

9 September 2024

Energy Policy WA

Level 1

66 St Georges Terrace

Perth WA 6000

Lodged email: energymarkets@dmirs.wa.gov.au

Dear Energy Policy WA,

RE: Feedback on Exposure Draft of FCESS Cost Review Amendments

NewGen Neerabup (Neerabup) welcomes the opportunity to provide feedback to Energy Policy WA (EPWA) on the latest Exposure Draft of FCESS Cost Review Amendments released on 9 August 2024.

General Comments:

Neerabup appreciates the draft amendments are outcomes of detailed analysis by EPWA, AEMO and the ERA of the Wholesale Electricity Market (WEM) following new market commencement in October 2023, aiming to improve the efficiency of the WEM. Whilst some of the draft amendments are straightforward changes, others will require trading system and process amendments and Neerabup remains concerned with the tight implementation timeframes.

Furthermore, amendments included in the exposure draft are driving significant changes to the ERA's Offer Construction Guidelines and Trading Conduct Guidelines, including cost recovery mechanisms. These documents establish further obligations on Market Participants and will be established at the same time the exposure drafts are effective.

Neerabup urges EPWA to delay implementation of draft amendments which will require trading system or process changes, including drafted changes for 7.4.2, to allow Market Participants to better prepare and implement the required changes, if progressed.

Exposure Draft Feedback:

Neerabup would like to provide the following feedback:

- 7.4.2C - Neerabup considers this draft amendment significantly deviates from the existing mechanisms in the WEM rules for self-commitment and capacity obligations, i.e. obligations to offer capacity in the Short Term Energy Market and Real Time Markets and the financial penalties established for not delivering on that capacity. The existing mechanisms (Net STEM Shortfalls, Not In-Service Capacity Refunds Forced Outage refunds) exist to penalise capacity providers for not offering capacity, rather than require the dispatch of the facilities, which requires comprehension of physical asset characteristics, expected runs times and variable costs. Without consideration of

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these factors, a Market Participant could be forced to operate outside the conditions outlined in its environmental licenses, operate at a loss, or potentially breach the WEM rules.

This new obligation significantly increases the compliance risk exposure of existing Energy Producing Systems, creating further costs to be imposed on the WEM from further investment in monitoring and alerting systems to mitigate the compliance and civil penalty risks.

- 7.4.2D - Neerabup considers that this amendment fails to recognise the physical asset characteristics such as minimum stable generation or provisions for the recovery of variable costs (such as unit commitment costs). Neerabup considers the list in 7.4.2D should be expanded to include provisions for where the predicted shortfall is lower than the facilities minimum stable generation or if the forecast dispatch would result in an under-recovery of variable costs.
- 7.13.11 - Neerabup recommends that this rule should apply to both the Available Capacity Scenario as well as the Reference Scenario due to both scenarios being operationally critical.
- 9.9.10 - Neerabup is concerned with the removal of Energy Uplifts Payments where AEMO has dispatched Energy Producing Systems unexpectedly and out of merit. This creates a perverse outcome where a generator may be financially penalised for assisting with unexpected system security issues whilst offering capacity as 'Available'.

Conclusion:

We welcome the opportunity to discuss our submission further. Please contact me regarding queries on this submission.

Your sincerely

Paul Arias

General Manager - West Physical Trading and Origination

08 9338 6131 - Paul.Arias@shell.com