

28 August 2025
Energy Policy WA
Level 1, 66 St Georges Terrace
Perth WA 6000

Sent via email: energymarkets@deed.wa.gov.au

Dear Energy Policy WA,

Operational Forecasting Review

The Chamber of Minerals and Energy of WA (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 90 per cent of the State's onsite minerals employment.¹ CME members are estimated to account for around 60 per cent of large industrial electricity demand on the South West Interconnected System (SWIS).

In 2023-24, the WA resources sector accounted for 45 per cent of WA's economic activity,² 93 per cent of goods exports³ and 43 per cent of investment.⁴ The sector contributed one third (31.5 per cent) of the WA Government's general revenue via royalties, payroll and other taxes and fees,⁵ enabling the provision of essential public goods and services such as doctors and nurses, teachers and police. CME's 2023-24 Economic Contribution Survey found that the WA resources sector supported 3 in 10 jobs in the State.⁶

Overview

As the SWIS transitions from synchronous (thermal) to asynchronous or inverter-based generation such as renewables, the reliance on weather-dependent generation such as wind and rooftop solar has increased, resulting in forecasting errors across various components of the forecasting process. This reinforces the need for accurate forecasts for a secure, reliable and efficient energy market.

CME welcomes the Operational Forecasting Review by Energy Policy WA (EPWA) to improve the Australian Energy Market Operator's (AEMO's) forecasting in the Wholesale Electricity Market (WEM). We note that inaccurate operational forecasts can adversely impact both the reliability of the grid and the costs to the market of meeting expected demand (e.g. under-forecasting demand may result in more expensive capacity procurement at short notice), so efforts to improve forecasting will contribute to the delivery of a low emission, reliable and globally cost-competitive electricity grid.

CME is broadly supportive of the Operational Forecasting Review proposals, in particular proposals 1, 2, 3 and 5. We support Proposal 6 on the basis that it is purely to formalise existing practices to collect large load consumption forecasts and will not increase costs for AEMO or participants.

CME has concerns about the potentially high implementation costs for Proposal 4, especially given the unquantifiable benefits. While the benefits are 'likely to exceed' the expected costs of implementation we recommend there is additional scrutiny to ensure the costs will exceed the benefits before this Proposal is implemented.

¹ Government of Western Australia, [2023-24 Economic Indicators Resource Data File](#), full-time equivalents onsite under State legislation, Department of Energy, Mines, Industry Regulation and Safety, 29 October 2024.

² As measured by gross value add (GVA). Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 6.

³ Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2023-24 Economic Indicators Resource Data File](#), released 29 October 2024.

⁴ Includes Gross Fixed Capital Formation plus minerals and petroleum exploration. Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 25. Australian Bureau of Statistics, [8412 Mineral and Petroleum Exploration](#), Table 4.

⁵ Includes royalties, Commonwealth grants from North West Shelf royalties and iron ore lease rentals plus surveyed expenditure on payroll and other taxes and fees. Government of Western Australia, [2023-24 Annual report on State finances](#), Department of Treasury, 27 September 2024, Table 2.1 Operating Revenue: General Government, pp 164-165; CME 2023-24 Economic Contribution Survey.

⁶ Direct and indirect jobs. CME, [2023-24 Economic Contribution: Western Australia](#), March 2025.



CME supports proposals 1, 2, 3, 5 and 6

Proposal 1 looks at blending parameters to improve forecasting accuracy and shortening timeframes. Incorrect forecasts can lead to negative outcomes, especially in instances where AEMO receives forecasts from generators which could be wrong. The persistence of incorrect forecasts can result in adverse outcomes including reliability issues or unnecessary cost, and **CME therefore supports Proposal 1 which enables the blending of parameters to reduce forecast errors.**

Proposal 2 aims to increase collaboration with a number of weather data providers to improve forecasts and align with processes used in other jurisdictions including the NEM. **CME supports this approach.**

The aim of Proposal 3 is to enhance documentation and processes. **CME supports this proposal as this would ensure that forecasting processes are well documented and that process changes are updated regularly, supporting business continuity during staff turnover and providing increased transparency to the market.** AEMO must have relevant documentation to respond to request or reviews.

Proposal 5 recommends AEMO publish the operational forecasting errors and formalise this requirement through the introduction of a rule obligation. **CME supports this proposal as it improves transparency and recommends that AEMO be required to publish how the forecasting errors compare across its models to identify changes in model performance and improve forecasting.**

Proposal 6 aims to formalise existing large load information provisions. Currently, this is a voluntary process for large loads that EPWA is seeking to formalise via a rule change to mitigate the low-probability-but-high-impact risk to the WEM if this information is not voluntarily provided to AEMO. **CME supports this proposal on the basis that it is purely to formalise existing practices and that it will not increase costs for AEMO or participants. There should be no changes to the frequency or granularity of data requested, nor changes to the format of data collection (unless supported by participants).**

When defining a large load, it will be important for EPWA to identify what minimum threshold applies for an individual facility/site and what cumulative threshold applies for owners of multiple loads/facilities. To align with the principle of formalising existing arrangements, the definition of a large load should be set to capture those who currently report.

Proposal 4

Proposal 4 seeks to introduce a centralised forecasting approach for intermittent generation. Currently, participants with intermittent generation have limited incentives to forecast accurately or improve their forecasts. Participants are only required to use 'reasonable endeavors' which makes regulation by EPWA difficult. CME understands that it is also difficult for EPWA to design incentives for participants to produce accurate forecasts compared with other jurisdictions. Therefore, EPWA is proposing a centralised approach in the WEM where participants are required under the rules to provide necessary information for AEMO to undertake the forecasts, which would require a rule change to proceed. The proposal also recommends separate visibility of co-located intermittent generation resource (IGR) and electric storage resource (ESR) facility output and forecasts, and monitoring of compliance to prevent gaming of market outcomes that would result in higher prices.

CME has concerns regarding the potentially substantial implementation costs for Proposal 4, particularly in light of the unquantifiable benefits. While the benefits are viewed as 'likely to exceed' the expected costs of implementation we would prefer additional scrutiny to ensure the costs will exceed the benefits before this Proposal is implemented. If Proposal 4 is implemented, we agree that there should be separate visibility of co-located IGR and ESR facility output and forecasts.

Conclusion

In conclusion, CME is broadly supportive of the proposals in the Operational Forecasting Review to improve forecasting outcomes and align AEMO's approach in the WEM with other jurisdictions. Our key concern is that Proposal 4 may result in additional costs that outweigh the benefits, and we recommend additional scrutiny to ensure the costs will exceed the benefits prior to implementation. One option is to



implement proposals 1, 2, 3, 5 and 6 and then consider the value of implementing Proposal 4. In the context of rising energy costs in the SWIS it is imperative that all efforts are made to reduce costs.

CME looks forward to continued engagement further with EPWA to deliver the timely delivery of a low emission, reliable and globally cost-competitive energy system in WA. Should you have any questions regarding this submission, please contact Aaron Walker, Head of Economics, on [REDACTED] or a.walker@cmewa.com.

Yours sincerely,



Anita Logiudice
Director, Policy and Advocacy

