
Appendix I – Proposed Mid-Term Revisions to the Applications and Queuing Policy for AA2

September 2011



Proposed mid-term revisions to the Applications and Queuing Policy



Table of contents

1	Proposal Background	1
2	Basis for proposal	2
2.1	Objectives of review	2
2.2	Access Code provisions for revision during an access arrangement	2
2.3	2009 Annual Wholesale Electricity Market Discussion Paper	3
2.4	AEMC review of WA market framework	3
2.5	Review process	4
2.6	Overview of the proposed revisions	5
2.6.1	Summary of revisions	5
2.6.2	Outcomes from the proposed AQP	5
2.7	Need for changes to be considered at this time	6
3	Western Power's proposed changes to the AQP	8
3.1	Requirements of Access Code to be applied in considering revisions	8
3.1.1	Applications and queuing policy	8
3.2	Proposed revisions to the Applications and Queuing Policy	10
3.2.1	Defined objective	11
3.2.2	Amendments to definitions	11
3.2.3	Enquiry and application commencement	12
3.2.4	Competing applications	13
3.2.5	Deletion of queue concept	16
3.2.6	Applicant-specific solutions	18
3.2.7	Fees and costs	18
3.2.8	Withdrawal of applications	20
3.2.9	Changes to priority dates	22
3.2.10	Timeliness	22
3.2.11	Clarification of attachment point	22
3.3	Compliance of proposed revisions with Access Code	23
3.3.1	Compliance with the Access Code	23
3.3.2	Better meeting the Access Code objective	27
3.4	Transition	28
	Appendix 1: Proposed changes to the Applications and Queuing arrangements for access to the South West Interconnected network (August 2009)	29
	Appendix 2: Submissions received on proposed changes	45

1 Proposal Background

This is Western Power's proposal to the Economic Regulation Authority (**Authority**) seeking the Authority's approval under Chapter 4 of the Electricity Networks Access Code 2004 (**Access Code**) to modify the Applications and Queuing Policy (**AQP**).

Western Power is seeking to modify the AQP, under section 4.41A of the Access Code, to address a range of issues that have been identified by queue applicants, other stakeholders and regulatory bodies and so as to ensure that the policy better meets the Code objectives.

The structure of this document is as follows:

- section 2 sets out the objectives of the review and relevant section of the Access Code under which Western Power is seeking to modify the AQP and the reasons for Western Power seeking to modify the AQP at this time; and
- section 3 sets out the proposed changes to the AQP and explains how the proposed changes comply with the Access Code.

The background and rationale for the changes is described in more detail in Western Power's consultation proposal document (the Consultation Proposal), which was published for consultation in December 2009¹. This document is attached as appendix 1.

Submissions received by Western Power, from Verve Energy and Wind Prospect, following the publication of the Consultation Proposal are attached as appendix 2.

The current submission is substantially to implement the proposal first developed by Western Power in late 2009, with some implementation detail added based on further consideration by Western Power following the consultation process. The proposed changes to the AQP are marked in the draft revised policy that is attached as appendix 3 (tracked version).

Appendix 4 contains a clean version of the AQP, submitted for the Authority's approval.

¹ *Proposed Revisions to the Applications and Queuing Arrangements for access to the South West Interconnected Network*, Western Power (December 2009)

2 Basis for proposal

2.1 Objectives of review

The overarching objective is set out in section 2.1 of the Access Code, which all parties are to have regard to in performing functions under the Code:

The objective of this Code (“Code objective”) is to promote the economically efficient:

a) investment in; and

b) operation of and use of,

networks and services of networks in Western Australia in order to promote competition in markets upstream and downstream of the networks.

In developing the proposed changes to the AQP, Western Power has taken explicit account of the overall Code objective by formulating an objective and criteria by which the proposed revision of the AQP has been assessed. That objective was defined in the Consultation Proposal² and a similarly-worded objective has been inserted into the draft revised AQP³, where Western Power considers it will assist with interpretation and with any future revisions to the policy. The proposed objective is as follows:

The objectives of this applications and queuing policy are:

a) To provide an equitable, transparent and efficient process for assessing the suitability of plant and equipment to connect to Western Power’s network and to make access offers based on that assessment; and

b) To undertake assessments and to provide shared network access offers that facilitate access by generators and loads to the WA Electricity Market (WEM) on an economically efficient and non-discriminatory basis that is consistent with WEM requirements, and uses a process that is equitable, transparent and efficient; and

c) Where feasible and cost-effective, to facilitate joint solutions for connection applications.

2.2 Access Code provisions for revision during an access arrangement

Chapter 4 of the Access Code allows for a service provider to propose revisions to the Access Arrangement during an access arrangement period and sets out the criteria for the Authority to consider when approving a proposal to revise the Access Arrangement. The relevant sections of the Access Code are reproduced below:

Other revisions during an access arrangement period

4.41A Subject to section 4.42, if the service provider proposes revisions other than when it is required to do so under this Code and in circumstances where sections 4.38 and 4.41 do not apply, the Authority may by notice to a service provider vary its access arrangement in accordance with the proposed revisions.

