



**Economic Regulation Authority**

Draft decision on proposed  
revisions to the access  
arrangement for the Western  
Power network 2022/23 – 2026/27

Attachment 12: Policies and contracts

9 September 2022

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## Note

This attachment forms part of the ERA's draft decision on proposed revisions to the access arrangement for the Western Power Network for the fifth access arrangement period (AA5). It should be read with all other parts of the draft decision.

The draft decision comprises all of the following attachments:

Draft decision on proposed revisions to the access arrangement for the Western Power network 2022/23 – 2026/27 – Decision Overview

Attachment 1 – Price control and target revenue

Attachment 2 – Regulated asset base

Attachment 3A – AA4 capital expenditure

Attachment 3B – AA5 capital expenditure

Attachment 4 – Depreciation

Attachment 5 – Return on regulated asset base

Attachment 6 – Operating expenditure

Attachment 7 – Other components of target revenue

Attachment 8 – Services

Attachment 9 – Service standard benchmarks and adjustment mechanism

Attachment 10 – Expenditure incentives and other adjustment mechanisms

Attachment 11 – Network tariffs

Attachment 12 – Policies and contracts (this document)

# 1. Summary

This attachment deals with the following matters:

- The date the next proposed revisions to the access arrangement must be submitted and a target date for the next revised access arrangement to commence.
- Trigger events that would require the access arrangement to be re-opened during the access arrangement period and a full review undertaken.
- The standard access contract that sets out the terms and conditions for services.
- The applications and queuing policy that sets out the processes, procedures and requirements for seeking and obtaining access to the network.
- The contributions policy that sets out the principles and processes for determining when a contribution will be required from a user, including for a network augmentation, and for determining the amount of the contribution.
- The multi-function assets policy – in respect of network assets that provide both regulated and unregulated services (also referred to as covered and uncovered services) – including the calculation of net incremental revenue from those assets.<sup>1</sup>
- Details of how supplementary matters will be dealt with.<sup>2</sup>

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<sup>1</sup> “Net incremental revenue” in relation to a multi-function asset is defined as the revenue from all payments received by a service provider in excess of the revenue it would receive if the asset only provided regulated services.

<sup>2</sup> Supplementary matters are listed in section 5.27 of the Access Code and include balancing, line losses, metering, ancillary services, stand-by, trading and settlement.

## Summary of draft decision on policies and contracts

- The proposed revisions submission date for the next access arrangement review of 1 February 2026 and the target revisions commencement date for the next access arrangement period (AA6) of 1 July 2027 are approved.
- The proposed trigger events (unchanged from AA4) are approved.
- Amendments are required to the standard access contract:
  - Amend clause 9(a) of the standard access contract to require Western Power to act as a Reasonable and Prudent Person when determining if there is a material risk that a User will be unable to meet its liabilities under the contract and the form of documents required for the indemnifier.
  - Amend clause 9(b)(ii) of the standard access contract to require Western Power to act as a Reasonable and Prudent Person when deciding whether the arrangements for a cash deposit are acceptable.
- Amendments are required to the applications and queuing policy
  - Amend the applications and queuing policy to reinstate the streetlight LED replacement service (D10).
  - Amend clause 4.9(d) of the applications and queuing policy to remove “and for the purposes of determining the terms and conditions of”.
  - Resolve the outstanding matters on the application process for distributed generation and other non-network solutions.
  - The timelines must be defined clearly and as short as reasonably possible with requirements to provide updates to applicants on progress and likely time to completion.
- The proposed minor revisions to the contributions policy are approved.
- The proposed arrangements for supplementary matters (unchanged from AA4) are approved.
- Amendments are required to the multi-function asset policy:
  - Remove the proposed transitional year.
  - Clarify that covered assets that were gifted, funded by capital contributions or are now fully depreciated will be subject to the multi-function asset provisions as intended.
  - Remove the proposed deduction of operational costs from net incremental revenue.
  - Remove the calculation of the reduction to target revenue from the multi-function asset policy.

The reasons for the ERA’s draft decision in respect of the matters relevant to the policies and contracts for AA5 and details of required amendments are set out in this attachment.

## 2. Revisions submission date and target commencement date

Section 5.29 of the Access Code requires the access arrangement to specify a “revisions submission date” and a “target revisions commencement date”.

The revisions submission date is the date by which Western Power must submit its proposed revisions for the next access arrangement period.<sup>3</sup>

The target revisions commencement date is the date targeted for the next revised access arrangement (AA6) to take effect.<sup>4</sup>

Section 5.31 sets out the requirements for the revisions submission date and target revisions commencement date:

- (a) the *revisions submission date* must be at least 17 months before the *target revisions commencement date*; and
- (b) the *target revisions commencement date* must be 5 years after the start of the *access arrangement period*, unless a different date is proposed by the *service provider* and the different date is consistent with the *Code objective*.

### 2.1 Western Power’s proposal

Western Power has proposed:

- a revisions submission date of 1 February 2026
- a target revisions commencement date of 1 July 2027.

### 2.2 Considerations of the ERA

The proposed revisions submission date of 1 February 2026 is seventeen months before the proposed target revisions commencement date of 1 July 2027. These proposed dates are both consistent with the requirements of section 5.31 of the Access Code.

The Access Code requires the target revisions commencement date for the next access arrangement revisions must be five years after the start of the access arrangement period unless a different date is proposed by the service provider and the different date is consistent with the Access Code objective.

The access arrangement period is the period between a revisions commencement date and the next revisions commencement date.<sup>5</sup> The revisions commencement date is the date that revisions to an access arrangement that have been approved by the ERA commence.<sup>6</sup>

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<sup>3</sup> As defined in section 1.3 of the Access Code.

<sup>4</sup> As defined in section 1.3 of the Access Code.

<sup>5</sup> As defined in section 1.3 of the Access Code.

<sup>6</sup> As defined in section 1.3 of the Access Code.

The current access arrangement required Western Power to submit proposed revisions for the AA5 period by 26 February 2021 (revisions submission date), with the revised access arrangement targeted to commence on 1 July 2022 (target revisions commencement date).

To facilitate the Energy Transformation Strategy, the State Government made amendments to the Access Code in September 2020. This included deferring the revisions submission date for Western Power's AA5 proposal to 1 February 2022 and the target revisions commencement date for AA5 to 1 July 2023. Although the proposed revised access arrangement is not proposed to come into effect until 1 July 2023, the proposal includes target revenue for a five-year period commencing 1 July 2022 as approved by the ERA in AA4.

On that basis, the ERA considers Western Power's proposed target revision commencement date is consistent with the Access Code objective and the requirements of section 5.31 of the Access Code.

### 3. Trigger events

Under section 5.34 of the Access Code, if it is consistent with the Access Code objective an access arrangement may specify one or more trigger events. A trigger event is defined in the Access Code as a set of one or more circumstances specified in the access arrangement, the occurrence of which requires a service provider to submit proposed revisions to the ERA under section 4.37(d) of the Access Code.<sup>7</sup>

Proposed revisions submitted under section 4.37 of the Access Code as a result of a trigger event are subject to a full access arrangement review process (in accordance with sections 4.46 to 4.52 of the Access Code).

Trigger events may be either proposed by the service provider or included in an access arrangement by the ERA under section 5.35 of the Access Code.

Section 5.36 of the Access Code sets out the factors the ERA must consider before determining whether a trigger event is consistent with the Access Code objective:

- (a) whether the advantages of including the *trigger event* outweigh the disadvantages of doing so, in particular the disadvantages associated with decreased regulatory uncertainty; and
- (b) whether the *trigger event* should be balanced by one or more other *trigger events*.

Trigger events are set out in section 8.1.1 of the current access arrangement:

Any significant unforeseen event which has a materially adverse impact on Western Power and which is:

- (i) outside the control of Western Power; and
- (ii) not something that Western Power, acting in accordance with good electricity industry practice, should have been able to prevent or overcome; and
- (iii) so substantial that the advantages of making the variation before the end of the access arrangement period outweigh the disadvantages, having regard to the impact of the variation on regulatory certainty.

Section 8.1.2 of the current access arrangement requires that Western Power must submit proposed revisions to the ERA within 90 business days after a trigger event has occurred.

#### 3.1 Western Power's proposal

Western Power has not proposed any amendments to the trigger event provisions in its current access arrangement.

#### 3.2 Submissions

No submissions addressed the trigger event provisions in the access arrangement.

<sup>7</sup> As defined in section 1.3 of the Access Code.

