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Economic Regulation Authority
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ENERGY OFFER PRICE CEILING 2024 – SECOND DRAFT DETERMINATION

Synergy welcomes the opportunity to provide a submission to the Economic Regulation Authority (ERA) on its second draft determination of the Energy Offer Price Ceiling 2024 (Draft Determination) issued in November 2024.

Synergy submits the below comments regarding the Draft Determination.

Revised price ceiling

The second Draft Determination outlines the new Energy Offer Price Ceiling of \$1,100/MWh (Proposed Price) which is proposed to replace the current transitional price of \$738/MWh (Current Price). This also supersedes the ERA's previous Draft Determination of \$1,500/MWh and is a reasonable change to the Energy Offer Price Ceiling.

Synergy understands that the ERA has applied updated WEM Rule 2.26.2(a)(iii) requiring the ERA to estimate the fuel cost of the highest cost Facility in the SWIS by evaluating the heat rate at its minimum stable loading level. Synergy supports this methodology change as it reflects the Facility's operational costs more realistically, as compared to the previous methodology applying the minimum dispatchable loading level.

Potential market impacts

Also relevant to this Draft Determination are the Wholesale Electricity Market Amendment (FCESS Cost Review) Rules 2024 (Amending Rules) which commenced 20 November 2024. As these rules have recently commenced and Market Participants are adjusting their operations to comply with these changes, it may be too early to observe market outcomes linked to these.

However, considering the intention of the Amending Rules to improve Facility bidding and dispatch of In-Service capacity to respond to shortfalls in both energy and FCESS markets, Synergy expects that the market will reach the Energy Offer Price Ceiling less frequently. The Proposed Price Ceiling still represents an increase to the Current Price, and will nonetheless impact wholesale Market Participants and customers in terms of overall cost to market.

Further, the capacity mix of the SWIS is changing, with new battery energy storage systems expected to be commissioned and online over the next few years. Synergy expects that the addition of new battery systems will likely reduce the dispatch frequency of the current highest

cost Facility. Should this scenario eventuate, the assumption about the number of starts of the highest cost Facility' will require reassessment to accurately reflect its operational and maintenance costs. Synergy notes that the ERA's next review of the Energy Offer Price Ceiling is not scheduled until January 2028. Synergy considers that if there is a material change in the expectations of the number of starts of the highest cost Facility, the ERA should undertake the review earlier to ensure that the value of the Energy Offer Price Ceiling is an accurate reflection of the actual costs of the highest cost Facility.

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

Yours sincerely

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