Mid-period revisions do not necessarily involve full review

² Ibid, sections 3.2.3 and 3.2.4

³ Clause 1.2

4.41B *In considering and implementing revisions under sections 4.38, 4.41 or 4.41A, the Authority is not obliged to undertake a complete review of the proposed revised access arrangement such as would occur under section 4.52.*

Procedure for amendments under sections 4.41 and 4.41A

4.42 *Before giving a notice under section 4.41 or 4.41A, the Authority must determine whether the advantages of varying the access arrangement under section 4.41 or 4.41A (as applicable) outweigh the disadvantages, in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay.*

4.43 *Before giving a notice under section 4.41 or 4.41A, the Authority:*

- (a) *must consult the public under Appendix 7, unless, in the Authority's opinion, the proposed variations are not material and will not result in a material change to a reference tariff, a reference service, a standard access contract or the rights of any applicant, in which case the Authority may consult the public under Appendix 7; and*
- (b) *must consult the service provider.*

4.44 *The Authority must publish a notice given under section 4.41 or 4.41A..*

2.3 2009 Annual Wholesale Electricity Market Discussion Paper

On 15 July 2009 the Authority released its discussion paper on the 2009 Annual Wholesale Electricity Market Report for the Minister of Energy⁴. The Authority considered that the:

...first-come first-served queuing rules under the applications and queuing policy, in combination with the structure of the wholesale electricity market and reserve capacity mechanism, do not serve to promote efficient investment in the electricity network.

The Authority recognised that the deficiency would require changes to the AQP and that other changes including to market arrangements and network planning processes would also assist.

2.4 AEMC review of WA market framework

In September 2009 the AEMC published a Final Report⁵ on a review of energy market frameworks in light of climate change policy. This review included a specific review of the WA market framework. While it is focused on climate change policies, the report makes comments and recommendations relevant to connection and access agreements. The following specific recommendation directly relevant to the AQP was made:⁶

⁴ Economic Regulation Authority, 15 July 2009, Discussion Paper: Annual Wholesale Electricity Market Report for the Minister for Energy, Available from:
<http://www.era.wa.gov.au/cproot/7765/2/20090715%20Discussion%20Paper%20-%20Annual%20Wholesale%20Electricity%20Market%20Report%20to%20the%20Minister%20for%20Energy.pdf>

⁵ Review of Energy Market Frameworks in light of Climate Change Policies, Final Report; AEMC (30 September 2009).

⁶ Ibid page 137

The connections applications process should be modified in a number of ways, through the release of more information to the market, segregating applications in the connections queue on a regional basis, and potentially restructuring the connection application charge regime. The release of queue information is already under consideration, and should be implemented quickly.

The Commission also stated that:

By providing offers on a common basis to generators that are equivalent in terms of location, an efficient generation development sequence would be facilitated.

Similarly the Commission suggested formalising the processes for charging for shared connections so that:

...multiple smaller generators would be more likely to be developed in a reasonable approximation of a least cost sequence.

Western Power's access charging regime, including its contributions policy, allows for charging to concurrent applicants and also for charging on an equivalent basis to future applicants that can benefit from a capital-contributed augmentation. Western Power considers that the matters raised by the AEMC are addressed through the application of the contributions policy in conjunction with the revised AQP which will provide greater scope for applicants to be considered concurrently.

2.5 Review process

Western Power has undertaken formal consultation on the proposed revisions to the AQP. The consultation process has given stakeholders the opportunity to provide submissions and discuss their view and issues at public forums and in response to documents published by Western Power. Written submissions have been sought on the proposed changes and the views expressed in the submissions received have been taken into account when finalising the revised AQP.

Consultation undertaken has included the following:

- On 10th August 2009, Western Power released a Discussion Paper in which the issues relating to the AQP were articulated and a series of initial proposals was offered for discussion.
- On 17th August Western Power held a "Queuing Forum". A number of stakeholders attended the forum and stakeholders were provided the opportunity to provide written submissions by 7th September 2009.
- Taking into account the views expressed by stakeholders Western Power prepared a Consultation Proposal which set out the issues arising with the current policy, the objectives of the review, and the proposed changes. Western Power published the Consultation proposal in December 2009.
- Two submissions were received by Western Power both generally supportive of the proposal set out in the consultation paper. The points made and views expressed in these submissions have been taken into account in developing the revised AQP.
- Having developed the specific AQP changes required to implement the revised policy, Western Power held a further Public Forum on 25th November 2010 attended by approximately 40 energy industry stakeholders. Feedback from that forum has been incorporated in the revised AQP presented with this submission.

