

**SUBMISSION TO THE ECONOMIC REGULATION
AUTHORITY**



**Discussion paper: Electricity Generation and Retail Corporation
Regulatory Scheme: 2025 Effectiveness Review**

13 October 2025

Executive Summary

Matter Electricity Generation and Retail Corporation Regulatory Scheme: 2025 Effectiveness Review.

Context Regulation 48(1) of the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* (**EGRC regulations**) requires the Economic Regulation Authority (**ERA**) to review the operation of the EGRC scheme for the purpose of assessing its effectiveness at least once in every two years.

The ERA must deliver a report to the Minister for Energy (**Minister**) based on the review, not later than two months after the review is completed.

In conducting the review, in addition to compliance with the *Economic Regulation Authority Act 2003* (WA) (**ERA Act**) and the general principles of administrative law, the ERA must have regard to the prevailing circumstances that exist in relation to the operation of the south west interconnected system (**SWIS**).

The ERA released its Electricity Generation and Retail Corporation regulatory scheme: 2025 effectiveness review discussion paper (**discussion paper**) on 15 September 2025 inviting public submissions from interested parties on issues that will assist the ERA in undertaking its seventh review.

Scope The EGRC scheme consists of the:

- EGRC regulations.
 - The *Electricity (Standard Products) Wholesale Arrangements 2014* (**wholesale arrangements**).
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Key issues From Synergy's perspective:

1. When assessing the maximum buy-sell spread, Synergy considers the regime's original objectives should be revisited given substantial energy market changes in recent years.
2. Synergy considers the original buy-sell spread of 20 per cent is appropriate and meets the stated objectives of the Standard Products regime.
3. An unduly tight buy-sell spread could negatively impact Synergy's ability to manage its contract position and portfolio risk, including fuel take or pay contracts. Additionally, tight buy-sell spreads may introduce significant arbitrage risk, potentially facilitating exploitation by sophisticated market participants for their own financial gain without attendant benefits flowing through to customers.
4. Synergy foresees critical issues concerning the potential requirement for itself, or any other market generator or market retailer, being required to publish forecasts of spot prices within the Wholesale Electricity Market (**WEM**). To safeguard market integrity and ensure unbiased information flows, if a separate forecasting service is recommended by the ERA, Synergy strongly advocates for spot price forecasts to be prepared and published by an independent party, such as AEMO, the ERA or a designated third-party forecaster.
5. Synergy does not consider that further features are warranted in the Standard Products regime. Synergy notes that customised requests can and should be transacted through the customised Request For Quote process.

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6. Synergy considers that the current 'peak' and 'flat' period definitions remain appropriate for Standard Products to remain a simple alternative to customised products.
 7. There is no evidence that the force majeure arrangements applicable to standard products lead to the EGRC scheme being ineffective or negatively impact its efficiency as there has never been a force majeure event applied to the standard products transaction.
 8. Synergy supports the ERA's recommendation that the EGRC regulations be amended to give effect to its 2023 recommendation that Synergy must not be required to enter into sell-side standard products with counterparties that have access to sufficient generation assets to meet their own risk mitigation needs.
 9. Synergy supports the ERA's recommendation for minor administrative changes to the wholesale arrangements.
 10. In the event the EGRC regulations are amended Synergy recommends:
 - (a) an EGRC effectiveness review objective is stated.
 - (b) the Office of Auditor General audit requirements are amended to provide for audit frequency to be reduced or extended based on Synergy's EGRC scheme compliance performance to date.

The above matters are dealt with in more detail in this submission.

1. Introduction

The ERA, as part of its 2023-2025 EGRC effectiveness review, is assessing the scheme's operation against what it considers to be the scheme's purpose:

“Mitigate the increased potential for market power that arises due to the merger, to ensure a level playing field for competitors and new entrants in order to facilitate competition.”¹

Much has changed since Synergy (Electricity Retail Corporation) and Verve Energy (Electricity Generation Corporation) were merged on 1 January 2014 and the ERA has highlighted Synergy's potential changed market predicament in 2025 in its discussion paper:

“Additionally, Synergy's circumstances are changing as it closes its coal-fired generators and adds more Battery Energy Storage Systems (BESS) and renewable capacity to its fleet. If Synergy's overall load obligations become greater than the amount of electricity it will have available, Synergy's position would change from being a net supplier to a net consumer of electricity in the WEM. To meet any shortfalls in this scenario, Synergy would likely be required to make purchases of electricity, which could be through bilateral contracts, the short-term energy market (STEM) or real time market. If Synergy becomes short on energy, this can affect Synergy's incentives to trade standard products, as it will not want to sell electricity, except at high prices, whilst also wanting to purchase electricity at the lowest price possible.”²

The ERA's effectiveness review evaluated the effectiveness of the pricing of standard products, including the method to set the buy-sell spread, as well as the suitability of the terms and specifications of the standard products contracts.

