

Department for Energy and Mining (the 'Department')
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11 July 2025

Re: FERM Stage 2 Design Consultation

Thank you for the opportunity to provide feedback on the. *FERM Stage 2 Design Consultation*.

The Energy Efficiency Council (EEC) is the peak body for Australia's energy management sector, working to ensure Australia harnesses the power of efficiency, electrification and flexible demand to deliver a prosperous, equitable, net zero Australia.

The EEC's submission to the concept design phase (Stage 1) consultation paper dated 18 December 2024 ('Stage 1 response') raised the following key concerns with the design of the Firm Energy Reliability Mechanism ('FERM', or 'Scheme'):

The proposed 30MW/minimum 8 hours' dispatch limits participation

Despite being technology agnostic, in practical terms, the 30MW/minimum 8 hours' dispatch criteria favour fossil fuel generators and do not incentivise any co-ordination of resources through the demand side or encourage the market to resolve the optimisation challenge.

The Scheme is missing an opportunity to reduce the cost of providing energy services and enhance grid stability through demand side measures.

The FERM Stage 2 Design Consultation paper (the 'Paper'), notes that 'the Department proposes to largely retain the eligibility criteria outlined in the concept design phase consultation as they most closely align with the scheme objectives.'

In our Stage 1 response, the EEC recommended that 'long duration capacity' should have a more flexible definition to enable a wide variety of assets to participate and requested evidence to support the 30MW/8 hours criteria.

In the absence of this evidence, the EEC stands by the proposition that the challenges of maintaining system reliability could be met more cost-effectively by setting criteria that enable a broader portfolio of resources to participate, including aggregated flexible loads.

Weighting factors should be established

In the Stage 1 response, the EEC stated that weighing factors should be established, with positive weighting attributed to:

- Low emissions intensity
- Minimising social licence concerns
- Ability to be rapidly deployed
- Cost effectiveness

In the Paper, the Department notes that the Scheme's regulations allow for tender specific eligibility criteria to be declared, additional to or instead of the eligibility criteria set out in the Paper.

The EEC maintains that the inclusion of weighing criteria would enable the Department to better assess tender responses, accounting for other non-financial aspects of generation technologies and their whole-of-system impact.

As currently designed, the EEC considers that the Scheme is a missed opportunity to expediate the energy transition through rapid deployment of demand-side resources. We again encourage the Department to consider the changes outlined above.

For further information on anything in this submission, please contact me on jeremy.sung@eec.org.au or 0411 934 701.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Jeremy Sung', with a stylized, fluid script.

Jeremy Sung

Head of Policy

Energy Efficiency Council