Price Indexes, Australia, December 2025 release, 30 January 2026.

Capital Costs – Contingency Costs

We support the ERA's exclusion of contingency from capital costs given GHD's estimates for the BESS modules and Power Conversion System (PCS) include substantial margins for contractor overheads (25 per cent) and margins (12 per cent), which appear higher than what an efficient private developer would pay.

Fixed Operating and Maintenance (O&M) Costs

Growth in Fixed O&M costs of 74 per cent relative to the 2025 BRCP determination is significant, with BESS O&M costs and Corporate Overheads of primary concern.

Draft BESS O&M costs are 109 per cent higher than the 2025 BRCP. This large increase reflects scaling for energy storage duration for BESS and BoP Service costs (which we accept), plus an additional $2.6 million in OEM extended warranty/firmware upgrade costs. **We note the OEM extended warranty costs were not included for the 2025 BRCP estimates and query whether these costs should be included in the calculation of an efficient BRCP**.

Draft Corporate Overhead costs are 20 per cent higher than the 2025 BRCP, with some components scaled for higher battery energy storage duration despite no clear rationale for why this would be the case. **CME calls for the scaling of corporate overhead and legal and regulatory costs in Table 20 of the GHD report to be removed**.

CME looks forward to engaging further with the ERA on these important matters impacting the WA resources sector. Should you have any questions regarding this submission, please contact [redacted]

Yours sincerely,

[redacted]

Anita Logiudice

Director, Policy and Advocacy