

Energy Policy WA
Level 1, 66 St Georges Terrace
Perth WA 6000

30 November 2023

Via email: energymarkets@dmirs.wa.gov.au

Submission from Expert Consumer Panel members Chris Alexander and Noel Schubert on the BRCP Reference Technology Review Consultation Paper

Dear Ms Guzeleva,

Thank you for the opportunity to make a submission in response to the Benchmark Reserve Capacity Price (BRCP) Reference Technology Review Consultation Paper (the Reference Technology Review).¹

As members of the WA Expert Consumer Panel (ECP), we are participating in the working group supporting the Reference Technology Review and the Market Advisory Committee (MAC). The ECP is supported by the State Government's [Western Australian Advocacy for Consumers of Energy \(WA ACE\)](#) funding, to engage in consumer advocacy and contribute to major decision making in the sector. Our submission is informed by feedback from our colleagues on the ECP.

The choice of reference technology for the BRCP is important for consumers because it influences the types of electricity generation and storage that is built, and accordingly, the cost, reliability and cleanliness of our electricity supplies. Whereas gas fired electricity generation has traditionally been the reference technology, advances in renewable technologies and storage and the pressing need to decarbonise, means that it is timely to review and update these settings.

The Reference Technology Review consultation paper outlines the review process and considerations and analysis to date, including the *Peak and Flex Services is a* an

200MW/800MWh lithium battery energy storage system (BESS) connected at 330 kV.

We support this proposal at this time in the energy transition when additional low-greenhouse-gas-emission, peak and flexible, firming capacity is required to allow greater penetration of variable renewable energy into the South West Interconnected System to further reduce greenhouse gas emissions. This BESS technology has been identified in the review as the lowest cost technology that meets the requirements set out in the consultation paper, at sufficient scale (size and availability).

Proposal B: *the BRCP reference technology should be reviewed every three years due to* **its N** **o**

because the BRCP based on this technology is set by the ERA three years in advance of when market participants are actually paid for capacity credits at the reserve capacity prices (RCPs) based on the BRCP.

This 'leading' price indicator (BRCP) can also cause a 'lag' in the reserve capacity price actually reflecting system capacity needs at the time of the need. For example, the WEM was short of capacity last summer (2022/23), and is also short this summer, but the RCP is relatively low for both capacity years in part due to the lower BRCPs determined three years earlier.²

Proposal C:

Retain a gross Cost Of New Entry (CONE) approach to BRCP determination.

We understand the advantages and disadvantages of using gross CONE versus net CONE in determining the BRCP, as outlined in the consultation paper. It is much simpler to implement and use a gross CONE method