### 3.3 Considerations of the ERA

The ERA has reviewed the trigger event provisions and considers that the trigger event provisions meet the requirements of the Access Code and are consistent with the Access Code objective.

Under section 4.37(d) of the Access Code, proposed revisions to an access arrangement are required to be submitted to the ERA if the conditions of a trigger event are satisfied.

The ERA considers that the trigger events as contained in the current access arrangement are limited and provide necessary protection of Western Power's business interests and that any potential disadvantages of a full access arrangement review process being required to be undertaken as a result of the specified trigger events occurring, continues to outweigh any decreases in regulatory certainty for Western Power, users or applicants.

The Access Code includes other provisions that permit variations to an access arrangement during an access arrangement period that do not require a full access arrangement review to be undertaken by the ERA, including:<sup>8</sup>

- Section 4.38(b)(ii) permits the ERA to vary the price control or pricing methods if it determines that significant unforeseen developments have occurred that are:
  - Outside the control of the service provider.
  - Not something the service provider, acting in accordance with good electricity industry practice, should have been able to prevent or overcome.
  - The impact of the unforeseen developments is so substantial that the ERA considers that the advantages of making the variation before the end of the access arrangement period outweigh the disadvantages, having regard to the effect of the variation on regulatory certainty.
- Section 4.41 provides for the ERA to vary the access arrangement by issuing a notice as a consequence of any relevant amendments to the Access Code or to incorporate changes to the model applications and queuing policy, model standard access contract or model contributions policy.
- Section 4.41A provides a broad remit to the ERA to vary an access arrangement in accordance with revisions proposed by Western Power during the access arrangement period.

Prior to varying the access arrangement under section 4.41 or 4.41A, the ERA must determine whether the advantages of making the variation before the end of the access arrangement period outweigh the disadvantages, in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay.

When considering and implementing revisions during an access arrangement period under sections 4.38, 4.41 or 4.41A of the Access Code, the ERA is not obliged to undertake a complete review of the access arrangement. Its decision is published in a notice and the ERA must follow the requirements of Appendix 7 of the Access Code for any public consultation.

<sup>8</sup> Section 4.41B of the Access Code.

## 4. Standard access contract

A standard access contract sets out the terms and conditions under which a user may obtain access to a reference service at the reference tariff. Section 5.1(b) of the Access Code requires that an access arrangement include a standard access contract for each reference service.

The specific requirements for a standard access contract are set out in sections 5.3 to 5.5 of the Access Code. An extract of the Access Code provisions relevant to the standard access contract is included in Appendix 1.

Appendix A of the access arrangement approved by the ERA for AA4 contained the standard access contract. The standard access contract applied to all reference services offered under the access arrangement.

On 30 July 2021, the Access Code was amended to, among other things, update Western Power's standard access contract to support the introduction of the constrained network access regime.<sup>9</sup> The updated standard access contract set out in Appendix 3A of the Access Code applies as a transitional document until the commencement of Western Power's fifth access arrangement (transitional standard access contract).

The changes that the transitional standard access contract contained included:

- Amendments to facilitate constrained network access including making it clear that entry services are provided on a constrained basis and limitations on Western Power's liability for the curtailment of users either by Western Power or AEMO acting on advice or information from Western Power except to the extent that Western Power has not acted in good faith.
- Including a requirement for transmission connected generators to comply with registered generator performance standards and associated monitoring plan.
- Removal of the concept of bare transfers and amendments to transfer and relocation provisions to reflect the amendments made to the Access Code in September 2020.<sup>10</sup>

### 4.1 Western Power's proposal

Western Power proposes to retain a single standard access contract that applies to all reference services offered under the access arrangement.

Western Power's proposed standard access contract is based on the transitional standard access contract included as Appendix 3A of the Access Code.

Western Power's proposed amendments to the transitional standard access contract are outlined in the change summary report provided as Attachment 13.1 to the access arrangement information. A marked-up version of the transitional standard access contract to

<sup>9</sup> Constrained network access will be implemented primarily by the application of Security Constrained Economic Dispatch (SCED) in the Wholesale Electricity Market (WEM), with generation dispatched to minimise the total cost of wholesale energy and essential system services while explicitly accounting for network constraints and security requirements of the power system. The new market design is currently targeted to come into effect in October 2023.

<sup>10</sup> The concept of "bare transfer" was removed from the Access Code in September 2020. It was previously defined in the Access Code as being the transfer of a user's access rights, under a transfer and relocation policy, in which the user's obligations under the contract for services, and all other terms of the contract for services, remain in full force and effect after the transfer.

show Western Power's proposed amendments is included as Appendix A in the proposed access arrangement supporting information.

## 4.2 Submissions

The ERA's issues paper sought feedback from stakeholders on whether the proposed changes to the connection provisions of the access arrangement adequately address requirements for the new market design and any issues stakeholders have encountered when seeking connections that could be addressed by further amendments to the standard access contract, applications and queuing policy or contributions policy.

Matters relevant to the standard access contract were raised in submissions from Perth Energy, Change Energy and Synergy.

Perth Energy submitted that the changes made to the various standard documents to accommodate the changes occurring in the Wholesale Electricity Market appear to be well thought through. Perth Energy supported the inclusion of an "indemnifier" in the standard access contract to facilitate connection applications from new entities that may not, on their own, have the requisite financial standing.<sup>11</sup>

Change Energy sought contract terms and conditions that better facilitate meter data-sharing and contracting for behind-the-meter services including solar PV, electricity storage resources and electric vehicle charging installations.<sup>12</sup> For example, in the AA4 review Western Power included proposed changes in section 3.8 of the Applications and Queuing Policy that would allow connection points to be included in multiple contracts to facilitate multiple trading relationships. However, the ERA rejected this change at the time on the basis that it could affect pre-existing contractual rights to contracted capacity at connection points if it were to be used by multiple users. Change Energy is advocating for sharing of meter data rather than capacity-sharing and does not see any contractual issues with such a change.

Synergy raised concerns about the *force majeure* provisions in the current standard access contract. Clause 22 includes notification requirements for *force majeure* events.<sup>13</sup> Under clause 7.3, if a service is unavailable for any consecutive period of two days or longer due to a *force majeure* event, the user is only required to pay 10 per cent of the standing charge during the relevant period.

Synergy cited examples where *force majeure* events appear to have occurred but Synergy had not been notified under its standard access contract or had its charges reduced.<sup>14</sup> Synergy considers that Western Power has not correctly interpreted and met its obligations under the standard access contract. Synergy considers that the only way a user can dispute Western Power's current interpretation is to pursue legal proceedings and that the cost of these proceedings is highly likely to be more than the resultant benefit available under clause 7.3. Consequently, Synergy considers that the drafting in the standard access contract should be made more explicit and the ERA should clarify the operation of clause 22 and 7.3.

The matters raised in submissions have been taken into account in the ERA's considerations below.

<sup>11</sup> Perth Energy submission p. 7.

<sup>12</sup> Change Energy submission p. 2.

<sup>13</sup> Synergy submission on policies and standard access contract pp. 9-10.

<sup>14</sup> For example, force majeure claims made by Western Power in the calculation of service standard performance that had not been notified and charged in accordance with Synergy's access contract.

### 4.3 Considerations of the ERA

The ERA has taken into account the submissions received and considered Western Power's proposed amendments to the transitional standard access contract and whether the terms and conditions of the transitional standard access contract that are unchanged are consistent with the Code objective and meet the requirements of the Access Code.

In relation to the new requirements under section 5.38 of the Access Code that are designed to ensure that the standard access contract supports the introduction of constrained network access, the ERA considers these have been met by the incorporation of the amendments made to the transitional standard access contract.

Other than as set out below, most of the proposed amendments to the transitional standard access contract (as set out in the marked up Appendix A in the proposed access arrangement additional information and explained in Attachment 13.1 of the access arrangement information) are minor drafting changes to references and terminology. The ERA is satisfied that these amendments improve the drafting and do not alter the meaning of the relevant clauses.

More significant amendments have been proposed to the definition of "indemnifier" and the clauses dealing with the requirements for cash deposits and security for contributions. These proposed amendments are considered below.

Western Power has proposed to amend the definition of "indemnifier" as follows.

means [a person who has agreed to indemnify Western Power in respect of the liabilities of the User under this Contract \(and which person is the Indemnifier specified in the Parties section of this Contract \(if any there is an Indemnifier as at the date of execution of this Contract\)\).](#)

The ERA considers that the proposed amendment to the definition is consistent with the Access Code and offers a more comprehensive description of the term and improves clarity of the standard access contract.

