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## **ERA CONSULTATION: FREQUENCY CO-OPTIMISED ESSENTIAL SYSTEM SERVICES OFFER PRICE CEILING DETERMINATION DRAFT REPORT**

Synergy welcomes the opportunity to provide comments to the Economic Regulation Authority (**ERA**) on its Frequency Co-optimised Essential System Services Offer Price Ceiling determination draft report (**OPC Draft Report**) released on 23 March 2026.

The Electricity System and Market Rules (**ESM Rules**) require the ERA to review and determine the new Frequency Co-optimised Essential System Services Offer Price Ceiling (**FCESS OPC**) values by 1 June 2026. The ERA is required to undertake a review and re-determination of the FCESS OPC at least once every three years. The OPC Draft Report sets out the ERA's proposed new values, as well as the approach taken in their determination.

Synergy provides the following comments on the OPC Draft Report for the ERA's consideration.

### **1 USE OF A STATIC SNAPSHOT OF FACILITY COSTS TO CALCULATE THE FCESS OPC VALUES**

Synergy is of the understanding that the ERA used a single snapshot of data collected from Market Participants in January 2026 to support the calculation of the FCESS OPC values. Synergy notes that a single snapshot of data, may not reflect the range of actual facility costs incurred in the future three-year period that the FCESS OPCs will be applied. Of particular note is the recent spikes in diesel prices due to global impacts, with WA's retail prices increasing from around \$1.80/L early in 2026 to above \$3.00/L in March and April 2026. There is uncertainty as to the duration of these higher prices and/or if prices will fall back to the same level prior to the Iran war.

Given the recent global influences on cost outcomes, Synergy suggests that the ERA should review its cost assumption considering these global impacts to develop a more likely upper range of key generator cost inputs for the three-year period (particularly for fuel costs), rather than relying on a single historical snapshot of costs.

### **2 USE OF ACTUAL FACILITY RUN TIMES AND SCHEDULED QUANTITIES DATA TO CALCULATE THE FCESS OPC VALUES**

Synergy questions the appropriateness of using historic actual facility run times and scheduled quantities as the baseline for the ERA cost rather than simulated outcomes. The Wholesale Electricity Market (**WEM**) is undergoing a significant transition, with new investments, continued market reform and changing market dynamics. Synergy considers that the historic data is unlikely to be good representation of future market outcomes. Synergy suggests the FCESS OPC determination for the future three-year period, should be determined based on forward looking modelling and simulation that may better reflect future market outcomes.

Synergy notes:

- The significant historic change in regulation and contingency FCESS enablement by fuel type in the WEM – Q4 2024 vs Q4 2025 – as highlighted in the *Quarterly Energy Dynamics Q4 2025 (QED Q4 2025)* published by the Australian Energy Market Operator (AEMO). The QED Q4 2025 reported that batteries increased their market share of contingency and regulation markets from 36 percent of total volume in Q4 2024 to 84 percent of total volume in Q4 2025. The AEMO attributed this significant change to two additional batteries becoming accredited in FCESS markets since the end of Q4 2024 (COLLIE\_ESR1 and KWINANA\_ESR2)<sup>1</sup>.
- The significant historic change in contingency lower requirements – Q4 2024 vs Q4 2025 – as highlighted in the QED Q4 2025. Average contingency lower requirements increased by 61.3 MW (+113 percent) which the AEMO attributed to the increases in battery sizes as well as regulatory changes which facilitated larger credible load contingencies.

Significant step changes in the WEM market outcomes are expected to continue (including the three-year period that the FCESS OPC applies) as the WEM transition continues. For instance, the rapidly changing facility composition in the WEM over the three-year period, which will see the commencement of 261MW of new gas generation, 213MW of new wind facilities, 120 MW of new solar PV and 100MW/400MWh of new battery storage as well as the retirement of 318MW of coal generation. Additionally, the COLLIE\_ESR4 and COLLIE\_ESR5 facilities are expected to achieve FCESS certification shortly. In Synergy's view, these step changes require the need for simulation modelling to better forecast future market outcomes.

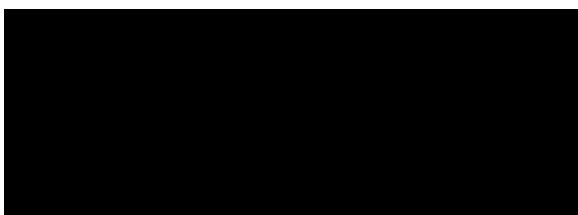
### **3 FCESS OPC INDEXATION**

To Synergy's understanding, the selected highest cost facilities of PINJAR\_GT9 and ALINTA\_PNJ\_U2 are both certified on gas fuel and cannot run on distillate fuel. Given the underlying fuel type of these two highest cost facilities, Synergy suggests that ERA indexation of the FCESS OPC values to changes in diesel fuel prices may not be appropriate.

### **4 CONCLUSION**

Synergy thanks the ERA for the opportunity to provide comments on its OPC Draft Report.

Your sincerely



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<sup>1</sup> AEMO Quarterly Energy Dynamics Q4 2025, p. 68 <https://www.aemo.com.au/-/media/files/major-publications/qed/2025/qed-q4-2025.pdf>