Record high electricity prices in 2025 point to an urgent requirement for WA generation projects

Frontier Energy Limited (ASX: FHE) (**Frontier** or the **Company**) is pleased to provide an update on the Western Australian electricity market for 2025, that saw wholesale electricity prices and reserve capacity prices, the two major revenue drivers for Stage One of the Company's Waroona Renewable Energy Project (120MW solar / 81.5MW 6.9-hour battery) (**Stage One** or the **Project**), reach record highs.

In response to these higher prices and the forecast shortfall in electricity generation, the Company is accelerating the Stage Two study.

HIGHLIGHTS

- **The average price on the wholesale energy market (WEM) during 2025 reached a record high of $88/MWh, 10% higher than 2024**
- **Energy prices during peak periods (4pm to 10pm) averaged $120/MWh in 2025**
    - *The Project will discharge most of its energy through its co-located BESS during these peak energy periods*
- **The Reserve Capacity Price in 2027/28 was $360,700 (first reserve capacity cycle of Stage One production), a 67% increase on 2024**
    - *Frontier secured 88.06MW of capacity credits at a fixed price of $360,700/MW for the first 5 years of operations from 2027 to 2032*[1]
- **Owing to the WA Government's commitment to the closure of State-owned (Synergy) coal-fired power stations by 2029, there is an urgent requirement for additional generation capacity**
    - *Coal accounted for 28% of electricity generation in 2025*
- **Only one new renewable energy generation facility commenced operation on the South West Interconnected System (SWIS) in 2025, just the second such facility since 2021**
- **Following continued high electricity prices in WA, and the requirement for additional generation capacity through coal closures, the Company is fast-tracking a study on the Stage Two development**
- **Updated independent electricity price forecasts for the debt process for Stage One financing to be released shortly**

Frontier CEO Adam Kiley commented: *"Average wholesale electricity prices and the reserve capacity price, the two main revenue sources for the Project, reached record highs in 2025.*

[1] *See ASX announcement dated 22 October 2025.*

These high prices support not only the development of Stage One, which continues to advance through financing following receipt of fixed price reserve capacity in late 2025, but also the Company's decision to accelerate a study for a Stage Two expansion.

This strategy is further strengthened when considering the impending closure of gas and coal-fired generation facilities on the SWIS before 2030, that is forecast to cause a major generation gap in the market,.

The Company's hybrid strategy, that combines onsite renewable energy generation with storage, therefore ensuring dispatch during peak periods when coal and gas are typically used, is an ideal renewable energy solution to replace these aging coal and gas generation assets."

Energy prices reach new highs on the WEM in 2025

The WEM operates in the SWIS, the main power system supplying electricity to Perth and much of south-west WA.

Unlike the National Electricity Market (NEM) that operates in eastern Australia, the WEM is physically isolated and operates under a capacity-based market, designed to reflect WA's unique geography and energy needs.

As shown in Table 1, average energy prices on the WEM increased to $88/MWh in 2025, an 11% increase on 2024 and a 33% increase on 2022.

Table 1: Average WEM energy prices, 2022-25[2]

Year	Average 24 hours A$/MWh	Peak (4pm-9pm) A$/MWh
2022	66	97
2023	87	143
2024	79	152
2025	**88**	**120**

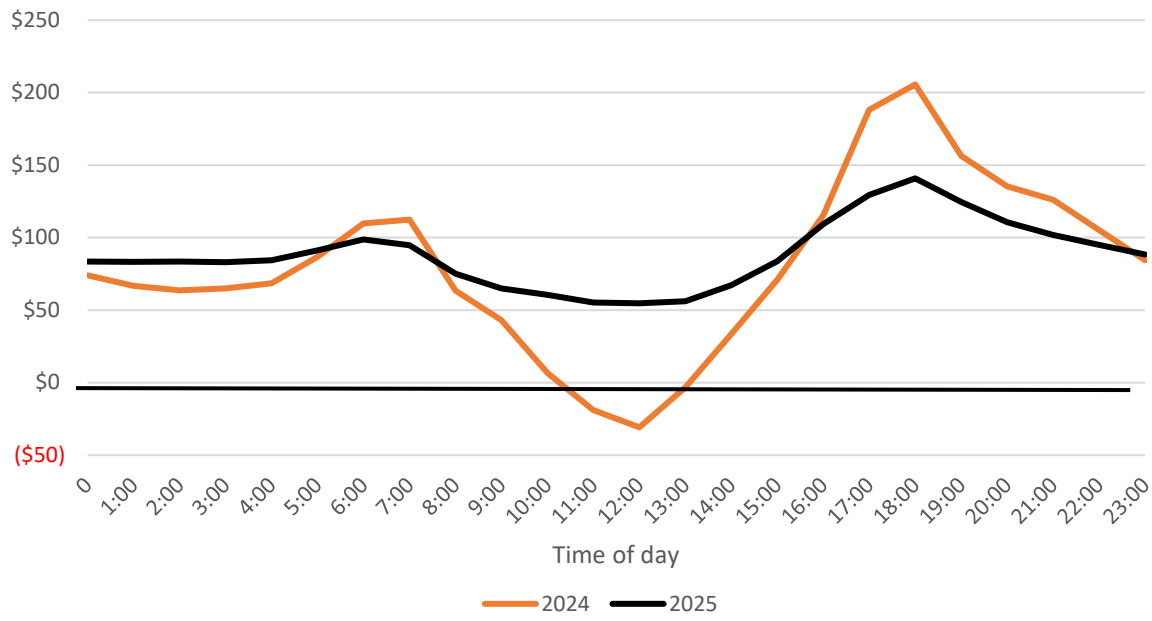
Energy prices during peak periods (4pm to 10pm) averaged $120/MWh in 2025. This is a decrease compared to the previous year ($152/MWh), driven by an increase in standalone battery storage facilities on the grid during the year (see Table 2).