Western Power has expanded Clause 9, that deals with security, to include the following paragraph as clause 9(a):

[If Western Power determines that there is a material risk that the User will be unable to meet any or all of its liabilities under this Contract, then Western Power may, by notice to the User, require the User to procure a person acceptable to Western Power \(acting as a Reasonable and Prudent Person\) to execute such documents \(in a form acceptable to Western Power\) as required to ensure they accede to this Contract as, and assume the obligations of, the "Indemnifier".](#)

The ERA considers the proposed new clause should be amended to require Western Power to act as a reasonable and prudent person:

If Western Power, [acting as a Reasonable and Prudent Person](#), determines that there is a material risk that the User will be unable to meet any or all of its liabilities under this Contract, then Western Power may, by notice to the User, require the User to procure a person acceptable to Western Power (acting as a Reasonable and Prudent Person) to execute such documents (in a form acceptable to Western Power) as [reasonably](#) required to ensure they accede to this Contract as, and assume the obligations of, the "Indemnifier".

## Required Amendment 1

Amend clause 9(a) of the standard access contract to require Western Power to act as a Reasonable and Prudent Person when determining if there is a material risk that a User will be unable to meet its liabilities under the contract and the form of documents required for the indemnifier.

Western Power has proposed modifications to the requirements for cash deposits under clause 9(b)(ii):

- (A) pay to Western Power a cash deposit equal to the Charges for two months' Services; ~~or~~ (Secured Period), provided Western Power is only required to accept a cash deposit if arrangements acceptable to Western Power are in place to ensure Western Power's entitlements to that cash deposit will prevail against any secured creditors of the Nominated Person or insolvency official appointed to the Nominated Person; or
- (B) provide an irrevocable and unconditional bank guarantee or equivalent financial instrument issued by a financial institution acceptable to Western Power in terms acceptable to Western Power (acting as a Reasonable and Prudent Person), guaranteeing or otherwise securing the Charges for ~~two months' Services~~ the Secured Period; or
- (C) if Western Power is satisfied, as a Reasonable and Prudent Person, that the User's parent company's financial, operational and technical resources are such that the User's parent company would be able to meet the User's obligations under this Contract ...

Western Power has also proposed to amend clause 10, relating to security for contributions, to clarify that any required bank guarantee is "issued by a financial institution acceptable to Western Power."

The ERA considers the proposed amendments to clause 9(b)(ii) and clause 10 are reasonable and consistent with the requirements of section 5.3 of the Access Code providing Western Power is required to act as a reasonable and prudent person in respect to determining whether the arrangements are acceptable and the financial institution is acceptable:

pay to Western Power a cash deposit equal to the Charges for two months' Services; ~~or~~ (Secured Period), provided Western Power is only required to accept a cash deposit if arrangements acceptable to Western Power (acting as a Reasonable and Prudent Person) are in place to ensure Western Power's entitlements to that cash deposit will prevail against any secured creditors of the Nominated Person or insolvency official appointed to the Nominated Person; or

## Required Amendment 2

Amend clause 9(b)(ii) of the standard access contract to require Western Power to act as a Reasonable and Prudent Person when deciding whether the arrangements for a cash deposit are acceptable.

The ERA sought additional information from Synergy and Western Power in relation to the issue raised by Synergy regarding notification of *force majeure* events and adjustments to charges. Synergy has subsequently advised the ERA that it is no longer seeking an amendment to the proposed standard access contract in respect of *force majeure* adjustments.

## 5. Applications and queuing policy

Section 5.1(g) of the Access Code requires that an access arrangement include an application and queuing policy that sets out the processes, procedures and requirements for seeking and obtaining access to the network.<sup>15</sup>

An extract of the Access Code provisions relevant to the applications and queuing policy is included in Appendix 2.

The ERA-approved access arrangement for AA4 included the applications and queuing policy at Appendix A.

The applications and queuing policy approved by the ERA dealt with the procedural requirements for:

- an access application and access offer (Part A)
- an electricity transfer application (Part B)
- a connection application (Part C).

The procedural requirements for a connection application included “queuing rules” (clause 24). The queuing rules apply where Western Power receives two or more applications where the service sought in one connection application may affect Western Power’s ability to provide covered services that are sought in other connection applications.

Under the policy approved for AA4, Western Power could:

- Manage competing applications by forming them into one or more competing applications groups and assessing a single set of works for shared assets required to meet some or all of the requirements of each competing applications group.
- Form all the competing applications into one competing applications group, or two or more competing applications groups, as it considers appropriate given the nature of the applications, including how the competing applications impede each other in respect of network constraints, the size of capacity sought in each of the competing applications and the current level of spare capacity.<sup>16</sup>

When determining whether there is spare capacity to provide covered services requested, Western Power was required to assume that any existing access contract would be renewed in accordance with the terms of that contract.

Applicants could request Western Power to develop an applicant-specific solution, either at the time of application, or at any time after application. Such applicants could choose whether to also be included in a competing applications group.

On 30 July 2021, the Access Code was amended to update Western Power’s applications and queuing policy to support the introduction of the constrained network access regime. Appendix 2A of the Access Code was inserted to provide an updated applications and queuing policy for the Western Power Network that applies as a transitional document until the

<sup>15</sup> Sections 5.7 to 5.11 of the Access Code detail the specific requirements for an applications and queuing policy.

<sup>16</sup> Spare capacity is defined as the maximum rate at which electricity can be transported through that part of the network in accordance with good electricity industry practice to provide covered services sought by an applicant having regard to Western Power’s contractual obligations in respect of the network.

commencement of Western Power's fifth access arrangement (transitional applications and queuing policy).

The changes the transitional applications and queuing policy contained included:

- New requirements for confidential information and the publication of information on projects to provide more visibility of generation projects, facilitate transparency and increase investment confidence.
- Amendments to capacity related concepts as the concept of spare network capacity has limited relevance to generators and entry services in a constrained access regime. This included removing the requirement for Western Power to provide information on spare capacity to generators as the concept of spare capacity for entry services has limited relevance under a constrained network access regime.<sup>17</sup>
- The modification of the concept of competing application groups for constrained network access. The concept is required to accommodate circumstances where one connection application may impede the ability to provide services sought in a second connection application.
- Amendments to applicant specific solutions so that an objection cannot be made on the basis that the applicant specific solution would increase constraints on the network. That is, existing users or applicants would need to point to some impedance other than just greater constraints.
- The expansion of the definition of the Technical Rules in the applications and queuing policy to include the registered generator performance standards that a transmission connected generator is required to comply with under the WEM Rules. A new provision was added that makes clear that for a generator proposing to connect to the transmission system, Western Power is not obliged to make an access offer until the registered generator performance standards have been determined in accordance with the WEM Rules.
- Incorporation of the transfer and relocation policy in the applications and queuing policy consistent with amendments to the Access Code in September 2020.

## 5.1 Western Power's proposal

Western Power's proposed applications and queuing policy is based on the transitional applications and queuing policy included as Appendix 2A of the Access Code.

Western Power has proposed amendments to the transitional applications and queuing policy based on experience and feedback from customers during the AA4 period. These include:

- Changing the process to allow a competing applications group applicant to be transferred to an applicant specific solution.
- Speeding up the process involving bypass by an applicant specific solution of competing applicants.

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<sup>17</sup> The [consultation paper](#) published by the Energy Transformation Taskforce in April 2021 on the proposed amendments to the Access Code to support constrained access noted that new requirements have been placed on the Australian Energy Market Operator and Western Power to publish information that will enable prospective connection applicants to understand the patterns and market impacts of network congestion and make their own assessment of the availability of capacity throughout Western Power's Network as part of the new WEM Rules to implement a security constrained market design. This information includes the Congestion Information Resource that will include a library of constraint equations and a congestion report that will include an analysis of the duration and frequency of constraints.

- Removing inconsistencies between the applications and queuing policy and standard access contract.

Western Power's proposed amendments to the transitional applications and queuing policy are outlined in the change summary report provided as Attachment 13.2 to the access arrangement information. A marked-up version of the transitional applications and queuing policy to show Western Power's proposed amendments is included as Appendix B in the proposed access arrangement supporting information.

## 5.2 Submissions

The ERA's issues paper sought feedback from stakeholders on whether the proposed changes to the connection provisions of the access arrangement adequately address requirements for the new market design and any issues stakeholders have encountered when seeking connections that could be addressed by further amendments to the applications and queuing policy.