The market scenario above highlights the changes to Synergy's risk profile with respect to the provision of standard products. It is largely against this backdrop Synergy has assessed the ERA's discussion paper and provides the following comments in response.

Synergy considers the ERA, in its seventh EGRC effectiveness review, has conducted its review in an open and transparent manner and Synergy appreciates the level of engagement to date.

2. The changing Western Australian electricity market

Synergy, as Western Australia's largest generator and retailer, continues to face WEM price volatility and Synergy's future net energy position is uncertain as it transitions from coal-fired generation to renewable energy generation and storage and to a possible net buyer of electricity in the WEM.

The 2025 Wholesale Electricity Market Electricity Statement of Opportunities (**WEM ESOO**)³ concluded:

- Supply-demand outlook indicates a continued need for new capacity from 2027-28 with

¹ Refer ERA discussion paper page 1.

² Refer ERA discussion paper page vi.

³ Refer [2025-wem-electricity-statement-of-opportunities.pdf](#)

investment contingent on generation plant retirement and fuel availability and transmission network augmentation.

- The peak demand in the SWIS is expected to grow at an increased rate compared to AEMO's previous expectations.
- AEMO has also since issued a Supplementary Capacity process to procure 142 MW of additional capacity to services the increased peak demand forecast for the coming summer.⁴
- Electricity consumption is expected to grow, but more slowly than previously forecast.
- 1.1 GW of committed projects are forecast to enter the market by 1 October 2027. However, there is still an expected capacity shortfall of 932MW for the 2027-2028 Capacity year.
- AEMO has indicated that of the new capacity required, at least 110 MW of energy equivalent capacity is needed to meet expected energy needs and replace forecast reductions in thermal capacity in 2027-28.
- Large scale battery storage has assisted to reduce shortfalls in generation supply capacity and reduced operational risks associated with minimum system load.

3. Synergy's pricing of standard products

1. What role do standard products have in your hedging portfolio or strategy?

Not applicable to Synergy.

2. Does the market need standard products? Please provide reasons for your response.

Not applicable to Synergy.

3. Has the importance of standard products for your business changed since commencement of the new WEM in October 2023 and if so, how?

Not applicable to Synergy.

4. Have recent price outcomes affected your inclination to access standard products?

Not applicable to Synergy.

5. How important are standard product prices in determining customer pricing in your business?

Not applicable to Synergy.

⁴ Refer [AEMO | Supplementary Capacity](#)

6. What would the impact, financial or otherwise, on your business have been, if any, in the absence of the standard products offered by Synergy?

Not applicable to Synergy.

7. What considerations impact your decision on whether to trade in standard products (e.g. price, terms, conditions)?

Not applicable to Synergy.

4. Buy-sell spread

8. Do you consider the current buy-sell spread should change? Please provide reasons for your response.

When assessing the maximum buy-sell spread, Synergy considers the regime's original objectives should be revisited, as set out in the State Government's Public Utilities Office "Standard Product Regime – Market Participant Briefing, 9 April 2014". The regime sought to:

- function as a price-discovery mechanism; and
- provide a simple alternative to customised products.

The standard products design for published prices, together with completed transactions provides a simple alternative to customised products and tangible evidence for price discovery.

Synergy does not consider the success of the standard products regime should be measured solely by their uptake. The regime was not intended to create a secondary market, replicate a competitive market or act as a benchmark for a competitive price.

The principle adopted by the ERA to date for establishing Synergy's buy-sell spread, as set in the ERA's 2015 review of the scheme, was to allow Synergy a 69 per cent chance that Synergy would profit on a standard product transaction.

The ERA's findings in the 2025 review of the scheme indicate that consistent application of this methodology would result in a maximum spread between 12 per cent to 35 per cent. Synergy considers the original buy-sell spread of 20 per cent is appropriate and meets the stated objectives of the standard products regime.