The introduction of these batteries saw a significant decrease in the number of negative price periods (less than $0/MWh) throughout the year, decreasing to 5.5% compared to 21.8% in 2024.

Figure 1 below shows the impact of the growth in battery storage on the range of pricing on the grid during 2025, compared to 2024.

[2] *Australian Energy Market Operator.*

Figure 1: Average WEM price over a 24 hour period during 2024 and 2025[3]



Reserve capacity prices reach new highs

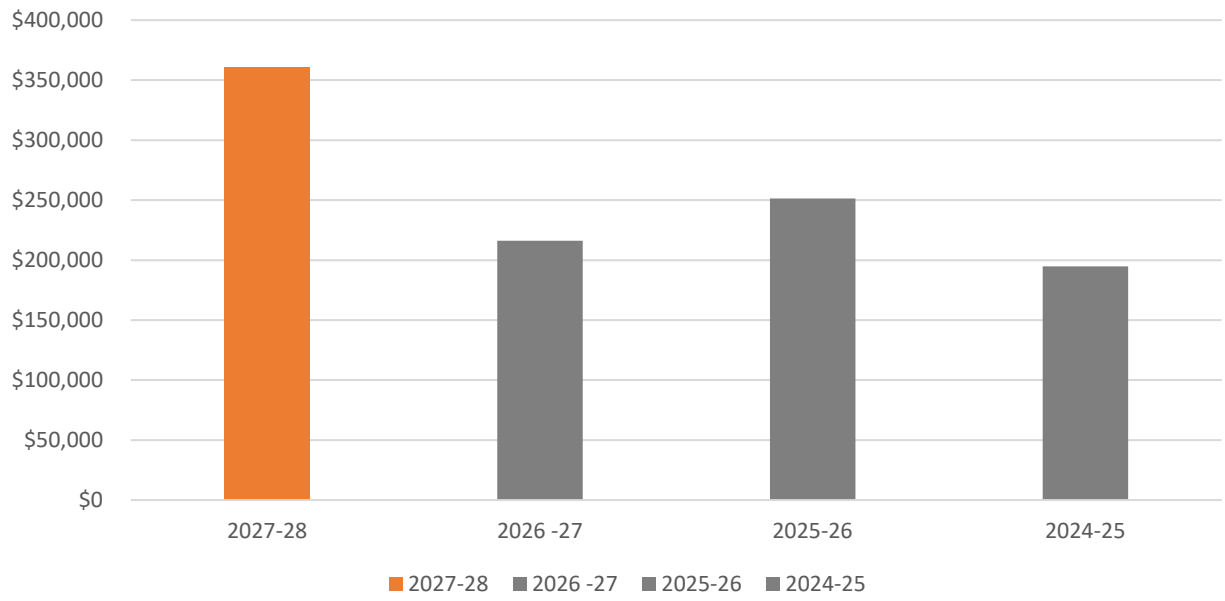
The Reserve Capacity Mechanism is unique to Western Australia and is designed to ensure there is adequate capacity available to meet forecast peak electricity demand.

The determination of the Reserve Capacity Price is an annual, multi-step process completed two years in advance of the applicable period. This process considers multiple factors, including forecast supply and demand and importantly the cost to build a new facility on the grid, defined through the Benchmark Reserve Capacity Price.

After taking all these factors into account, the final Reserve Capacity Price for the 2027/28 year (applicable to capacity credits allocated in 2025) was $360,700/MW, a 67% increase compared to the previous year's price of $216,000/MW. Figure 2 below shows the Reserve Capacity Price over the past 4 years.

[3] *Australian Energy Market Operator.*

Figure 2: Historical reserve capacity price[4]



The driver for the significant increase in the Reserve Capacity Price was a change in the benchmark technology from a gas turbine to a four-hour lithium-ion battery.