Matters relevant to the applications and queuing policy were raised in submissions from Perth Energy, Alinta Energy, Collgar Wind Farm and Synergy.

As noted under the standard access contract, Perth Energy submitted that the changes made to the various standard documents to accommodate the changes occurring in the Wholesale Electricity Market appear to be well thought through.

Perth Energy supported the proposed amendment to the applications and queuing policy permitting Western Power to not consider an objection from an applicant whose application had not progressed for 12 months. Perth Energy considered this would facilitate connection applications from new entities. Perth Energy also supported the proposed amendment to enable a competing applications group to be closed if there is only one valid application within it.<sup>18</sup>

Alinta submitted that Western Power should consider how the applications and queuing policy and its connection approval process could be improved to expedite new connections and avoid bottlenecks. Alinta suggested that the connection process and modelling requirements for generators should be simplified to be consistent with the introduction of the constrained access regime. Alinta noted that enabling further investment in renewable energy is a key objective of the constrained access reforms and considers that, unless there are improvements to the generation connection process, the objective will not be fully achieved.<sup>19</sup>

Alinta also recommended that Western Power should consider prioritising connection applications based on their merits rather than "first-in, first-served". For example, it considered that projects could be prioritised based on the viability, readiness and track record of the applicant similar to the merit criteria recently developed for the Offshore Electricity Infrastructure Regulations. Alinta considered such an approach would support the projects with the most merit being delivered as soon as possible and avoid bottlenecks caused by non-viable applications.

Collgar expressed similar views to Alinta. It noted that prolonged application periods may mean that project developers are not able to respond to increased demand in a timely manner

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<sup>18</sup> Perth Energy submission p. 7.

<sup>19</sup> Alinta Energy submission p. 5.

and considered there should be provision for smaller projects that present less risk to the network to have shorter application timeframes.<sup>20</sup>

Synergy raised the following matters:

- A drafting error has removed the streetlight LED replacement service (D10).<sup>21</sup>
- The process and timeframes for entry and bi-directional services facilitating distributed generation or other non-network solutions (B3 and C15) are ambiguous and too high-level, which creates uncertainty about what Western Power must do and by when, including how Western Power requests the user to provide additional information. Synergy has submitted two applications for these services in 2021 that have not been progressed. Synergy considers the process and timeframes require improvement.<sup>22</sup>
- Western Power has failed to ensure that Synergy's consent (as the retailer) was obtained prior to combining connection points.<sup>23</sup> Synergy advised there had been instances where Western Power, together with a third party, combined connection points without ensuring Synergy's consent had been obtained. Synergy subsequently became aware of the change through customer complaints and incurred substantial costs to engage with customers and remediate the issue. Synergy noted there appeared to be no ramifications for Western Power not complying with its obligations other than the user initiating costly and inefficient access disputes or suing for breach of contract. Synergy proposed drafting amendments to require written consent and to make clear that the requirements also apply to residential premises.<sup>24</sup>

The matters raised in submissions have been taken into account in the ERA's considerations below.

### 5.3 Considerations of the ERA

The ERA has taken into account the submissions received and considered the proposed revisions to the transitional applications and queuing policy and whether the terms and conditions of the applications and queuing policy that are unchanged are consistent with the Code objective and meet the requirements of the Access Code, particularly those contained in sections 5.7 to 5.11 of the Access Code.

<sup>20</sup> Collgar Windfarm submission p. 6.

<sup>21</sup> Synergy submission on policies and standard access contract p. 8.

<sup>22</sup> Synergy submission on policies and standard access contract p. 8.

<sup>23</sup> Section 14.3 of the transitional applications and queuing policy requires:

- (a) a person may make an electricity transfer application to have multiple connection points supplying a single premise or adjacent premises of a single commercial or industrial complex combined into a single connection point,
- (b) ...
- (c) Where an applicant applies under clause 14.3(a) the applicant must demonstrate that the connection points are integral to a single business.  
{For example, a supermarket acquiring adjacent premises to its existing premises with the intention of expanding its operation across these premises can combine the two exit points into a single exit point.}
- (d) Where an application is made under clause 14.3(a) by an applicant who is not the retailer in relation to a relevant connection point, the applicant must obtain the consent of the retailer.
- (e) A retailer must have verifiable consent from its customer before making an electricity transfer application to change the configuration of a connection point.
- (f) Western Power must determine, as a reasonable and prudent person, within 5 business days whether it will accept the application.

<sup>24</sup> Synergy submission on policies and standard access contract pp. 6-7.

In relation to the new requirements for including the transfer and relocation policy in the applications and queuing policy and the new requirements under section 5.38 of the Access Code designed to ensure that the applications and queuing policy supports the introduction of constrained network access, the ERA considers this has been met by the incorporation of the amendments made to the transitional applications and queuing policy included in Appendix 2A of the Access Code.

Other than as set out below, most of the proposed amendments to the applications and queuing policy (as set out in the marked-up Appendix B in the proposed access arrangement additional information and explained in Attachment 13.2 of the access arrangement information) are minor drafting changes to references and terminology.

The ERA is satisfied that these amendments improve the drafting and do not alter the meaning of the relevant clauses.

### ***Revised reference services***

Various amendments have been made to incorporate the revised list of reference services for AA5 as determined in the framework and approach. As identified in Synergy's submission and confirmed by Western Power, the streetlight LED replacement service (D10) has been deleted in error and must be reinstated.

### **Required Amendment 3**

Amend the applications and queuing policy to reinstate the streetlight LED replacement service (D10).

### ***Security assessments***

Western Power has proposed to amend clause 4.9(c) and 4.9(d) to clarify security requirements for outstanding contributions and the ability for Western Power to undertake a financial and credit assessment.

- (c) Notwithstanding an applicant providing evidence that it has an unqualified credit rating in accordance with clause 4.9(b), Western Power may, as a condition under an access contract or otherwise, require the user or indemnifier to provide an irrevocable and unconditional bank guarantee or equivalent financial instrument in terms acceptable to Western Power (acting as a reasonable and prudent person), guaranteeing the present value of any amount of any contribution that remains unpaid or not provided at as calculated by Western Power under the ~~time of requirement~~ Contributions Policy.
- (d) Western Power may perform a financial, credit and/or security assessment under this clause 4.9 prior to making and for the purposes of determining the terms and conditions of an access offer.

The ERA considers the proposed amendments to clause 4.9(c) improve clarify and do not change the operation of the clause.

In respect of the amendments proposed to clause 4.9(d), the description as to the form of assessment is reasonable as such assessments are relevant to the consideration of an applicant's ability to meet its liabilities under an access contract and the need for security to be provided. However, the ERA considers the proposed insertion of "and for the purposes of determining the terms and conditions of" is not required.

## Required Amendment 4

Amend clause 4.9(d) of the applications and queuing policy to remove “and for the purposes of determining the terms and conditions of”.

### *Objections by competing applicants*

Western Power proposes to amend clause 20.3 to remove the right of objection from a competing applicant for whom no work has been undertaken for at least 12 months and to reduce the time limits in each step after completion of the requested study.

(c) An existing user and competing applicant with an earlier priority date may object to the applicant-specific solution within ~~30~~20 business days on the grounds that the applicant-specific solution would impede Western Power’s ability to provide covered services to that existing user or to provide the covered services that are sought in a competing application with an earlier priority date compared with what the position would be if the applicant-specific solution were not implemented. However, an objection may not be made ~~on the basis that the applicantspecific solution will increase constraints.~~

~~(i) Western Power will evaluate the objection within 40 business days of it being lodged and if it agrees that the applicant-specific solution would impede Western Power’s on the basis that the applicant-specific solution will increase constraints; or~~

~~(ii) if the existing user and competing applicant has made no progress with its connection application for over 12 months [from the date of submission of its connection application], as evidenced by no system or other study being prepared or requested to be prepared, no preparation of a detailed cost estimate, nor any other material work to progress its connection application being undertaken in that time.(d) If an objection is made, Western Power, acting as a reasonable and prudent person, will evaluate the existing user and competing applicant’s right to object under clause 20.3(c). If Western Power is not satisfied that the objection is valid in accordance with clause 20.3(c)(i) or~~

~~(ii), it must notify the existing user and competing applicant. If Western Power is satisfied that the objection is valid under clause 20.3(c), it will evaluate the objection within 30 business days of it being lodged. If Western Power agrees that the applicant-specific solution would impede its ability to provide covered services to an existing user or to provide the covered services that are sought in a competing connection application with an earlier priority date, then it must either decline to offer an applicant-specific solution to the applicant or modify the applicant-specific solution so that the applicant-specific solution would not impede Western Power’s ability to provide covered services to an existing user or the covered services that are sought in that other application with an earlier priority date. If Western Power elects to modify the applicant-specific solution then it must provide a one further and final opportunity to object under clause 20.3(c) to existing users and competing applicants with an earlier priority date that Western Power considers may be impeded by the applicant-specific solution~~

The ERA notes that Perth Energy supported the proposed amendment to clause 20.3 of the applications and queuing policy. Subject to amending a formatting issue in the proposed drafting, the ERA considers the proposed amendment is reasonable and may assist to clarify the process in respect of objections and resolve objections in a timely and efficient manner.

