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Economic Regulation Authority
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ERA CONSULTATION: 2026 BENCHMARK RESERVE CAPACITY PRICES FOR THE 2028/29 CAPACITY YEAR DRAFT DETERMINATION

Synergy welcomes the opportunity to provide a submission to the Economic Regulation Authority (**ERA**) on its *2026 Benchmark Reserve Capacity Prices for the 2028/29 capacity year - draft determination (Draft BRCP Paper)* released on 2 February 2026. The paper outlines the ERA's findings and proposed Benchmark Reserve Capacity Prices (**BRCPs**) for both Peak and Flexible Capacity for the 2026 Reserve Capacity Cycle.

Synergy understands the ERA's annual determination of the BRCPs is guided by the Electricity System and Market Rules (**ESM Rules**), the Coordinator of Energy's (Coordinator's) determination of the Benchmark Technology¹ and the ERA's WEM Procedure Benchmark Reserve Capacity Providers (**BRCP Procedure**)².

The ERA's draft determination of the 2026 BRCPs, as outlined within the Draft BRCP Paper, is \$491,700 per MW per year for both Peak and Flexible Capacity (**Proposed 2026 BRCPs**). The Proposed 2026 BRCPs represent a 36 percent increase from the 2025 BRCPs for Peak and Flexible Capacity which were both set at \$360,700 per MW per year (**2025 BRCPs**).

Synergy submits the below comments regarding the Draft BRCP Paper.

1 COMPOUNDING COST IMPACTS FOR CONSUMERS

1.1 Successive changes in the Benchmark Technology

The Draft BRCP Paper highlights that the change in the Benchmark Technology's storage duration is a key driver from the higher Proposed 2026 BRCPs as compared to the 2025 BRCPs. For the Proposed 2026 BRCPs, the Benchmark Technology is a 200 MW / 1,200 MWh (six-hour storage) Battery Energy Storage System (**BESS**) whereas for the 2025 BRCPs the Benchmark Technology was a 200 MW / 800 MWh (four-hour storage) BESS.

¹ Refer to [2025 Review of Benchmark Capacity Providers - Coordinator of Energy Determination](#) and [2025 Review of Benchmark Capacity Providers – Coordinator of Energy Determination - Addendum](#).

² Refer to [WEM Procedure Benchmark Reserve Capacity Providers](#).

The Benchmark Technology used to determine the 2025 BRCPs had also changed from the previous year. For the 2024 Reserve Capacity Cycle (and previous Capacity Cycles), the Benchmark Technology was a 160 MW open-cycle gas turbine running on diesel fuel. The 2025 BRCPs increased by 57 percent compared to the previous year's, at \$230,000 per MW per year in the 2024 Reserve Capacity Cycle (**2024 BRCP**)³. The consecutive changes in the Benchmark Technology have resulted in the Proposed 2026 BRCPs increasing by 114 percent over two years.

Further, the Australian Energy Market Operator's (AEMO's) *2025 Wholesale Electricity Market Electricity Statement of Opportunities (2025 ES00)* showed the ESR Duration Requirement (ESRDR) would increase to seven hours if the probable projects from the 2025 Reserve Capacity Cycle became operational⁴. If the ESRDR were to increase again in the 2026 Reserve Capacity Cycle, this would lead to another change in the Benchmark Technology to reflect the higher ESRDR, and likely another steep increase in the BRCP for the 2027 Reserve Capacity Cycle. As more Electric Storage Resources (ESRs) enter the Wholesale Electricity Market (WEM), the ESRDR will likely continue to increase, which could create an annual resetting of the Benchmark Technologies and step changes to the BRCPs going forward.

Synergy acknowledges the importance of ensuring the ESRDR is set appropriately to meet the system's reliability requirements, and the important role of the BRCP in providing investment signals. However, the electricity consumers within the WEM are liable for payments to capacity providers and will face increases in their electricity costs due to higher BRCPs.

1.2 Impacts of recent WEM Reform policies

Recent changes to the ESM Rules, via the *Electricity System and Market Amendment (Tranche 8) Rules 2025 (Tranche 8 Rules)* gazetted on 3 June 2025, have implemented reform mechanisms that can lead to higher costs for electricity consumers. The two key reform items of particular note are:

- the extension of the protection for ESRs against increases in the ESRDR from five years to ten years; and
- the introduction of an ESR Duration Requirement Uplift (**ESRDR Uplift**) into the determination of the Reserve Capacity Target (**RCT**).

Synergy understands that the underlying policy intent of the extension in the ESRDR protection was to provide increased investment certainty to proponents seeking to invest in ESRs in the WEM. Due to the ESRDR protection given to ESRs, the ESRDR Uplift was introduced to address "...a gap between the actual capacity available to meet the Reserve Capacity Target and the capacity which is assigned Capacity Credits."⁵ However, electricity consumers in the WEM are being exposed to higher electricity costs to provide this additional investment certainty to potential proponents.