In addition, Synergy considers that setting the buy-sell spread based on the historical accuracy of Synergy's forecasts is not transparent, forward looking and has the potential to be volatile over time. The historical measure is inappropriate given significant changes to the WEM and the SWIS, following the commencement of the new WEM, with further step changes imminent, including continued changes to the generation mix. Additionally, the 2025 WEM ESOO has projected supply shortfalls for the 2027-28 Capacity Year. With these considerations, it is unreasonable to expect Synergy to maintain tight forecasting accuracy amid such structural change and uncertainty in the SWIS.

Synergy further notes that any unduly tight buy-sell spread could negatively impact Synergy's ability to manage its contract position and portfolio risk, including fuel take or pay contracts. Additionally, tight buy-sell spreads may introduce significant arbitrage risk, potentially facilitating exploitation by sophisticated market participants for their own financial gain without attendant benefits flowing through to customers.

Synergy does not expect that a reduction in the buy-sell spread will create or encourage a thriving secondary contract market amongst wholesale participants. If this was to occur, Synergy expects its position as a wholesale contract counterparty would likely increase.

9. How can the scheme address Synergy's potential to exercise market power on either the buy or sell side and remain agnostic to Synergy's net position?

The ERA, as part of its 2023-2025 EGRC effectiveness review, is assessing the scheme's operation against what it considers to be the scheme's purpose:

"Mitigate the increased potential for market power that arises due to the merger..."⁵

Synergy advocates that if standard product regime is established as a mitigant against the possible misuse of market power by Synergy, the scheme design could not successfully and prudently remain agnostic to Synergy's WEM position.

10. Does the WEM need separate hedging and forecasting services? If so, how do you envision such mechanisms may operate? Please provide reasons for your response.

The ERA, in section 4.2 of the 2025 EGRC effectiveness review, explores whether forecasting services and hedging services could be separated. Specifically, the review explores if "Synergy could periodically publish its expert expectations for future spot electricity prices without any "black box" risk premiums. These forecasts could be tracked and assessed against realised prices with a requirement for explanation of significant deviations."

Synergy considers that it is inappropriate and potentially risky for Synergy (Wholesale Business Unit) as a market participant to publish its forward expectations of spot market prices to its competitors. It is clearly foreseeable that these competitors, which are also market participants, are likely to rely upon these forecasts for a range of reasons unrelated to the standard product regime. Synergy is very concerned that its forecasts of spot prices, will be taken to represent at least an indicative price at which a market participant would be able to buy/sell electricity. However, this will not be the case as Synergy's forecasts of spot prices will almost always not reflect the actual future spot price and will be likely in at least some circumstances to be materially different from the actual future price. Therefore, if Synergy is required to publish these forecasts, there is a real risk its competitors will:

1. make claims against Synergy where those competitors have relied upon Synergy's forecasts in a manner that results in the competitors' detriment; and
2. accuse Synergy of purposely providing incorrect forecasts for Synergy's benefit.

In response, Synergy would need to inefficiently expend significant resources defending such claims.

⁵ Refer ERA discussion paper page 1.

Synergy's strong recommendation is, if such a forecasting function is implemented for the WEM, it is undertaken by an independent party.

To safeguard market integrity and ensure unbiased information flows, if a separate forecasting service is recommended by the ERA, Synergy strongly advocates for spot price forecasts to be prepared and published by an independent party, such as AEMO, the ERA or a designated third-party forecaster.

The ERA and AEMO have significant energy market modelling capability and may be able to request or procure accurate input assumption information from all WEM market participants to improve the veracity and performance of WEM spot market price forecasts. The ERA's WEM market modelling already supports the monitoring of market participant behaviour and determining key WEM parameters, including energy and FCESS market price caps. Further, to derive accurate forecasts, additional market participant information is a necessity, particularly if Synergy's generation capacity and energy market share decline in line with current and future asset retirements.

The benefits of forecast independence include:

- neutrality and objectivity, free from financial incentives;
- improved transparency and trust in market data;
- better system investment decisions, aligned with reliability and decarbonisation goals; and
- enhanced regulatory oversight, ensuring accountability and methodological rigour.

Independent forecasting aligns with best-practice governance principles and supports the long-term efficiency and credibility of the WEM.

5. Specifications of standard products

11. What considerations impact your decision on whether to trade in standard products (e.g. price, terms, conditions)?

Not applicable to Synergy.

12. What features do you consider warranted in a standard product regime?

The regime seeks to provide a price-discovery mechanism, and to provide a simple alternative to customised products.

Synergy does not consider that further features are warranted in the standard products regime. Synergy notes that customised requests can and should be transacted through the customised Request For Quote process.

