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21 November 2024

Economic Regulation Authority
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By email to: publicsubmissions@erawa.com.au

ERA CONSULTATION: DRAFT DETERMINATION: 2025 BENCHMARK RESERVE CAPACITY PRICE FOR THE 2027/2028 CAPACITY YEAR

Synergy welcomes the opportunity to provide a submission to the Economic Regulation Authority (**ERA**) on its "2025 Benchmark Reserve Capacity Price for the 2027/2028 capacity year draft determination" (**Draft Determination**) issued in November 2024.

Synergy submits the below comments regarding the Draft Determination.

Higher 2025 Benchmark Reserve Capacity Price

Synergy notes that the proposed 2025 Benchmark Reserve Capacity Price (**BRCP**) of \$354,000 per MW per year as outlined in the Draft Determination is significantly higher than previous BRCPs. While the proposed 2025 BRCP may encourage investment in the Wholesale Electricity Market (**WEM**) as part of supporting the entry of new capacity providers, Synergy notes that a significantly higher BRCP will translate to higher costs for electricity consumers within the WEM. This increase comes at a time when Market Participants, such as Synergy, are already managing the impact of significant increases associated with fuel costs, and network and market fees and charges to their operations.

Synergy advocates for careful balancing of these competing outcomes that the higher BRCP will engender and encourages the ERA to be cognisant that consumers should not be unfairly burdened by excessive costs.

Network Access Quantity

Synergy understands that the proposed 2025 BRCP has been calculated on the assumption that the Network Access Quantity (**NAQ**) regime does not have bearing on the number of expected Capacity Credits the 2025 Benchmark Capacity Provider is assigned. It also assumes that the Facility seeking Capacity Credits can be installed in an unconstrained part of the network within the Pinjar and Kwinana regions.

Synergy notes that in reality, no current or prospective Market Participants have clear visibility on the locations within the WEM where the network is unconstrained. Therefore, there is a risk the viability of a new entrant Facility, based off the BRCP, is undermined during the capacity allocation process with limited opportunities for developers to understand or mitigate the quantum of Capacity Credit revenue at risk.

Additionally, by discounting the impact of the NAQ regime on the volume of Capacity Credits a new Facility may be assigned, the Draft Determination ignores a fundamental revenue risk for investors during a period where the WEM is seeking more investment.

Given the risk outlined above, Synergy considers that Market Participants should be provided with increased clarity on the likely availability of NAQs in various parts of the network. This will promote greater efficiency in capacity investment decisions and give greater investment certainty for project development and connection of new Facilities into the South West Interconnected System.

Synergy thanks the ERA for the opportunity to provide a submission on its Draft Determination.

Yours sincerely

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