

Reserve Capacity Security paid as wholesale electricity price continue to strengthen in WA

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) confirms it has paid the Reserve Capacity Security to the Australian Energy Market Operator (**AEMO**), a key step in the process to apply for Reserve Capacity Credits for the Company's Waroona Renewable Energy Project (**Waroona Project or Project**). In addition, the Company notes that wholesale electricity prices in WA continue to increase, compared to both 2023 and the prices assumed in the Definitive Feasibility Study (**DFS**).

HIGHLIGHTS

- **The Company has provided Reserve Capacity Security, as part of its application for Capacity Credits (CC) in the Wholesale Electricity Market (WEM)**
- **AEMO has recently published a Summary of Certified Reserve Capacity (CRC) assigned by Facility for the 2024 Reserve Capacity Cycle¹ with 87.2MW assigned to the Waroona Project**
- **There are several further steps between the assignment of CRC and the assignment of CC under the WEM Rules and associated WEM Procedures²**
 - *AEMO will determine the quantity of CC and the Reserve Capacity Price by the end of September*
- **The Waroona Project has applied for fixed CC for five years under the WEM Rules**
 - *Fixed CC payments for five years is a key condition to secure debt financing, as it provides certainty of revenue for a portion of the revenues over a long duration*
- **Peak period (4pm-9pm) electricity prices increased strongly year-on-year during the month of August**
 - *Average prices were \$97/MWh (Aug 2023: \$97/MWh)*
 - *Peak prices averaged \$160/MWh (Aug 2023: \$127/MWh)*

CEO Adam Kiley commented: "Having been assigned Certified Reserve Capacity and lodged the required Reserve Capacity Security, we now look forward to AEMO's determination of Capacity Credits and Reserve Capacity Price, both of which will be released in late September.

Reserve capacity payments, which can be fixed for up to five years, are critical for the development of the Project, as they support Frontier's debt financing strategy.

In addition to Reserve Capacity, the Project also derives revenue from energy sales (excess solar energy is stored via the battery and released to the WEM during periods of peak demand) and Large Generation Certificates (LGC) (a form of carbon credits). Electricity prices and LGC prices remain significantly above those forecast in the DFS. Sustained high electricity prices illustrates the urgent need for energy generation assets, such as the Waroona Project, to be brought online as quickly as possible, as opposed to batteries only, that are storage only and do not generate energy."

¹ https://aemo.com.au/-/media/files/electricity/wem/reserve_capacity_mechanism/certification/2024/certified-reserve-capacity-assigned-for-the-2026-27-capacity-year.pdf?la=en

² <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-rules>

Reserve Capacity Security paid as Frontier awaits final pricing

As previously highlighted, AEMO has assigned CRC to the Company's Waroona Project, confirming that the Project had satisfied the required criteria set out in the WEM Rules for the certification of Reserve Capacity.

Since then, the Company has provided Reserve Capacity Security, and AEMO has published the assignment of 87.2MW CRC to the Waroona Project.

The Project has applied for fixed payments for five years under the WEM Rules, as receiving Reserve Capacity payments that are fixed for five years would support debt finance and be a key factor in determining the size of any debt facility.

Certified Reserve Capacity and Capacity Credits

Certified Reserve Capacity and Capacity Credits are different concepts under the WEM Rules.

There are several required steps between the assignment of Certified Reserve Capacity and the assignment of Capacity Credits under the WEM Rules that may result in the facility being assigned a lower Capacity Credit quantity than its Certified Reserve Capacity quantity. These required steps include the bilateral trade declaration process and AEMO's determination of the Network Access Quantity. Approved Certified Reserve Capacity does not, of itself, place any obligations on AEMO or grant any rights to market participants, except for the right to apply for Capacity Credits.

A facility with Capacity Credits is subject to Reserve Capacity Obligations under the WEM Rules, including but not limited to obligations regarding availability, testing, and performance monitoring. A market participant who does not satisfy its Reserve Capacity Obligations may receive a reduced capacity payment. Moreover, in certain circumstances, AEMO is required to reduce the quantity of Capacity Credits assigned to a Facility under the WEM Rules.

Strong electricity prices during August illustrate the need for additional renewable energy capacity during peak times

Average peak energy prices in the WEM have continued to increase, due primarily to capacity constraints and higher than expected demand. Peak period prices for August 2024 averaged \$160/MWh³, 26% higher than August 2023 as can be seen in Table 1. These prices are for times when the Waroona Project's battery would dispatch into the market (between 4pm and 9pm) and are ~7% higher than forecast in Frontier's DFS.