13. Should the definition of 'peak period' be aligned with the actual peak periods in the WEM?

The regime seeks to provide a price-discovery mechanism, and to provide a simple alternative to customised products.

Synergy considers that the current 'peak' and 'flat' period definitions remain appropriate for standard products to remain a simple alternative to customised products.

Synergy uses the same underlying forward price curve to establish standard product pricing and customised pricing through its Request for Quote process. Customers currently receive the same price and similar terms irrespective of whether the request for supply is through the standard products regime or through a customised request for pricing.

Synergy notes that requests for customised peak products can and should be transacted through the customised Request For Quote process.

14. Should force majeure provisions be altered? If so, why and how?

No.

Synergy's credit requirements are developed in accordance with the EGRC regulations. Under regulation 23(1) Synergy is required to prepare and maintain a written policy setting out standard processes to be followed in offering a wholesale supply of electricity to its retail business unit, a retail competitor or a generation competitor, including processes for:

- (a) assessing the ability of the retail business unit, retail competitor or generation competitor to make payments for the wholesale supply of electricity; and
- (b) determining the terms and conditions on which the wholesale supply of electricity is to be offered, taking into account that assessed ability.

As part of their role in managing all risks associated with Synergy's operations, Synergy's Board of Directors is required to review and approve Synergy's credit requirements. In so doing, the directors must ensure that Synergy acts in accordance with prudent commercial principles (section 9(2)(b) of the *Government Trading Enterprises Act 2023*).

The Minister also has oversight of Synergy's credit policy through the requirement in regulation 23(5) of the EGRC regulations for Synergy to give a copy of the policy and any revision of the policy to the Minister. Synergy is also required to publish this policy, a copy of which is publicly available on Synergy's standard products website.

Force majeure clauses are standard and widely adopted contractual terms in almost all commercial transactions, including wholesale energy arrangements. Synergy is exposed to upstream force majeure clauses and generator availability risk and it is appropriate and prudent to reflect these risks in downstream sale contracts. Any change to force majeure provisions potentially increases risk to Synergy and therefore may warrant an increase in the buy-sell spread. A combined tightening of force majeure provisions and reduction in the buy-sell spread may create legitimate risk which Synergy is not able to adequately pass through via contract pricing.

There is no evidence the force majeure clauses applicable to standard products lead to the EGRC scheme being ineffective. There is also no evidence the clauses are not reasonable practice in the wholesale supply of energy. Synergy submits that the requirements are commercially reasonable.

In the absence of appropriate credit requirements or contractual relief during force majeure events, the prudent commercial practice would be to adjust wholesale risk premiums cognisant of the additional risk borne by Synergy.

6. Amendments to the scheme's drafting

6.1 Prohibition of Material Portfolio access to sell-side standard products

In its 2023 review, the ERA recommended that Synergy must not be required to enter into sell-side standard products with counterparties that have access to sufficient generation assets to meet their own risk mitigation needs. However, the amended wholesale arrangements clause 2.2(f) was drafted to restrict Synergy from entering into a 'buy-side' standard product transaction with a Material Portfolio entity. Synergy concurs with ERA that the EGRC regulations be amended to give correct effect to the ERA's recommendation from the 2023 scheme review.

6.2 Other clarifying amendments – wholesale arrangements

Synergy supports the ERA's proposal to:

- delete reference to the "Independent Market Operator" and replace it with the "Australian Energy Market Operator" within wholesale arrangements clause 6.4(b).
- publish a consolidated version of the wholesale arrangements that includes all amendments since the arrangements were originally published in 2014.

6.3 Synergy recommended amendments

- **EGRC scheme objective.** The EGRC regulations currently do not specify an objective for the EGRC scheme. Consequently, stakeholders have differing views as to its objective. To provide clear regulatory intent as to the purpose of the EGRC regulations, the regulations should contain a specific and measurable objective. An objective will provide the ERA and stakeholders with a definitive reference for conducting and participating in an effectiveness review and provide a tangible basis to assess whether the EGRC regulatory scheme should continue to exist or cease when the scheme objective is considered to have been met.
- **EGRC audits.** The EGRC regulations were amended in August 2024 to provide the ERA with discretion to extend the period in relation to which a financial year audit was conducted⁶. However, similar dispensation was not given to the Office of the Auditor General in relation to the calendar year audit required to be undertaken in accordance with regulation 30. For regulatory consistency, Synergy advocates the EGRC regulations be amended at the next opportunity to include a similar provision to regulation 24(2) in regulation 30.

⁶ Refer EGRC regulation 24(2).