### *Terminating competing applications groups*

Western Power proposes to add new clause 24.7A(iii) to enable a competing applications group to be terminated if only one applicant is left in the competing applications group.

only one applicant is remaining in a competing applications group [(due to the other applications having been withdrawn or deemed to have been withdrawn or otherwise)] and Western Power agrees with the applicant that it will withdraw from the competing applications group.

The ERA notes that Perth Energy supported the proposed amendment to clause 27.4A of the applications and queuing policy. The ERA considers the drafting of the proposed amendment is reasonable and may assist to reduce connection times.

### ***Combining connection points***

The ERA sought further information from Synergy and Western Power to better understand the issue raised by Synergy. Synergy advised that Western Power has modified its operational processes to ensure Synergy's approval is obtained when required prior to merging connection points. Consequently, Synergy no longer seeks an amendment to the applications and queuing policy. In the absence of submissions on this point from other stakeholders, the ERA considers this is not an issue that needs to be addressed.

### ***Application process for distributed generation or other non-network solutions***

Western Power has engaged with stakeholders to address matters raised by users about the application process for distributed generation or other non-network solutions. There are still some issues to resolve.

#### **Required Amendment 5**

Western Power must resolve the outstanding issues raised by users on the application process for distributed generation or other non-network solutions and amend the applications and queuing policy accordingly.

### ***Application processes for generators***

The ERA notes that some customers are currently experiencing extended waiting periods for applications to connect and this is likely to worsen as increased applications are received in response to decarbonisation initiatives.

The new constrained market design's implementation in October 2023 should assist in the short term to enable generators to connect more quickly as they will no longer be queuing for spare capacity.

The timelines set out in the current applications and queuing policy for each stage of the process are generally not well defined. The ERA considers that more prescriptive and, in some cases, shorter timelines would better incentivise Western Power to optimise its operational processes and resources for managing customer applications. The policy should also require Western Power to provide (specified) regular updates to applicants on progress and the likely time to complete.

#### **Required Amendment 6**

The timelines in the applications and queuing policy must be defined clearly and as short as reasonably possible with requirements to provide updates to applicants on progress and likely time to completion.

## 6. Contributions policy

Section 5.1(h) of the Access Code requires that an access arrangement include a contributions policy.

The contributions policy sets out the principles and processes for determining when a contribution will be required from a user, including for a network augmentation, and for determining the amount of the contribution.<sup>25</sup>

A “contribution” is defined in section 1.3 of the Access Code as a capital contribution, a non-capital contribution or a headworks charge.

An extract of the Access Code provisions relevant to the contributions policy is included in Appendix 3.

The contributions policy approved by the ERA for AA4 was contained in Appendix C of the access arrangement. It comprised two documents:

- contributions policy (Appendix C.1)
- distribution low voltage connection scheme methodology (Appendix C.2).

A contribution was payable in the following circumstances:

- Capital works that do not satisfy the new facilities investment test or non-capital works that do not meet the requirements for non-capital costs set out in the Access Code.
- In the case of non-capital works, where the costs of the works were not included, and could not reasonably have been included, in forecasts of non-capital costs taken into account in setting the price control.
- Works that meet the requirements of the distribution low voltage connection headworks scheme.

The distribution low voltage connection headworks scheme forms part of the contributions policy and was developed to allow the cost of infrastructure required for connection upgrades to be shared more evenly by all customers using the installed network. The scheme covers connections within 25 kilometres of the nearest zone substation. Charges are based on requested capacity, rather than on whether the current network will have to be expanded as a consequence of the submitted application.

On 30 July 2021, the Access Code was amended to update Western Power’s contributions policy to support the introduction of the constrained network access regime. The updated contributions policy set out in Appendix 4A of the Access Code applies as a transitional document until the commencement of Western Power’s fifth access arrangement (transitional contributions policy).

The changes the transitional contributions policy contained included:

- Amending clause 7.4(b) to require applicants to pay their own costs of ensuring their facilities and equipment comply with the WEM Rules including any registered generator performance standard.

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<sup>25</sup> The requirements for a contributions policy are set out in sections 5.12 to 5.17D of the Access Code:

- Various amendments to definitions to ensure consistency between the transitional contributions policy and the Access Code.

## 6.1 Western Power's proposal

Western Power has based its proposed contributions policy on the transitional contributions policy in Appendix 4A of the Access Code. Western Power has made some additional minor amendments it considers are necessary to better achieve the intent of existing provisions, improve readability and ensure consistency throughout the policy.

Western Power's proposed amendments to the transitional contributions policy are outlined in the change summary report provided as Attachment 13.3 to the access arrangement. A marked-up version of the transitional contributions policy to show Western Power's proposed amendments is included as Appendix C.1 in the proposed access arrangement supporting information.

Proposed changes to the distribution low voltage connection scheme are outlined in the change summary report provided as Attachment 13.4 to the access arrangement. A marked-up version of the distribution low voltage connection scheme is included as Appendix C.2 in the proposed access arrangement supporting information.

## 6.2 Submissions

The ERA's issues paper sought feedback from stakeholders on whether the proposed changes to the connection provisions of the access arrangement adequately address requirements for the new market design and any issues stakeholders have encountered when seeking connections that could be addressed by further amendments to the contributions policy.

Perth Energy submitted that the changes made to the various standard documents to accommodate the changes occurring in the WEM appear to be well thought through.<sup>26</sup> Perth Energy did not make any specific comments about the contributions policy.

No other submissions were made on the contributions policy.

## 6.3 Considerations of the ERA

The ERA has taken into account the submissions received and considered the proposed revisions to the transitional contributions policy and distribution low voltage connection scheme and whether the terms and conditions of each that are unchanged are consistent with the Code objective and meet the requirements of the Access Code.

In relation to the new requirements under section 5.38 of the Access Code that are designed to ensure that the contributions policy supports the introduction of constrained network access, the ERA considers this has been met by the incorporation of the amendments made to the transitional contributions policy included in Appendix 4A of the Access Code.

Other than as set out below, most of the proposed amendments to the transitional contributions policy (as set out in the marked-up Appendix C.1 in the proposed access arrangement additional information and explained in Attachment 13.3 of the access

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<sup>26</sup> Perth Energy submission p. 7.

arrangement information) are minor drafting changes to references and terminology. The ERA is satisfied that these amendments improve the drafting and do not alter the meaning of the relevant clauses.

The only significant amendment to the contributions policy relates to clause 4.3. When calculating the contribution payable, a deduction is made for an amount likely to be recovered in the form of new revenue from providing services to the applicant as a result of the capital works that the contribution relates to. Western Power considers the proposed amendments improve clarity in relation to security that may be required for the new revenue.

Clause 4.3(a) has been amended as follows:

[In addition to the payment of a contribution](#), Western Power may require an applicant to provide security under this clause if Western Power determines there to be a risk of not receiving the [estimated](#) new revenue.

Clause 4.3(d) has been amended as follows:

Where an applicant has provided security under clause 4.3(c), then 24 months after the commencement of the associated exit service, entry service, or bidirectional service Western Power will reconsider the risk of not receiving the estimated new revenue (based on the then expected use of those services) and if that risk:

- (i) no longer remains, Western Power will return the security;
- (ii) remains, but has abated, Western Power may reduce the amount of the security by requiring a new security for the reduced amount. [Western Power will return the security following receipt of the new security](#); or
- (iii) has crystallised (such that some or all of the estimated new revenue will not be recovered by Western Power), Western Power will re-determine the contribution under this contributions policy and recover from the applicant any difference from the amount of any original contribution and, after that recovery, return the security.

The ERA agrees that the proposed amendments to clause 4.3 improve the clarity of the security requirements and do not substantively alter the intent of the current clause. The ERA has considered the proposed contributions policy and considers it is consistent with the Access Code objective and meets the requirements of the Access Code. Other than as set out below, most of the proposed amendments to the distribution low voltage connection scheme (as set out in the marked-up Appendix C.2 in the proposed access arrangement additional information and explained in Attachment 13.4 of the access arrangement information) are minor drafting changes to references and terminology. The ERA is satisfied that these amendments improve the drafting and do not alter the meaning of the relevant clauses.

