

WHOLESALE ELECTRICITY MARKET — ECONOMIC REGULATION AUTHORITY REPORT

Statement by Minister for Energy

MR W.J. JOHNSTON (Cannington — Minister for Energy) [1.17 pm]: I rise to table the Economic Regulation Authority's report *Triennial review of the effectiveness of the wholesale electricity market 2022*, which was prepared in accordance with the requirements of the Electricity Industry Act 2004. The ERA's 2022 review explored whether the existing wholesale electricity market objectives can be achieved as the economy decarbonises, and the sufficiency of investment drivers for new renewables and storage. The ERA review advocates for improvements to the procurement of capacity in the WEM to ensure system reliability. In this area, the ERA acknowledges the state government's current review of the WEM reserve capacity mechanism. This review is likely to result, amongst other things, in an explicit price signal to incentivise investment in flexible capacity, which will provide additional revenue to storage investments and assist in filling the potential revenue gap that the ERA has identified.

The ERA advocates for the introduction of initiatives to reflect the contribution of facilities to the state's economy-wide decarbonisation goals, including penalties for emissions, support mechanisms for low-emission technologies and storage, emission standards, and the planned exit of high-emitting sources. The state government is currently considering an emissions penalty mechanism under which penalties may be imposed for new and existing high-carbon emitting generation technologies. Under the mechanism, options for utilising the collected penalties to incentivise the early entry of alternative firming technologies are being examined. This will ensure reliability of supply in the transition to a net zero emissions energy sector by 2050.

Submissions to the ERA's discussion paper on its draft report noted that the concurrent WEM reforms under the energy transformation strategy commenced in 2019 and supported further changes to ensure adequate and timely investments in renewables and storage. Feedback particularly raised the significance of improved transmission planning and access.

The state government has commenced an assessment of the size, location and time frame of anticipated electricity demand to 2042. This assessment of renewable energy demand will enable the government to form a consolidated view of future network needs. The state government has also announced its firm commitment to the planned retirement of Synergy's coal-fired power stations by 2030 to provide certainty to industry and the broader community.

[See paper [1724](#).]