

21 November 2024

Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

Submitted via: <https://www.era.com.au/consultation>

Draft Determination – 2025 BRCP for the 2027/28 Capacity Year

Alinta Energy appreciates the opportunity to provide feedback on the Economic Regulation Authority's draft determination of the 2025 Benchmark Reserve Capacity Prices (BRCPs) for the 2027/28 capacity year.

An accurate BRCP determination is necessary to cover the cost of short to medium term investment in new capacity that support the State's energy transition and maintain reliability.

We support the draft determination for the peak and flexible BRCPs at \$354,000 per Megawatt (MW), considering this is a reasonable estimate the level of investment required, to deliver a large scale storage project to the market, annualised over a 15 year expected economic life, and assuming installation in an unconstrained part of the network.

While it is anticipated that supply chain issues and raw material price volatility will continue to bring higher than expected forecast capital costs for large scale storage projects in the immediate term, reductions are expected over the longer term. As noted in the ERA's procedure change report, a constant annuity is appropriate where capital costs are stable. However, where costs are declining, applying a constant annuity would mean that investors will no longer be able to recover their costs. We recommend that the ERA continue to monitor the outlook for BESS capital costs and the implications for the BRCP and cost recovery; and to consider whether adjustments to the annuity tilt are necessary for future determinations. We acknowledge that this would necessitate a change to the WEM Procedure.

While it is outside of the scope of the determination, we also recommend that ERA continue to monitor the implications of increasing network constraints and whether changes to the WEM Procedure are required as congestion increases to more accurately reflect the reality faced by investors.

Thank you for your consideration of Alinta Energy's submission. Should you wish to discuss this further please contact me at [REDACTED]

Yours sincerely

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