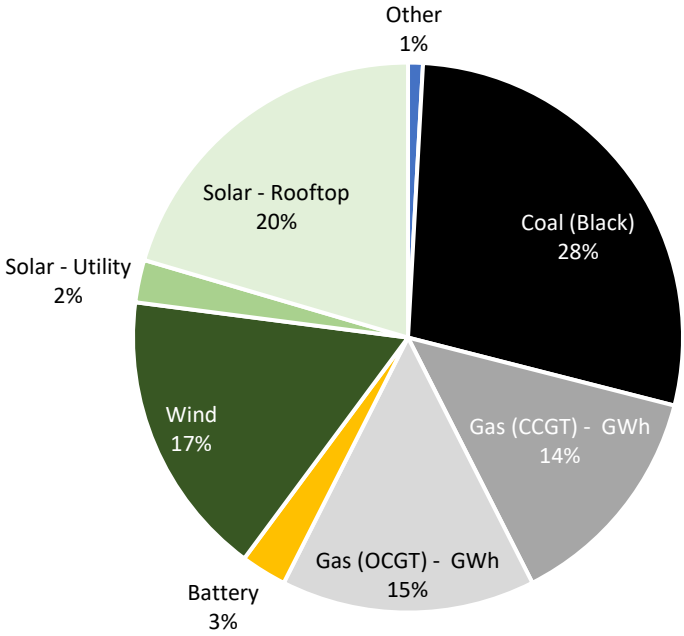
In October 2025, the Australian Energy Market Operator (**AEMO**) confirmed that Stage One was assigned 88.06 MW of peak capacity credits at a fixed price of $360,700/MW for the first five years of generation (2027 to 2032).[5] Revenue from capacity credits will therefore be approximately $32 million per annum until 2032.[6] Pricing thereafter will revert to the floating price.

Impending generation shortfall with only one new generation project added to the grid

In 2025, the SWIS continued to be highly dependent on carbon emissions generation, which accounted for approximately 57% of electricity supply (coal (28%), gas (29%)). Renewable energy accounted for approximately 40% of electricity supply, which represented a 1% increase on 2024 and significantly short of the Australian Government's target of 82% renewable energy generation by 2030[7].

[4] *https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/benchmark-reserve-capacity-price.*
[5] *See ASX announcement dated 22 October 2025.*
[6] *Based on commencement of operations in October 2027, the assignment of 88.06MW of capacity credits, an RCP of $360,700/MW and prior to any adjustment for inflation.*
[7] *https://www.dcceew.gov.au/.*

Figure 3: Source of electricity on the WEM in 2025[8]



During the year, there was only one new renewable energy generation facility added to the grid – the Cunderdin solar/BESS Project (128 MW solar, 55 MW 4 hr BESS), which was just the second renewable energy generation facility to be developed on the SWIS since 2021. There was also a significant increase in standalone batteries added to the grid during the year. Table 2 shows the renewable energy generation and battery facilities developed since 2021.

Table 2: Renewable energy and battery storage projects developed on the WEM since 2021[9]

Project	Yr commenced production	Generation type and size	Storage capacity
Cunderdin	2025	Solar – 128MW	55MW / 220MWh
Flat Rocks	2021	Wind – 76MW	NA
Kwinana Battery	2023	NA	(100 MW / 227 MWh)
Kwinana Battery 2	2024	NA	(225 MW / 900 MWh)
Collie 1	2024	NA	(219 MW / 877 MWh)
Collie 2	2025	NA	(341 MW / 1,363 MWh)
Collie	2025	NA	(250 MW / 1,000 MWh)
Collie 2	2025	NA	(250 MW / 1,000 MWh)

[8] *Australian Energy Market Operator.*

[9] *https://explore.openelectricity.org.au/.*

Impending closures highlight requirement for more generation facilities

The WA Government remains committed to the closure of the State-owned (Synergy) coal-fired generation facilities by 2029. Table 3 below highlights the forecast closures, the generation of these assets over the past 12 months and their capacity.

Table 3: Generation and capacity of forecasted closing project on the WEM[10]

Project	Closure (yr)	Generation in 2025 (GWh)	Capacity (MW)
Collie – coal	2027	950	317
Pinjar (2-7) – gas	2029	26	177
Muja – coal	2029	2,160	422
Pinjar (9-11) – gas	2031	280	344
Bluewaters – coal	NA	3,190	434
Total Closures[11]		**6.6 TWh**	**1,694**
Demand – growth3[12]		3.7 TWh	NA
Total		**10.3 TWh**	**1,694**

Combined with the forecast increase in demand by AEMO, as set out in its 2025 WEM Statement of Opportunities, approximately 10.3TWh of additional generation (and additional storage) will be required by 2031. This compares to total generation on the WEM in 2025 of 22.4TWh.

