

To Economic Regulation Authority
Subject New Energy Price Offer Ceiling
Date 21 May 2024

Good Morning

Thank you for the opportunity to comment on the ERA's draft determination for the new Energy Price Offer Ceiling. Perth Energy retails electricity to a substantial number of commercial and industrial customers so is concerned at the potential for additional costs to be passed through from this proposed change. As noted in your draft determination,

the Energy Offer Price Ceiling acts as a backstop mechanism to limit offer price mark-ups in the energy market and provides a safety net for final consumers.

The ceiling is therefore a critical factor in holding electricity price increases to the minimum level possible. The proposed increase from \$738 per MWh to \$1500 has the potential, given the amount of time that wholesale prices are clearing at this cap, to force more costs onto customers.

We note that this increase is largely driven by the increase in fuel cost and that,

this large increase in the fuel cost component is largely due to the new WEM rules requiring heat rate to be evaluated at the minimum dispatchable loading level as specified in AEMO's standing data.

As explained in the draft determination,

According to information available to the ERA, the minimum generation output for a Frame 6B generator is ... more than three times the level specified in AEMO's standing data for Merredin Power Station.

The draft determination notes that the minimum generation associated with Merredin Power Station appears to be inconsistent with data for similar Frame 6B units. This suggests that the figure may not actually be the MW level at which stable operation can be maintained. It has been estimated by the ERA that if the stable generation level associated with other similar generators were to be used that the new Energy Offer Price Ceiling would be around \$800 per MWh.

The draft determination notes that,

Market participants typically aim to achieve dispatch of at least their minimum stable generation to avoid unstable dispatch and extreme mechanical wear and tear.

And that,

The use of a cost measure at a more-commonly observed generation level may better reflect the intent of the rules.



Leading to the conclusion that,

we consider that the section of the new WEM rules guiding the Energy Offer Price Ceiling may warrant a rule change.

Perth Energy considers that the Energy Offer Price Ceiling should be determined by consideration of the minimum, sustainable, output level at which a generator would be dispatched during normal operation. While a generator may rarely, if ever, be dispatched at this load, it should be a level which the machine could sustain indefinitely if required.

As such, we concur with the ERA that a rule change is warranted and that the proposed Energy Offer Price Ceiling of \$1500 per MWh is unreasonable.

Should you have any questions please do not hesitate to contact me at

[REDACTED] or on [REDACTED]. This submission may be made public.

Kind regards

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