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via email:

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**Feedback on Exposure Draft of WEM Amending Rules (FCESS Cost Review Amendments)**

Entego welcomes the opportunity to provide feedback on the amending rules related to the FCESS Cost Review.

We understand that these Amending rules are an outcome of the FCESS cost review undertaken by Energy Policy WA and do think that they are a step in the right direction to address market wide concerns regarding FCESS costs present in the market since 1 October 2023.

However, we also note that numerous amendments appear unrelated to the FCESS Cost Review and have concerns that the proposed drafting of MR 2.16B.1, may result in identification of portfolios incongruent to the intent outlined in the corresponding Explanatory Note.

As explained, we understand the intent of the clause is to group facilities that are owned or controlled by a single entity (a market participant or otherwise) as a portfolio for the purposes implementing the Market Power Mitigation Strategy, because such entities could benefit from the knowledge of how multiple facilities are traded in the WEM.

It is our belief that the currently proposed drafting could result in the grouping of unrelated facilities as a portfolio in instances where an independent 3<sup>rd</sup> party service provider, such as Entego, manages market interactions for multiple facilities that have different owners. Under such service arrangements, facility owners retain control of their respective facilities, formulate the offers for their facilities and merely instruct the service provider on how to bid their facility to the market. Under these circumstances the 3<sup>rd</sup> party service provider could be considered a 'shared trading desk', but it (or any other entity) does not derive any benefit, from the knowledge of how multiple facilities are being traded in the WEM.

Additionally, should the proposed drafting be implemented, it is also our opinion that the mere possibility of being considered as part of a portfolio with unrelated parties, will be a deterrent to future investors in the WEM. If this were to occur, it could lead to a greater concentration of facility owners, or entities that control facilities in the WEM, and therefore increase likelihood of a single entity having Market Power.

Entego suggests further consideration be given to the drafting of 2.16B.1 such that use of independent 3<sup>rd</sup> party service providers will not result in facilities being placed in the same portfolio. We believe this could be achieved through one or all the following means:

- Clarifying what owned and controlled means in the context of this clause,
- Removing reference to a 'shared trading desk'
- Allowing ERA discretion when undertaking their portfolio assessment.

Should more input be required or if you wish to clarify any of the points above please do contact me at [adam@entego.com.au](mailto:adam@entego.com.au)

Your sincerely

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