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Mr Jai Thomas
Coordinator of Energy
Energy Policy WA
Department of Mines, Industry Regulation and Safety

Submitted by email: energymarkets@dmirs.wa.gov.au

21 March 2023

Dear Mr Thomas,

RE: Review of Supplementary Reserve Capacity Provisions – Stage 1 Consultation paper

Thank you for the opportunity to provide feedback on the *Review of Supplementary Reserve Capacity Provisions* consultation paper.

Enel X works with commercial and industrial energy users to develop demand-side flexibility and offer it into wholesale capacity, energy and ancillary services markets worldwide, as well as to network businesses. In Western Australia Enel X supports consumers to minimise their capacity charges through the IRCR mechanism. For the 2022/2023 Hot Season Enel X also had a 22 MW portfolio of demand response providing Supplementary Reserve Capacity (SRC).

Enel X considers that the SRC process was well run in 2022, and we would participate again in future processes. However, we agree that improvements can be made to make SRC more effective, and support the following proposed measures:

- Introducing a non-binding Expression of Interest (EOI) process for SRC at any time from 1 April in any year. However, it is not possible to finalise recruitment of customers to provide demand response until a contract is place, so an early EOI is helpful but not a replacement for concluding contracting a reasonable period ahead of the start of the Hot Season.
- Extending the maximum duration of contracts for SRC to align with the Hot Season.
- Pragmatic restrictions on who can participate in the SRC tender based on participation in the EOI.
- Introduce additional amendments to the WEM Rules to implement a qualitative assessment that ensures proponent readiness and technical capability.
- Aligning the length of the notice period for activation with equivalent services for other programmes, such as Demand Side Programmes.
- An improved SRC contract structure with clear demarcation between negotiable and non-negotiable elements. We would be willing to engage in the wider industry review of the new SRC contract structure.

In addition, we consider the penalty for non-performance could be improved. Under the current arrangements, if a SRC provider believes they will fall short of their obligations during a dispatch then they have no incentive to continue providing as much capacity as they are able to, as the penalty will be the same either way. An improved approach would impose a penalty that is proportional to under-delivery, sufficiently punitive to deter over-promising on portfolio size. A symmetrical approach would then reward over-performance up to a limit such as 110% of portfolio capacity.

We appreciate that the approach to penalising under-delivery is currently linked to the penalty regime for the Reserve Capacity Market (RCM). Therefore we suggest either developing a separate regime for SRC or, preferably, reviewing the penalty regime as part of the RCM review.

We look forward to continuing to work with Energy Policy WA on these issues, including the review of the SRC contract structure to ensure that it is fit for purpose. If you have any questions or would like to discuss this submission further, please do not hesitate to contact us.

Regards

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