The 2025 Reserve Capacity Cycle saw the combined impact of the amendments from the Tranche 8 Rules; the ESRDR increased from four hours to six hours, and the ESRDR Uplift added an additional 256 MW to the RCT⁶. The resulting outcome of the ESRDR protection and the 2026 Draft BRCPs are such that:

- **Shorter duration BESS may be overcompensated:** Existing shorter duration BESS which are eligible to access the 10-year ESRDR protection will be paid the same price

³ [2025 Benchmark Reserve Capacity Prices for the 2027/28 capacity year – Final Determination, page iii, Executive summary.](#)

⁴ [2025 ES00, page 48, Section 3.1.1 ESR Duration Requirement for 2027-28.](#)

⁵ [Tranche 8: Exposure Draft Proposed Electricity System and Market \(ESM\) Amending Rules, page 4, EPWA's proposed approach.](#)

⁶ [2025 ES00, pages 8 to 12, Executive summary.](#)

per Capacity Credit as newer longer duration BESS. For example, a 200 MW / 800 MWh (four-hour) BESS that was previously certified (i.e. in the 2024 Reserve Capacity Cycle or earlier) will receive the same capacity price per Capacity Credit as a 200 MW / 1,200 MWh (six-hour) BESS that is seeking Certified Reserve Capacity for the first time in the 2026 Reserve Capacity Cycle). The ERA's 2025 BRCPs suggested that the annualised cost for a four-hour BESS is \$360,700 per MW. If the four-hour BESS earns the Proposed 2026 BRCP, it will represent a 36 percent 'bonus' capacity revenue compared to its annualised cost. Due to the ESRDR protection, the four-hour BESS provides lower reliability to consumers compared to the six-hour BESS. Additionally, further continued changes to the Benchmark Technology and resulting step-changes in the BRCPs will see the four-hour BESS receive similar 'bonus revenue' for the duration of the ESRDR protection (being ten years).

- **ESRDR Uplift increases customer's capacity liability:** The inclusion of the ESRDR Uplift in the determination of the RCT cements an additional capacity liability onto electricity consumers. The ESRDR Uplift for the 2025 Capacity Cycle was 256 MW; that is consumers must collectively purchase an additional 256 MW of Capacity Credits that would otherwise not been required. Further, as more ESRs invest in the WEM, the ESRDR Uplift will be required to increase to counter the increasing gap between the underlying capacity duration and allocated Capacity Credits. As the RCT increases, it reduces the potential for surplus capacity and puts upwards pressure on the resulting Reserve Capacity Prices.

Given the cost impost to consumers from the changes in the Benchmark Technologies and the amendments in the Tranche 8 Rules, Synergy seeks clarity if the recent reforms to encourage investments in the WEM has been appropriately balanced against the long-term interests of electricity consumers and are in alignment with the State Electricity Objective.

2 ANNUALISED BESS CAPITAL COST

2.1 Transmission connection costs - Fixed Capital Charge

The Draft BRCP Paper outlines that the total transmission connection costs have increased by 38 percent⁷, which is due to the inclusion of the Fixed Capital Charge which is currently being consulted on by the Department of Energy and Economic Diversification (DEED). Synergy supports the ERA's decision to include the Fixed Capital Charge, however notes that the resulting transmission connection cost outcome in the Draft BRCP Paper appears to be in conflict with the intended policy outcome. DEED's *Fixed Capital Charge Consultation Paper* issued on 4 December 2025 states:

*"The FCC (Fixed Capital Charge) would not be a new or additional impost. Customers connecting to the transmission network already pay capital contributions and the proposed approach would only change how that contribution is calculated. Further, there would be no change to the total costs that all connections would pay over time. This is because of the relationship between capital contributions and network tariffs.."*⁸

The above statement implies that the total transmission connection costs should not increase, and solely the structure of charging of these costs is changed. Synergy suggests the proposed transmission connection costs in the Draft BRCP Paper are reviewed to ensure they are consistent with the policy intent of DEED's *Fixed Capital Charge Consultation Paper*.

⁷ [Draft BRCP Paper, page 12, Section 4.4 Transmission connection costs.](#)

⁸ [Fixed Capital Charge Consultation Paper, page 5, Executive Summary.](#)

2.2 Lithium-ion battery modules

Synergy notes that the estimated cost of the lithium-ion battery modules in the Draft BRCP Paper is approximately \$247m⁹. Based on recent independent market data, Synergy is of the view the estimated lithium-ion battery modules cost in the Draft BRCP Paper are potentially too high and considers that ERA should further review these assumptions against current trends.

3 CONCLUSION

Synergy thanks the ERA for the opportunity to provide a submission on its Draft BRCP Paper.

Your sincerely



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⁹ [Draft BRCP Paper, page 10, Section 4.1.1 Lithium-ion battery modules.](#)