



19 July 2023

Economic Regulation Authority
Level 4, Albert Facey House,
469 Wellington St, Perth WA 6000

Submitted via: www.erawa.com.au/consultation

Triggering the SESSM

Alinta Energy appreciates the opportunity to provide feedback on the ERA's draft procedure for triggering the SESSM.

We note that there are already strong market power restrictions that would prevent the ERA's SESSM trigger being required. For example, the separate FCESS offer price caps, and the prescriptive restrictions that regulate both the price of FCESS offers and where FCESS capacity cannot be withheld.

We also note that non-regulatory factors are likely to suppress prices below competitive levels and undermine private sector investments. ERA's 2022 analysis demonstrated how new entry in the ESS markets can render storage investments unviable. And the government has announced it will intervene by [funding 500MW of storage in Collie](#) and at least another [200MW of storage in Kwinana](#) before the end of 2025, far exceeding the current requirement for FCESS.

The SESSM could further exacerbate this investment environment by creating uncertainty that new entrants would be subsidised and thereby further reduce prices below levels that are necessary to support investment decisions that have already been made.

Considering this context, and this risk of triggering the SESSM, we recommend that the SESSM is only used where it is confirmed that there have been material breaches against the trading conduct and offer construction guidelines and that there is evidence indicating that these breaches will continue despite the ERA's findings and any resulting penalties. Otherwise, we consider there would be a lack of rigour to the finding that outcomes in the FCESS markets are "inefficient", and a lack of evidence to suggest that the benefits of triggering the SESSM would outweigh the potential negative impacts on investment certainty and the viability of existing assets. We also recommend that ERA should broadly consider this cost benefit analysis before triggering the SESSM.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss further, please contact me at oscar.carlberg@alintaenergy.com.au or on 0409 501 570.

Yours sincerely


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