

To energymarkets@dmirs.wa.gov.au
Subject Review of Supplementary Reserve Capacity process
Date 27 June 2024

Good Morning

Thank you for the opportunity to comment on the recent Consultation Paper published following the 2023/24 Supplementary Reserve Capacity process. As a significant retailer within the Wholesale Electricity Market, Perth Energy is keen to ensure that the costs of this process, and hence additional charges passed through to customers, are as low as possible. We support the changes put forward in Proposals 1, 2 & 4 but disagree with Proposal 3.

The Consultation Paper notes that AEMO is required to publish the maximum contract value per hour of availability for any Supplementary Capacity Contract. It further notes that providers appear to be shadowing this price rather than making bids which are truly competitive. The Paper proposes that the obligation to publish the maximum allowable maximum price be removed.

Perth Energy does not support this proposal because it would create a significant risk of very high prices being offered which AEMO is obliged to accept. We note that the tenders for 2023/24 and the previous year were significantly under subscribed. In 2023/24 AEMO secured under half of the 326 MW that was sought while in the previous year only around 55% of demand was met.

Our concern is that in any future tender process, potential bidders will be aware that there is a strong likelihood that AEMO will not secure as much capacity as it is seeking so will be required by the market rules to accept all tenders. If no maximum price is published, or AEMO does not state in the tender that there is a confidential maximum price above which tenders will not be accepted, bidders can offer extortionate prices which AEMO must accept.

The fact that two large bidders provided some 30% each accentuates the risk of very high bids being submitted as these two proponents would be fairly certain that AEMO would need to accept their bids to meet the shortfall.

Perth Energy recommends that a maximum price should continue to be established and published to ensure that potential providers make valid offers. Alternatively, bidders could be advised that there is a confidential maximum price and AEMO is free to reject any bids above this price.

Should you have any questions please do not hesitate to contact me at p.peake@perthenergy.com.au or on 0437 209 972. This submission may be made public.

Kind regards

Patrick Peake

Patrick Peake

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