Higher prices and forecast closures support fast tracking of Stage Two study

As highlighted above, multiple strong signals from the market regarding energy prices and generation shortfall have given the Company comfort to fast track a Stage Two expansion study.

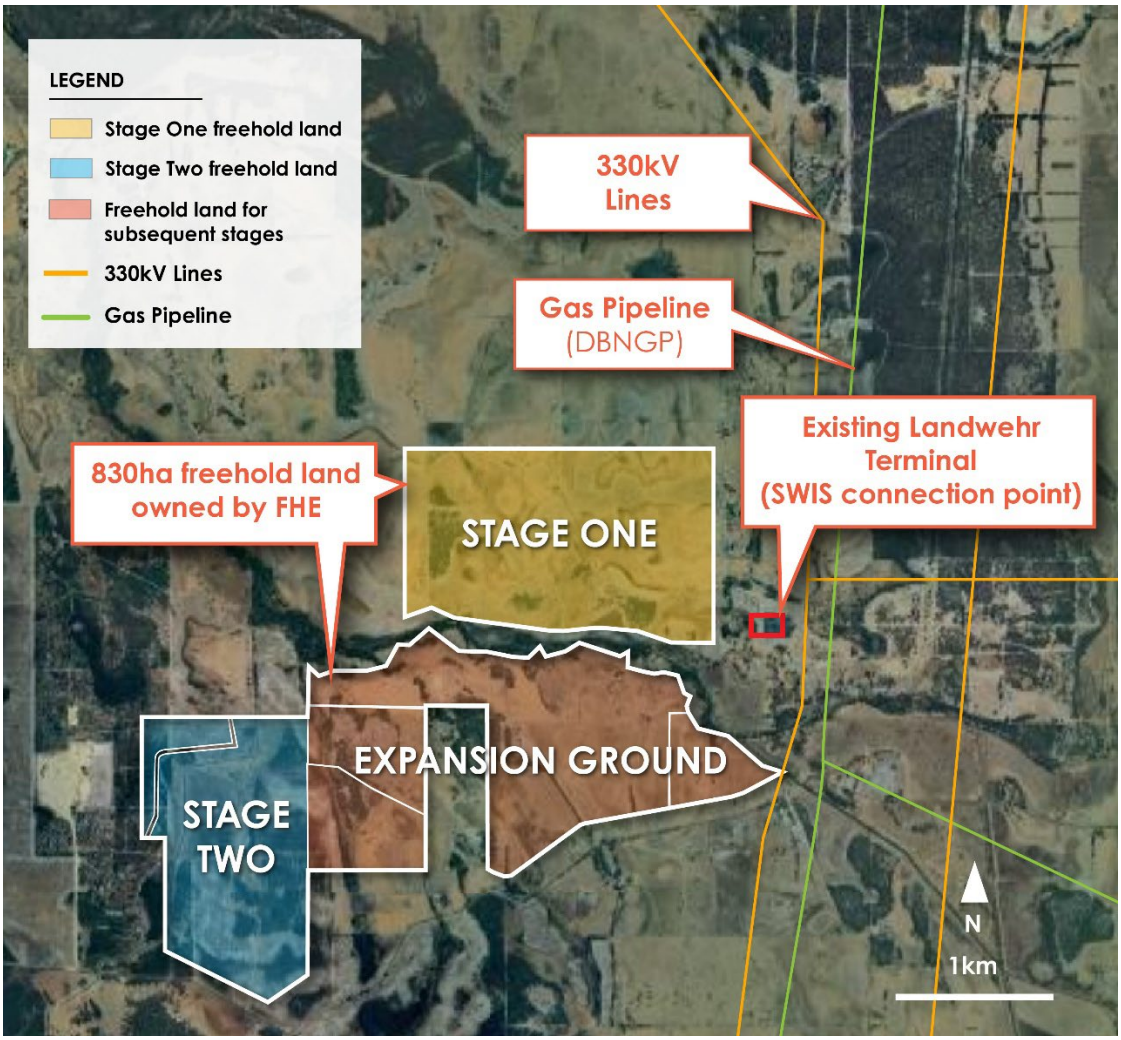
The Stage Two area was selected due to the completion of long dated work, including a development approval, which is already in place. The size of the usable landholding for Stage Two is similar to Stage One, allowing for significant learning to be transferred into a Stage Two study. Work on this study is underway and is expected to be released in 1H26.

[10] *Source: explore.openelectricity.org.au/facility/au/WEM/PINJAR/?range=all&interval=1M.*

[11] *2025 WEM ESOO and https://explore.openelectricity.org.au/ Each asset as at 12 January 2026 – 12 monthly historical.*

[12] *2025 WEM ESOO Data register – Ch 2.8.*

Figure 4: Frontier landholding and Stage Two Project location



Authorised for release by Frontier Energy's Board of Directors.

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