



## **Draft Statement of Policy Principles: Penalties for high emission technologies in the Wholesale Electricity Market**

The Government is considering how to introduce penalties for all (i.e. incumbent and new) high carbon emission electricity generation technologies in the electricity market in the South West Interconnected System. This complements discussions about capacity mechanism design in other jurisdictions and incentives for connection of new renewable generation capacity.

The Coordinator of Energy (**Coordinator**) is already undertaking a review of the Reserve Capacity Mechanism (**RCM**) in the Wholesale Electricity Market (**WEM**). In accordance with clause 2.5.2 of the WEM Rules, the Minister for Energy is providing the following draft statement of policy principles to the Coordinator to consider this new policy:

The Coordinator is to:

1. progress the design and the implementation of the policy of introducing penalties for all (i.e. incumbent and new) high carbon emission electricity generation technologies in the WEM;
2. consider options and propose a preferred option for the application of the penalty, and its intersection with the RCM;
3. as part of the existing RCM Review, examine options of using the quantum of the penalties which may include incentives for the early entry of alternative “firming” technologies in the market to ensure reliability of supply is maintained in the transition to net zero emissions energy sector by 2050;
4. ensure that the introduction, and the utilisation of, the penalties has a net zero impact on the overall cost of the RCM operation to consumers; and
5. integrate the policy in the modelling currently undertaken and planned for the RCM Review.

### **Background**

Clause 2.5.2 of the WEM Rules provides for the Minister to issue a statement of policy principles to the Coordinator with respect to development of the market, such as for the forthcoming RCM Review. Clause 2.5.2 indicates that the Minister may provide a draft of a proposed statement to the Market Advisory Committee (**MAC**) and seek the MAC’s views on the draft statement.

### **Consultation**

This draft statement of policy principles is to be circulated to the MAC for review and comment at an out-of-session meeting in early August 2022.

The Coordinator will advise the Minister of the MAC’s views on the draft statement of policy principles and the Minister may then issue a final draft of a statement of policy principles for the Coordinator to consider in the RCM Review.