The average WEM price over a 24-hour period in August was flat year-on-year at \$96.70/MWh, a 36% increase compared to the August 2022 price of \$71.10/MWh.

³ Source: AEMO; straight averages, no price cut-offs applied.

The range from peak to trough in August 2024 was far more pronounced than in 2023, as shown in Image 1.

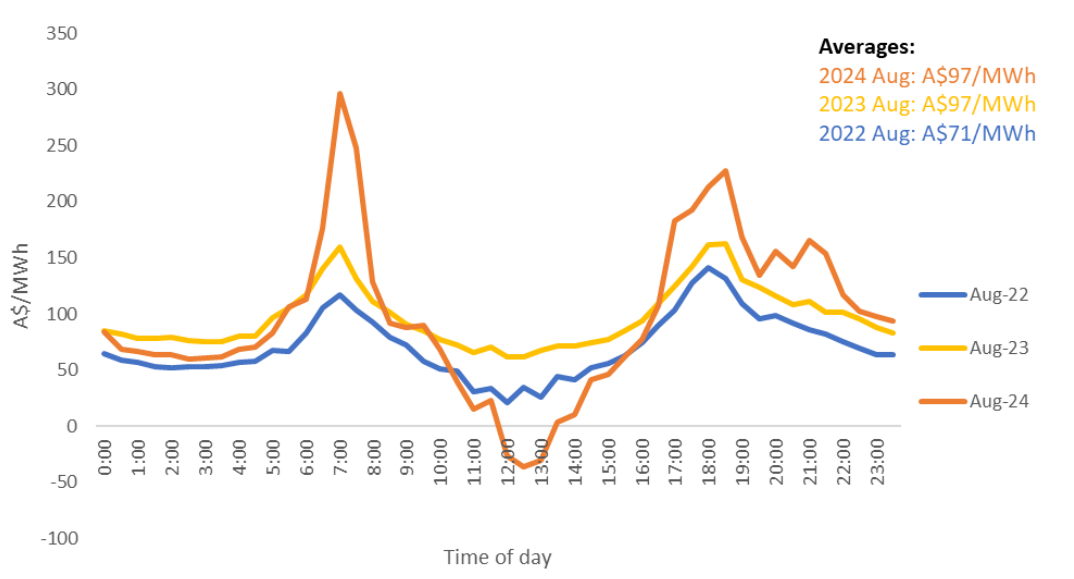


Image 1: WEM half hourly prices, averaged over the month

Period	June 2024 Quarter	July 2024	August 2024	Calendar YTD
Average Energy Price (\$/MWh)				
2024	79.3	86.9	96.7	82.1
2023	102.1	101.7	96.7	90.9
% change	-22%	-15%	0%	-10%
Peak Energy Price (\$/MWh)				
2024	156.2	155.6	160.1	162.2
2023	160.7	150.0	127.3	134.0
% change	-3%	4%	26%	21%

Table 1: WEM prices⁴

Peak prices have doubled in the past 2.5 years, as can be seen in Image 2.

⁴ AEMO pre-October 2023; <https://data.wa.aemo.com.au/public/market-data/wemde/referenceTradingPrice/> from Oct 2023; straight averages, no price cut-offs applied.

