

To Energy Policy WA – energymarkets@dmirswa.gov.au
Subject First stage of SRC Review
Date 21 March 2023

Good Afternoon

Thank you for the opportunity to comment on the proposed improvements to the Supplementary Reserve Capacity (SRC) process outlined in the 7 March Consultation Paper. In general Perth Energy supports these proposals as they appear to address the shortcomings identified within the recent process. We do believe that the process can be further enhanced and have proposed some minor changes.

In making these suggestions we note that the electricity system is undergoing a massive transition with closure of a substantial quantity of existing generation capacity. While Government and private industry will seek to install sufficient replacement capacity in a timely manner there remains a significant risk of the SRC process being called upon to cover some shortfalls. It is therefore important that the SRC process maximises the opportunity for this to happen.

In line with this requirement, Perth Energy's main concern is with part of Proposal 1, the non-binding Expression of Interest (EOI) process. We consider the introduction of an EOI is a sound move as it enables AEMO to advertise the process early giving potential suppliers a greater chance of preparing a suitable offer. However, point 3 states that the process would:

Require that only potential services from the shortlist are allowed to participate in a subsequent tender process, if one is subsequently initiated by AEMO.

The Paper notes that some stakeholders did not participate in the recent process because they became aware of the process too late. While AEMO can work with Western Power to maximise publication of the process, for many potential SRC providers the workings of the electricity market is probably well off the radar. There is still a risk that potential providers, who are capable of submitting a useful bid at the tender stage, will miss the EOI.

For this reason, Perth Energy suggests that AEMO should have the **right** to call tenders only from the EOI shortlist but not be **obligated** to do so.

Proposed clause 4.24.8.(aA) could be redrafted along the lines:

*If AEMO advertised a call for expressions of interest for supplementary capacity under clause 4.24.1A, AEMO ~~must~~ **may, at its discretion**, only accept ~~an~~ offers for the provision of a service, which ~~was~~ **were** shortlisted under clause 4.21.1C(b);*

Further, extending the contracting period to cover the whole of the hot season, as recommended in Proposal 3, addresses the perceived problem of a misalignment between the contracting term and the hot season. Again, noting the extensive closures scheduled for the coming years, the remaining providers may not be able to individually meet the full commitment of the hot season.

If this period is too long for some providers, which would exclude them from offering the provision of service, consideration could be given to accepting proposals for entities that can only offer supplementary capacity for a shorter period, as these partial offers may be grouped to meet the proposed period and / or if insufficient “full term” capacity is offered.

Perth Energy supports the other proposals. Should you have any questions please do not hesitate to contact me at p.peake@perthenergy.com.au or on 0437 209 972. This submission may be made public.

Kind regards

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I am based in the Perth Office and work Tuesday, Wednesday and Thursday