The only substantive change to the distribution low voltage connection scheme relates to the reference time-period used to develop prices. Currently prices are determined by Western Power every 12 months based on the preceding 12-month period.

Western Power proposes to continue to update prices every 12 months but will base them on actual costs incurred in respect of distribution low voltage connection scheme works over the immediately preceding 36-month period. Western Power considers this will reduce price fluctuations to better meet the objective of the policy, provide price stability and certainty to enable network users to make informed investment decisions.

The ERA considers that as the number of connections and the cost of investment can vary considerably from year to year, a longer reference period will provide a more accurate view of connection trends and demand relative to external market factors and could facilitate improved

price stability and certainty for network users. Further, the longer modelling period will provide clearer network investment signals to Western Power.

## 7. Supplementary matters

Section 5.1(k) of the Access Code requires that an access arrangement include provisions dealing with supplementary matters under sections 5.27 and 5.28. These comprise:

- Balancing.
- Line losses.
- Metering.
- Ancillary services.
- Stand-by.
- Trading.
- Settlement.
- Any other matter in respect of which arrangements must exist between a user and a service provider to enable the efficient operation of the covered network and to facilitate access to services, in accordance with the Access Code objective.

Section 5.28 of the Access Code requires that the supplementary matters be dealt with in the access arrangement consistent with how a particular matter is dealt with in an enactment under Part 9 of the *Electricity Industry Act 2004 (WA)*, the WEM Rules or any written law and otherwise in accordance with the Technical Rules that apply and the Access Code objective.

Supplementary matters are dealt with in sections 9.1 to 9.3 of the current access arrangement and are specified as follows:

- Western Power will discharge the obligations it has under the WEM Rules as in force from time to time relating to balancing requirements, ancillary services, trading and settlement requirements in accordance with the WEM Rules.
- Western Power will also support the Australian Energy Market Operator (AEMO) in the discharge of its functions, including by providing information to AEMO as required by the WEM Rules.
- Requirements for the treatment of line losses under the access arrangement shall be in accordance with the WEM Rules.
- Metering requirements under the access arrangement shall be in accordance with the Metering Code and the Model Service Level Agreement.

### 7.1 Western Power's proposal

Western Power has not proposed any revisions to the supplementary matters apart from updating references to the Metering Code to reflect the current 2021 version and changing the section numbering, now 10.1 to 10.3.

Western Power notes its responsibility for some supplementary matters has changed due to:

- Changes to the WEM Rules and Metering Code to facilitate five-minute settlements.
- Changes to the WEM Rules requiring the preparation and provision of limit advice to AEMO.

However, these changes do not require amendments to the treatment of supplementary matters in the current access arrangement for the Western Power Network.

## **7.2 Submissions**

There were no submissions on supplementary matters.

## **7.3 Considerations of the ERA**

The ERA considers the manner in which Western Power has specified that the requirements in respect of each supplementary matter will be dealt with in accordance with the WEM Rules, Metering Code and/or Model Service Level Agreement is consistent with the requirements of section 5.28 of the Access Code and the Code objective.

## 8. Multi-function asset policy

As part of amendments to the Access Code on 18 September 2020, a new asset category, “multi-function assets”, was introduced for network assets that provide both regulated and unregulated services (also referred to as covered and uncovered services).

The Access Code amendments included a requirement that an access arrangement must contain a multi-function asset policy, and that target revenue for an access arrangement period should be reduced by 30 per cent of the net incremental revenue earned by multi-function assets during that period.

“Net incremental revenue” in relation to a multi-function asset is defined as the revenue from all payments received by a service provider in excess of the revenue it would receive if the asset only provided covered services, for a year.

As required under section 6.88, the ERA published a multi-function asset guideline on 15 October 2021.<sup>27</sup>

The requirements for the multi-function asset policy are set out in section 5.37 of the Access Code:

5.37 A multi-function asset policy must:

- (a) to the extent reasonably practicable, accommodate the interests of the *service provider* and of *users* and *applicants*; and
- (b) be sufficiently detailed to enable *users* and *applicants* to understand in advance how the *multi-function asset policy* will operate; and
- (c) set out the method for determining *net incremental revenue*; and
- (d) be consistent with the *multi-function asset guidelines*.

The ERA’s guideline required the policy to set out how Western Power will:

- Identify any services that are not covered services that use assets included in the regulated asset base over the access arrangement period.
- Identify and report all payments received for services that are not covered services that use assets included in the regulated asset base.
- Ensure the use of assets included in the regulated asset base to provide services that are not covered services does not materially prejudice the provision of covered services.

To enable the calculation of net incremental revenue, the guideline required Western Power to:

- Record all payments received for services that are not covered services for each pricing year during the access arrangement period.
- Provide detailed descriptions of each service identified above and categorise them between those that use assets in the regulated asset base and those that do not, with evidence to support the categorisation.
- Document the process and any supporting accounting information used to derive payments received for services that are not covered services. The process must

<sup>27</sup> The ERA published a draft guideline for consultation on 6 July 2017. Submissions were received from the Australian Energy Council, Perth Energy, Synergy, WALGA and Western Power. A copy of the consultation paper, submissions and final guideline can be found [here](#).

include a reconciliation with total payments received to ensure that all payments received are accounted for as either payments for covered services or services that are not covered services.

The guideline specified that net incremental revenue for each unregulated service is calculated by identifying total payments received, as described above, and deducting any payments received that relate to the recovery of the cost of additional assets, or modifications to existing assets, required to provide the unregulated service or for materials supplied.

The guideline required the information described above during the access arrangement period to be included in Western Power's next access arrangement proposal to the ERA.

## 8.1 Western Power's proposal

Western Power's proposed multi-function asset policy is included as Appendix D to the proposed revised access arrangement. An explanatory statement is included as Attachment 13.5 to the access arrangement information.

## 8.2 Submissions

Synergy considered that Western Power's proposed policy has not given sufficient regard to what the interest of users are and how they will be accommodated.<sup>28</sup> Synergy suggested the policy should have requirements for Western Power to publish information annually on:

- Which assets are being used efficiently as multi-function assets.
- Financial information in relation to multi-function assets.
- Information showing how revenues of multi-function assets have been reduced and the reasons for adopting that manner of reduction.

The matters raised in submissions have been taken into account in the ERA's considerations below.

## 8.3 ERA considerations

Western Power can undertake unregulated activities, including using its network assets that provide covered services to also provide unregulated services, providing it complies with the Access Code ringfencing objectives (which prohibit it from generating or retailing electricity except under certain circumstances) and any other requirements governing the scope of its activities.

The new multi-function asset provisions require Western Power to share 30 per cent of the revenue received for unregulated services that use regulated assets with regulated network customers. This is achieved by reducing the target revenue included in the access arrangement.

The ERA has considered the proposed policy against the requirements of the Access Code and the guideline published by the ERA. Western Power has provided significant detail in relation to its proposed multi-function asset policy. In general, the proposed policy is in line

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<sup>28</sup> Synergy submission on policies and standard access contract p. 10.

with the requirements of the Access Code and the guideline published by the ERA. However, there are several areas that are inconsistent or require further consideration:

- Western Power has proposed that it will commence reporting net incremental revenue from 1 July 2024 rather than from the commencement of the revised access arrangement on 1 July 2023. It considers a transitional year is required to implement the necessary changes.
- The proposed steps in the decision-making framework of the proposed multi-function asset policy are confusing and potentially inconsistent with the Access Code requirements and guideline.
- Western Power has proposed to deduct operational costs from the revenue it receives for multi-function assets. This is inconsistent with the multi-function asset guideline.
- Western Power has included the calculation of the reduction to target revenue. This is not a requirement of the policy.
- Western Power has proposed that payments received for the supply of non-covered services that are provided in response to emergency situations for example to other utilities or where Western Power is directed by government to undertake activities for which fees apply should be exempt from the application of the multi-function asset policy.

These matters are considered below.

### **8.3.1** *Transitional year*

Western Power considers it requires time to implement changes required for the multi-function asset policy including but not limited to:

- Reviewing IT system requirements for any changes needed to record and store information.
- Implementing IT system changes as required.
- Reviewing and amending operational procedures to ensure that there is no material impact to the supply of covered services.
- Developing a new procedure for implementation of the multi-function asset policy, including assigning responsibilities and amending other existing procedures.
- Amending annual financial reports.

