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Energy Policy WA
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2026 Benchmark Technology Review Draft Determination for consultation

The Australian Energy Council (the "**AEC**") welcomes the opportunity to make a submission on the 2026 Benchmark Technology Review Draft Determination ("**Draft Determination**")[1].

About the AEC

The AEC is the peak body for energy retailers and generators operating in competitive markets.

Our members generate and sell energy to over 10 million homes and businesses and are committed to delivering a reliable, affordable and decarbonised energy system for consumers.

The AEC supports net zero by 2050 and recognises the electricity sector's role in reducing Australia's emissions. Our members are major investors in renewables, firming and storage technologies that are critical to ensuring customers continue to receive reliable and sustainable energy supply as we navigate the energy transition.

Background

The Benchmark Technology plays a critical role in the Reserve Capacity Mechanism because it establishes the Benchmark Reserve Capacity Price ("**BRCP**") and sends long-term price and technology signals. The AEC understands that the Coordinator is required to review the Benchmark Technology following the increase in the Electric Storage Resource Duration Requirement from six to seven hours. However, the AEC is concerned about a E-Class Simple Cycle Gas Turbine ("**SCGT**") being proposed as the Benchmark Technology because it is not a credible new entrant for the 2029/30 Capacity Year.

The AEC's comments in this submission are informed by the following principles:

- The benchmark should reflect a technology capable of providing the relevant capacity service in the applicable Capacity Year, as outlined in the ESM Rules;
- The assessment should reflect the policy and regulatory settings reasonably understood by investors in the period in which the generation technology could have been developed and procured; and
- Technology selection should give regard to practical procurement and delivery constraints.

[1] See 2026 Benchmark Technology Review Draft Determination for consultation

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Proposal A: Benchmark Technology

The Draft Determination proposes an E-Class SCGT, certified for Reserve Capacity on distillate and operating primarily on gas when practical, as the Benchmark Peak Technology and Benchmark Flexible Technology. Energy Policy WA considers that this configuration has the lowest annualised fixed capital and operating cost of the shortlisted technologies.

The AEC does not support the selection of an E-Class SCGT as the Benchmark Technology on the basis that the equipment could not be delivered for 1 October 2029 because Energy Policy WA has consistently signalled through its determinations since December 2023 that E-Class SCGTs would not be eligible for Capacity Credits as they exceeded the proposed emissions intensity limit of 0.55tCO2/MWh. This creates a set of unrealistic circumstances: either a proponent would need to have ignored the signals created by Energy Policy WA and committed to purchasing expensive turbines in the hope of a future policy reversal, or a proponent would have waited until this Draft Determination was released by which time it's impossible to procure, install and commission an E-Class SCGT by 1 October 2029.

Investors were consistently signalled that E-Class SCGTs would be ineligible

Since December 2023, Energy Policy WA has consistently signalled that an emissions intensity limit would apply to eligibility for Capacity Credits and, under that direction, E-Class SCGTs were expected to be ineligible. E-Class turbines only re-entered the list of available generation technologies in 2026 after Energy Policy WA removed the emission threshold.

This is important because a rational investor could not have been expected to commit substantial development expenditure, secure the equipment several years ago and progress approvals for an E-Class SCGT intended to earn Capacity Credits in 2029/30 while Energy Policy WA was signalling that the technology would not satisfy the eligibility requirements.

Selection of an E-Class SCGT depends on perfect foresight

The proposed selection consequently depends on one of two unrealistic assumptions. The first is that an investor had an extreme risk tolerance and perfect foresight that the anticipated emissions intensity limit would be reversed sometime in the future and they continued to develop an E-Class SCGT despite repeated policy signals that it would be ineligible.

The alternative is to assume that an investor commences developing a project using an E-Class SCGT only after this Draft Determination was released. In this scenario, it would be impossible for a proponent to develop, procure, construct, commission and certify an E-Class SCGT by 1 October 2029 given the gas turbine supply constraints industry participants have been experiencing since 2024. Indeed, the Draft Determination itself notes that aeroderivative gas turbines are difficult to obtain before 2030 due to global demand pressures and manufacturing constraints.[2]

The deliverability of the technology is important because the ESM Rules defines Benchmark Peak Technology as "a notional new Facility of the Facility Technology Type which is expected to be able to provide Peak Capacity." This requires an assessment of capability, and in the AEC's view if an E-Class SCGT cannot be available by 1 October 2029 then it should be removed from the technology assessment.

The Benchmark Technology should be a technology that could plausibly be delivered

The AEC suggests that the select Benchmark Technology should be one that market participants could reasonably have been expected to develop and procure over the planning horizon for the 2029/30 Capacity Year, and which was not expected to be ineligible for Capacity Credits during that period due to emission limits.

[2] See p28, 2026 Benchmark Technology Review Draft Determination for consultation

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Potential alternatives may include aeroderivative gas turbines or high-efficiency gas turbines. These technologies were included in the assessment and were not affected in the same way as E-Class SCGTs by the emissions intensity limit.

Recommendation: An E-Class SCGT should not be selected as the Benchmark Technology for the 2029/30 Capacity Year. Energy Policy WA is encouraged to identify the technologies that market participants could reasonably have been expected to develop and procure over the relevant planning horizon, having regard to the policy settings communicated during that period and realistic equipment lead times, and then select the lowest-cost technology from that credible set.

The proposal removes investment signals for storage

A key consequence of selecting a E-class SCGT as the reference technology is that it materially weakens incentives for future storage investment because BESS projects become increasingly difficult to finance.

Storage investment is expected to play an essential role in supporting reliability, integrating renewable generation and providing system services. However, a longer storage duration requirement combined with basing the capacity price on an SCGT disconnects the price signal from a technology that will play a key role in supporting the energy transition.

While the reference technology is intended to represent the lowest-cost service, the practical outcome of the proposal is that it removes the signal to invest in long-duration storage or, alternatively, additional financial mechanisms will be required underwrite the entry of BESS projects.

Recommendation: Energy Policy WA should consider if the selected benchmark provides efficient investment signals consistent with the long-term needs of the SWIS, including future storage investment, and whether this proposal will amplify the need for additional financial mechanisms to support new projects.

Conclusion

The AEC appreciates the opportunity to provide feedback on the Draft Determination and encourages Energy Policy WA to consider the issues raised above.

Please do not hesitate to contact Graham Pearson, Policy Manager, Western Australia, should you wish to discuss this submission further.

Yours sincerely,

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