

6 October 2022

Energy Policy WA  
Department of Mines, Industry Regulation and Safety  
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via email [energymarkets@dmirs.wa.gov.au](mailto:energymarkets@dmirs.wa.gov.au)

Dear Sir/Madam

**Re: Reserve Capacity Mechanism Review Stage 1 Consultation Paper**

Thank you for the opportunity to provide feedback to the Stage 1 Consultation Paper on proposals to change the design of some aspects of the Reserve Capacity Mechanism.

ATCO supports the WEM continuing to have the Reserve Capacity Mechanism. The timing of this review can assist all energy systems in the South West of Western Australia transition to a low emission future. It is imperative that the right signals are provided to incentivise investment and bring us closer to the mix of resources needed to support both the gas and electricity networks supplying safe, reliable, affordable and sustainable energy to consumers.

Overall, ATCO considers there to be value in design proposals for the Reserve Capacity Mechanism that:

- Incentivise flexible capacity that can support the reliability of the electricity grid by integrating with gas networks by introducing a new flexible capacity product into the design of the Reserve Capacity Mechanism
- Encourage connection of flexible loads (such as electrolysers) to build resource adequacy that will support minimum demand rather than a reliance on operational controls
- Encourage price certainty on products beyond five years to provide investors with confidence to invest in flexible capacity technologies

An integrated systems approach that considers all energy sources will ensure pressures on energy infrastructure is reduced leading to improvements in affordability and reliability for consumers. ATCO estimates that gas accounts for 44%<sup>1</sup> of average residential energy consumption from the electricity and gas distribution systems. The Reserve Capacity Mechanism can be part of an integrated systems approach resulting in improved overall performance and efficiency for all energy assets.

Hydrogen has a role to play in our energy mix and offers an alternate method of long term storage by capturing renewable electricity resources when they are abundant. The ability to utilise Australia's existing gas network infrastructure for energy storage, which has the equivalent storage capacity of 6 billion Powerwall battery units<sup>2</sup>, can be complementary to other short term storage technologies such as batteries. Hydrogen has the ability to be used directly as a source of energy and can be used either directly or blended with natural gas for electricity generation by turbines or in fuel cells.

<sup>1</sup> ATCO estimate based on Western Power 2021/22 Price List Information and gas consumption data

<sup>2</sup> Gas Vision 2050, Energy Networks Australia, March 2017

## Flexible capacity

ATCO supports proposals that incentivise flexible capacity (Conceptual Design Proposal 3 and 8). Incentivising flexible loads for hydrogen production, through electrolysis, can provide the ability to start, ramp up and down and stop quickly whilst having the additional benefit of storing energy to meet demand at different times.

## Price certainty for flexible capacity

To incentivise investment in flexible capacity, pricing certainty on products beyond five years is sought to help incentivise participants to provide this product. The relative infancy of markets for flexible capacity products means that additional certainty on price is needed for investments in flexible capacity technologies. For example, the longer period of certainty will assist investment decisions where there are high upfront capital costs and long asset lives. ATCO would encourage the consideration of a price term beyond five years for products to provide flexible capacity (Conceptual Design Proposal 12).

## Minimum demand support

ATCO notes the proposal to not include a specific product to manage minimum demand (Conceptual Design Proposal 2)

Market signals are needed to encourage investment in multiple energy storage options and help to alleviate the risk of using only a single technology. For example, hydrogen production can assist in reducing minimum demand pressures and softening the ramp up rate to peak times.

The reliance on operational controls, such as the essential system services market, to address minimum demand rather than a product in the Reserve Capacity Mechanism appears to be a missed opportunity to encourage investment and connection of technologies that can increase demand at these times. A specific product may assist in encouraging connection to the network due to the pricing certainty compared to the uncertainty of the operational controls.

## About ATCO

Established in Canada in 1947 and now a \$22 billion global company, ATCO has a long history of partnering with communities and Indigenous groups, energising industries, and delivering customer focussed infrastructure solutions. This year marks our 75<sup>th</sup> year.

With over 60 years' experience in Australia - having entered the market in 1961 - ATCO understands the Australian environment and is a trusted, long-term partner of many large and respected Australian companies.

Leveraging a legacy of power generation, transmission and distribution networks operation and maintenance in Canada, ATCO has been providing gas-fired power generation in Australia for more than 20 years and is actively investigating investments across the entire energy value chain, including renewable generation, transmission, distribution and storage infrastructure for the national electricity market. ATCO is eager to apply its international expertise and experience in electricity, natural gas, hydrogen, water, storage and structures to its continued operations across Australia.

Experienced in building, owning and operating pipeline infrastructure globally, ATCO has successfully managed the Western Australian natural gas distribution network since 2011, and will apply its global capability and know-how to expand into solutions across transmission, storage and processing. In mid-2020, ATCO was selected, as a partner to rebuild Puerto Rico's electricity system; with a plan to modernise and operate the system for the next 15 years.

ATCO has invested in alternative and renewable energy solutions for 30 years. ATCO will continue to respond to disruption in the energy sector through investing in a range of projects that utilise new technologies and business models to provide energy solutions for a low carbon future. Activities in this area include renewable generation, microgrids, storage and hydrogen.

ATCO is a global leader in providing modular solutions to the community; from regional mining developments through to urban infrastructure development and provides a diverse range of services and products throughout various markets in Australia.

Should you have any queries or would like to discuss any of these issues further please contact Kiran Ranbir, Manager Energy Policy and Government Strategy on 0432 158 656.

Yours sincerely



**J.D. Patrick Creaghan**  
Country Chair, Australia