Western Power also considers a transition year provides a grace period for the impact of revenue sharing on Western Power's financial results.

The revised access arrangement is targeted to commence on 1 July 2023. The ERA considers, there is ample time for Western Power to implement any changes required so that the information needed on incremental revenue can be collected from 1 July 2023.

#### **Required Amendment 7**

Remove the proposed transitional year from the multi-function asset policy.

### 8.3.2 *Decision making framework*

In step 4 of its decision-making framework to identify non-covered services that fall within the multi-function asset policy, Western Power proposes to exclude any services using network assets that have zero value in the regulated asset base.

“Network assets” are defined in the Access Code as assets that are used to provide or in connection with providing covered services. As noted in the ERA’s decision on the multi-function asset guideline, the regulated asset base includes all assets that provide covered services that have been, or are being, paid for by customers. The decision notes this includes assets that were funded by capital contributions or assets that were gifted to Western Power.

If Western Power is proposing to exclude services provided by network assets that were gifted, funded by capital contributions or are now fully depreciated, this would be inconsistent with the Access Code requirements and multi-function asset guideline.

#### **Required Amendment 8**

Clarify the intention of step 4 in the multi-function asset policy decision-making framework and ensure that it is consistent with the Access Code and multi-function asset guideline requirements.

### 8.3.3 *Operational costs*

The Access Code defines “net incremental revenue” as the revenue from all payments received by a service provider in excess of the revenue it would receive if the asset only provided covered services.

The multi-function asset policy guideline established that payments received for the cost of additional assets or modifications to existing assets are not revenue in nature and that the supply of materials is a good rather than a service. The guideline specified that such payments can be excluded from incremental revenue.

As set out in section 5.2 of the proposed multi-function asset policy, payments received for the cost of additional assets, modifications to existing assets or materials supplied have been excluded. This is consistent with the multi-function asset policy guideline. However, Western Power has also proposed to deduct operational costs. This is not consistent with the guideline or the definition of net incremental revenue in the Access Code.

#### **Required Amendment 9**

Amend the multi-function asset policy to remove the proposed deduction of operational costs from net incremental revenue.

### 8.3.4 *Calculation of reduction to target revenue*

Section 6 of Western Power’s proposed multi-function asset policy deals with the calculation of the reduction to target revenue. However, section 6.84 of the Access Code requires the ERA to determine the reduction to target revenue. The ERA’s guideline sets out the method the ERA will use to determine the adjustment. Western Power’s proposed multi-function asset

policy is inconsistent with the ERA's ability to determine the reduction amount under the Access Code as it contains a section on the calculation of the reduction.

### **Required Amendment 10**

Remove section 6 that relates to the calculation of the reduction to target revenue from the multi-function asset policy.

#### **8.3.5 *Payments for emergency situations or other directions by government***

Western Power has proposed that payments received for the supply of non-covered services that are provided in response to emergency situations for example to other utilities or where Western Power is directed by government to undertake activities for which fees apply should be exempt from the application of the multi-function asset policy.

The ERA does not consider these payments would fall within the scope of the multi-function asset policy and a specific exemption is not required.

#### **8.3.6 *Reporting additional information***

Subject to the amendments set out above, the ERA considers the information Western Power has proposed to make available is consistent with the Access Code requirements and the multi-function asset guideline. The additional information Synergy suggested for publication on an annual basis is not necessary or required.

## Appendix 1 Code Extract – Standard access contract

- 5.3 A standard access contract must be:
- (a) reasonable; and
  - (b) sufficiently detailed and complete to:
    - (i) form the basis of a commercially workable access contract; and
    - (ii) enable a user or applicant to determine the value represented by the reference service at the reference tariff.
- 5.4 A standard access contract may:
- (a) be based in whole or in part upon the model standard access contract, in which case, to the extent that it is based on the model standard access contract, any matter which in the model standard access contract is left to be completed in the access arrangement, must be completed in a manner consistent with:
    - (i) any instructions in relation to the matter contained in the model standard access contract; and
    - (ii) section 5.3;
    - (iii) the Code objective; and
  - (b) be formulated without any reference to the model standard access contract and is not required to reproduce, in whole or in part, the model standard access contract.
- 5.5 The Authority:
- (a) must determine that a standard access contract is consistent with section 5.3 and the Code objective to the extent that it reproduces without material omission or variation the model standard access contract; and
  - (b) subject to section 5.38, otherwise must have regard to the model standard access contract in determining whether the standard access contract is consistent with section 5.3 and the Code objective.

The model standard access contract is contained in Appendix 3 of the Access Code and sets out the benchmark terms and conditions for the provision of reference services.

A new requirement was included in the Access Code in September 2020 to support the introduction of constrained network access:

### Assessment of model documents

- 5.38 Notwithstanding sections 5.5(b), 5.11(b) and 5.17(b), when determining whether the standard access contract, applications and queuing policy or contributions policy (as applicable) included in an access arrangement is consistent with the Code objective and sections 5.3, 5.7 to 5.9, or 5.12 to 5.15(as applicable), the Authority must not have regard to any provisions of the model standard access contract, model applications and queuing policy or model contributions policy (as applicable) that are inconsistent with section 2.4C or otherwise inconsistent with the operation of security constrained economic dispatch in the Wholesale Electricity Market.<sup>29</sup>

<sup>29</sup> Section 2.4C of the Access Code is extracted below:

The service provider for the Western Power Network may not enter into an access contract which does not permit a user's export of electricity into the Western Power Network to be interrupted or curtailed in either of the following circumstances:

- (a) In circumstances where constraints are created by other users of the Western Power Network (including users that connected to the Western Power Network after the date of the relevant access contract); or
- (b) In connection with the operation of security constrained economic dispatch.

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provided that this section 2.4C does not affect any agreements entered into by the service provider prior to the date of the 2020 (No. 2) amendments.

{Note: The 2020 (No. 2) amendments came into effect on 18 September 2020.

## Appendix 2 Code Extract – Applications and queuing policy

- 5.7 An applications and queuing policy must:
- (a) to the extent reasonably practicable, accommodate the interests of the *service provider* and of *users* and *applicants*; and
  - (b) be sufficiently detailed to enable users and applicants to understand in advance how the applications and queuing policy will operate; and
  - (c) set out a reasonable timeline for the commencement, progressing and finalisation of access contract negotiations between the service provider and an applicant, and oblige the service provider and applicants to use reasonable endeavours to adhere to the timeline; and
  - (d) oblige the service provider, subject to any reasonable confidentiality requirements in respect of competing applications, to provide to an applicant all commercial and technical information reasonably requested by the applicant to enable the applicant to apply for, and engage in effective negotiation with the service provider regarding, the terms for an access contract for a covered service including:
    - (i) information in respect of the availability of covered services on the covered network; and
    - (ii) if there is any required work:
      - A. operational and technical details of the required work; and
      - B. commercial information regarding the likely cost of the required work;

and
  - (e) set out the procedure for determining the priority that an applicant has, as against another applicant, to obtain access to covered services, where the applicants' access applications are competing applications; and
  - (f) to the extent that contestable consumers are connected at exit points on the covered network, contain provisions dealing with the transfer of capacity associated with a contestable consumer from the user currently supplying the contestable consumer ("outgoing user") to another user or an applicant ("incoming user") which, to the extent that it is applicable, are consistent with and facilitate the operation of any customer transfer code; and
  - (g) establish arrangements to enable a user who is:
    - (i) a 'supplier of last resort' as defined in section 67 of the Act to comply with its obligations under Part 5 of the Act; and
    - (ii) a 'default supplier' under regulations made in respect of section 59 of the Act to comply with its obligations under section 59 of the Act and the regulations; and
  - (h) facilitate the operation of Part 9 of the Act, any enactment under Part 9 of the Act and the WEM Rules; and
  - (i) if applicable, contain provisions setting out how access applications (or other requests for access to the covered network) lodged before the start of the relevant access arrangement period are to be dealt with;
  - (j) set out the transfer and relocation policy, which policy will set out the circumstances in which the service provide is obliged to agree to a user transferring all of its rights and obligations under an access contract to another person or part of its rights and obligations under an access contract to another person.

5.8 The paragraphs of section 5.7 do not limit each other.

5.8A The transfer and relocation policy must:

- (a) require the service provider not to unreasonably withhold its consent to a transfer by a user of all of its rights and obligations under an access contract; and
- (b) require the service provider not to unreasonably withhold its consent to a transfer by a user of parts of its rights or obligations under an access contract provided the rights and obligations being transferred are of a nature such that they can be meaningfully severed from the remainder of the access contract.