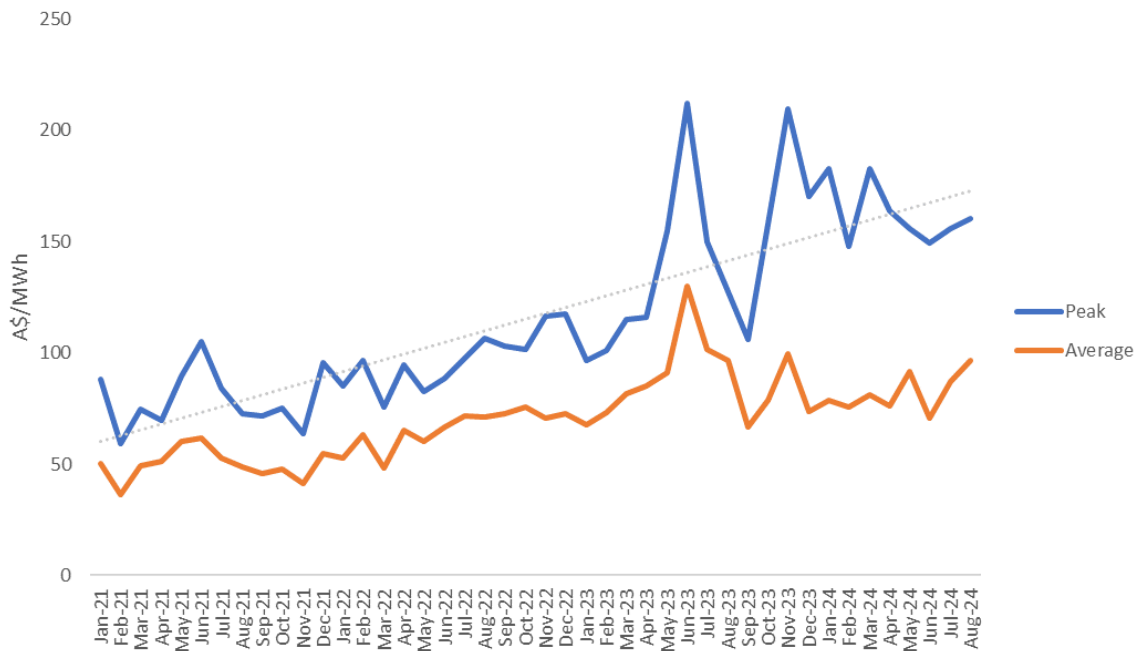


Image 2: Monthly average and peak electricity prices

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

To learn more about the Company, please visit www.frontierhe.com, or contact:

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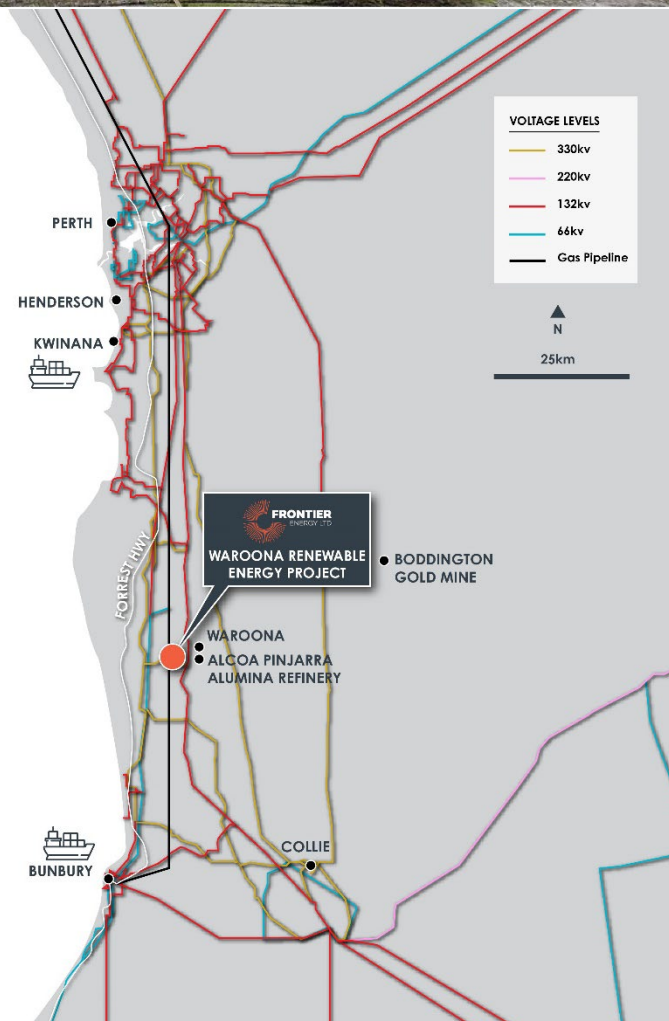
About Frontier Energy

Frontier Energy Ltd (ASX: FHE; OTCQB: FRHYF) is developing the Waroona Renewable Energy Project located 120km south of Perth in Western Australia.

Waroona has the potential to become one of Western Australia's largest standalone renewable energy projects, as the Company controls 868ha of adjoining freehold land whilst also having approvals in place for a connection onto the WA electricity network (SWIS) with a terminal adjacent to the Project.

The Company released a positive DFS on a Stage One development that consists of a 120MW solar farm and 80MW/360MWh battery.

Frontier is fully committed to making the Project one of WA's major renewable energy hubs, incorporating multiple value-adding initiatives including batteries and green hydrogen, with full renewable energy potential of more than 1GW based on connection capacity.



Directors and Management

Mr Mark McGowan
Non-Executive Chairman
(expected to be appointed on or around 2 September 2024)

Mr Grant Davey
Executive Director

Mr Adam Kiley
Chief Executive Officer

Mr Chris Bath
Executive Director

Ms Dixie Marshall
Non-Executive Director

Ms Amanda Reid
Non-Executive Director

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For a comprehensive view of information that has been lodged on the ASX online lodgement system and the Company website, please visit asx.com.au and frontierhe.com, respectively.