5.9 Under section 5.7(e), the applications and queuing policy may:

- (a) provide that if there are competing applications, then priority between the access applications is to be determined by reference to the time at which the access applications were lodged with the service provider, but if so the applications and queuing policy must:
  - (i) provide for departures from that principle where necessary to achieve the Code objective; and
  - (ii) contain provisions entitling an applicant, subject to compliance with any reasonable conditions, to:
    - A. current information regarding its position in the queue; and
    - B. information in reasonable detail regarding the aggregated capacity requirements sought in competing applications ahead of its access application in the queue; and
    - C. information in reasonable detail regarding the likely time at which the access application will be satisfied;

and
- (b) oblige the service provider, if it is of the opinion that an access application relates to a particular project or development:
  - (i) which is the subject of an invitation to tender; and
  - (ii) in respect of which other access applications have been lodged with the service provider,

(“project applications”) to, treat the project applications, for the purposes of determining their priority, as if each of them had been lodged on the date that the service provider becomes aware that the invitation to tender was announced.

5.9A If:

- (a) an access application (the “first application”) seeks modifications to a contract for services; and
- (b) the modifications, if implemented, would not materially impede the service provider’s ability to provide a covered service sought in one or more other access applications (each an “other application”) compared with what the position would be if the modifications were not implemented,

then the first application is not, by reason only of seeking the modifications, a competing application with the other applications.

5.10 An applications and queuing policy may:

- (a) be based in whole or in part upon the model applications and queuing policy, in which case, to the extent that it is based on the model applications and queuing policy, any matter which in the model applications and queuing policy is left to be completed in the access arrangement, must be completed in a manner consistent with:

- (i) any instructions in relation to the matter contained in the model applications and queuing policy; and
  - (ii) sections 5.7 to 5.9;
  - (iii) the Code objective; and
- (b) be formulated without any reference to the model applications and queuing policy and is not required to reproduce, in whole or in part, the model applications and queuing policy.

5.11 The Authority:

- (a) must determine that an applications and queuing policy is consistent with sections 5.7 to 5.9 and the Code objective to the extent that it reproduces without material omission or variation the model applications and queuing policy; and
- (b) otherwise must have regard to the model applications and queuing policy in determining whether the applications and queuing policy is consistent with sections 5.7 to 5.9 and the Code objective.

The model applications and queuing policy is contained in Appendix 2 of the Access Code.

Sections 5.7(j) and 5.8A of the transfer and relocation policy are amendments since the AA4 review. Previously, the transfer and relocation policy was separate from the applications and queuing policy. Amendments to the Access Code in September 2020 modified the requirements for the transfer and relocation policy and consolidated it with the applications and queuing policy.

An additional new section was included in the Access Code in September 2020 to support the introduction of constrained network access:

**Assessment of model documents**

- 5.38 Notwithstanding sections 5.5(b), 5.11(b) and 5.17(b), when determining whether the standard access contract, applications and queuing policy or contributions policy (as applicable) included in an access arrangement is consistent with the Code objective and sections 5.3, 5.7 to 5.9, or 5.12 to 5.15(as applicable), the Authority must not have regard to any provisions of the model standard access contract, model applications and queuing policy or model contributions policy (as applicable) that are inconsistent with section 2.4C or otherwise inconsistent with the operation of security constrained economic dispatch in the Wholesale Electricity Market.

## Appendix 3 Code Extract – Contributions policy

### Contributions policy

5.12 The objectives for a contributions policy must be that:

- (a) it strikes a balance between the interests of:
  - (i) contributing users; and
  - (ii) other users; and
  - (iii) consumers; and
- (b) it does not constitute an inappropriate barrier to entry.

5.13 A contributions policy must facilitate the operation of this Code, including:

- (a) sections 2.10 to 2.12; and
- (b) the test in section 6.51A; and
- (ba) sections 5.14 and 5.17D; and
- (c) the regulatory test.

5.14 Subject to section 5.17A and a headworks scheme, a contributions policy:

- (a) must not require a user to make a contribution in respect of any part of new facilities investment which meets the new facilities investment test; and
- (b) must not require a user to make a contribution in respect of any part of non-capital costs which would not be incurred by a service provider efficiently minimising costs; and
- (c) may only require a user to make a contribution in respect of required work; and
- (d) without limiting sections 5.14(a) and 5.14(b), must contain a mechanism designed to ensure that there is no double recovery of new facilities investment or non-capital costs.

5.15 A contributions policy must set out:

- (a) the circumstances in which a contributing user may be required to make a contribution; and
- (b) the method for calculating any contribution a contributing user may be required to make; and
- (c) for any contribution:
  - (i) the terms on which a contributing user must make the contribution; or
  - (ii) a description of how the terms on which a contributing user must make the contribution are to be determined.

5.16 A contributions policy may:

- (a) be based in whole or in part upon the model contributions policy, in which case, to the extent that it is based on the model contributions policy, any matter which in the model contributions policy is left to be completed in the access arrangement, must be completed in a manner consistent with:
  - (i) any instructions in relation to the matter contained in the model contributions policy; and
  - (ii) sections 5.12 to 5.15; and
  - (iii) the Code objective; and
- (b) be formulated without any reference to the model contributions policy and is not required to reproduce, in whole or in part, the model contributions policy.

5.17 The Authority:

- (a) must determine that a contributions policy is consistent with sections 5.12 to 5.15 and the Code objective to the extent that it reproduces without material omission or variation the model contributions policy; and
- (b) subject to section 5.38, otherwise must have regard to the model contributions policy in determining whether the contributions policy is consistent with sections 5.12 to 5.15 and the Code objective.

#### **Contributions for certain Western Power Network work**

- 5.17A Despite section 5.14, Electricity Networks Corporation may require a contribution for *Appendix 8* work of up to the maximum amount determined under Appendix 8 for the relevant type of *Appendix 8* work.
- 5.17B From 1 July 2007 until the first revisions commencement date for the Western Power Network access arrangement, section 5.17A prevails over any inconsistent provisions of the Western Power Network access arrangement.

#### **Headworks scheme**

- 5.17C Despite section 5.14, the Authority may approve a contributions policy that includes a “headworks scheme” which requires a user to make a payment to the service provider in respect of the user’s capacity at a connection point on a distribution system because the user is a member of a class, whether or not there is any required work in respect of the user.
- 5.17D A headworks scheme must:
- (a) identify the class of works in respect of which the scheme applies, which must not include any works on a transmission system or any works which effect a geographic extension of a network; and
  - (b) not seek to recover headworks charges in an access arrangement period which in aggregate exceeds 1 per cent of the distribution system target revenue for the access arrangement period; and
  - (c) identify the class of users who must make a payment under the scheme; and
  - (d) set out the method for calculating the headworks charge, which method:
    - (i) must have the objective that headworks charges under the headworks scheme will, in the long term, and when applied across all users in the class referred to in section 5.17D(c), recover no more than the service provider’s costs (such as would be incurred by a service provider efficiently minimising costs) of any headworks; and
    - (ii) must have the objective that the headworks charge payable by one user will differ from that payable by another user as a result of material differences in the users’ capacities and the locations of their connection points, unless the Authority considers that a different approach would better achieve the Code objective; and
    - (iii) may use estimates and forecasts (including long term estimates and forecasts) of loads and costs; and
    - (iv) must contain a mechanism designed to ensure that there is no double recovery of costs in all the circumstances, including the manner of calculation of other contributions and tariffs; and
    - (v) may exclude a rebate mechanism (of the type contemplated by clauses A4.13(d) or A4.14(c)(ii) of Appendix 4) and may exclude a mechanism for retrospective adjustments to account for the difference between forecast and actual values.

A new requirement was included in the Access Code in September 2020 to support the introduction of constrained network access:

### **Assessment of model documents**

5.38 Notwithstanding sections 5.5(b), 5.11(b) and 5.17(b), when determining whether the standard access contract, applications and queuing policy or contributions policy (as applicable) included in an access arrangement is consistent with the Code objective and sections 5.3, 5.7 to 5.9, or 5.12 to 5.15 (as applicable), the Authority must not have regard to any provisions of the model standard access contract, model applications and queuing policy or model contributions policy (as applicable) that are inconsistent with section 2.4C or otherwise inconsistent with the operation of security constrained economic dispatch in the Wholesale Electricity Market.