2.6 Overview of the proposed revisions

2.6.1 Summary of revisions

In the December 2009 consultation paper Western Power set out, and consulted, on its proposed revisions to the AQP. The main components of the draft Consultation Proposal were:

- a formal enquiry stage that enables a participant to gain initial information on a project prior to lodging an application;
- a fast track path for applications that are not subject to constraints on the shared network and can therefore move through to local connection;
- identification of projects that are competing for limited shared network capacity and the placing of those projects in “Competing Applications Groups” (CAGs);
- a shared network planning process that involves developing joint solutions where possible, to meet the combined needs of network-constrained applicants (that is, those that are in a CAG) in a more efficient and more equitable manner than generally occurs when solutions are developed sequentially to meet the needs of individual applicants;
- a process for identifying non network solutions and provisions for applicant-specific solutions so as to retain current options and alternatives to the shared network planning process above, where this meets the needs of the applicant and of Western Power;
- a process that manages the progress of applications out of a CAG in an orderly and efficient manner through provision of equivalent offers such that, through acceptance or otherwise by the applicants, those projects that are commercially ready and viable have the opportunity to proceed whilst those that are not ready or not viable do not hinder other projects; and
- a connection offer process that is more likely (than processes under the current policy) to lead to the connection of projects in a manner that delivers economically efficient outcomes for the state.

The proposed revisions set out in the December 2009 Consultation Proposal have been developed further and in sufficient detail to enable the development and submission for approval of the attached draft revised AQP. The proposed revisions to the AQP would implement a policy that is substantially the same as was set out in the December Consultation Proposal, with some further development of and modification to implementation specifics and to some terminology.

2.6.2 Outcomes from the proposed AQP

Western Power considers that the revised AQP:

1. will lead to more efficient development of generation plant and more strategic development of the Western Power network because:
 - i. competing applicants will be made concurrent offers, and it is therefore more likely that the most economically efficient generation will be proceed; and
 - ii. the policy will require joint network development solutions to be developed that are more likely to meet the needs of multiple and future applicants;
2. will be more equitable than the current process because:
 - i. the process will be a function of applicants' ability to provide the required

- information at the required times; and
- ii. competing applications will receive the same offers;
3. will promote competition and therefore better meet the Code objective through more efficient development of generation plant, more efficient investment in transmission augmentation, and because it will better support the making of concurrent offers to competing generators;
 4. will manage the transition of existing projects by adopting and further developing the concept of “competing applications” that already exists under the current AQP; and
 5. will better accommodate future market changes (if they occur e.g. to the unconstrained planning policy and WEM ‘road map’ outcomes) because those parts of the policy that are a function of these market policies are modularised rather than pervading the whole of the AQP.

In developing proposed revised AQP Western Power has focused on two areas:

- changes to the offer process, so that access offers will better facilitate the development of the most economic generation projects without creating a distortionary value to queue position; and
- changes to the network project assessment process so that shared network augmentation requirements can be efficiently assessed and planned.

Other aspects of the proposed changes are intended to make the application and queuing process itself more equitable, transparent and efficient.

2.7 Need for changes to be considered at this time

Western Power considers that the proposed revisions to the AQP should be implemented as soon as possible. This view has been taken because:

- consultation to date has shown that there is strong support for changes to be made to certain aspects of the AQP and has confirmed that the existing issues have been appropriately identified;
- if left unchanged, the current AQP process will continue to distort the basis on which new generation projects can compete in the WEM;
- both the ERA and the AEMC have expressed concerns regarding the current AQP including adverse impacts on the WEM and on the commissioning of future renewable energy projects;
- Western Power faces significant challenge in undertaking applicant studies in accordance with the current policy and this is leading to delays and costs that are ultimately worn by applicants;
- Western Power has identified aspects of the current AQP that lead to the use of discretion when managing the queue. Western Power considers that a process that requires Western Power to exercise judgment over an applicant’s readiness to progress is inappropriate and introduces risk both to applicants and to Western Power; and
- it is likely that network augmentation solutions will be proposed for a number of the main network constraints. This increases the urgency for an improved process for offering connection to such applicants.

The benefits of the revised AQP in terms of reduced study costs to applicants, shorter



processing time-frames for applicants, generally lower long-term per-unit costs for network augmentation, improved utilisation of existing network capacity and lower-cost generation for the benefit of the State, will be realised only once the revised policy is operational. Western Power believes that those benefits are considerable and that delay in implementing the revised policy will see a corresponding ongoing lost opportunity.

Accordingly, Western Power is submitting the proposed changes as a mid-term revision to the Applications and Queuing Policy, pursuant to clause 4.41A of the Access Code.

3 Western Power's proposed changes to the AQP

3.1 Requirements of Access Code to be applied in considering revisions

Chapter 5 of the Access Code sets out requirements for the AQP which the Authority must consider when approving a proposal to revise the AQP. The relevant sections of the Access Code are reproduced below.

3.1.1 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 ‘market rules’ as defined in section 121(1) of the Act; 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.*

{Note: For the first access arrangement period section 5.7(i) would apply in respect of access applications or requests for access lodged under any prior access regime such as the regimes established under the Electricity Transmission Regulations 1996 (WA) and Electricity Distribution Regulations 1997 (WA). For subsequent access arrangement periods it would apply in respect of access applications lodged in a prior access arrangement period.}

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

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.*

{Note: The intention of this section 5.10(b) is to ensure that the service provider is free to formulate its own applications and queuing policy which complies with sections 5.7 to 5.9 but is not based on 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.*

3.2 Proposed revisions to the Applications and Queuing Policy

The proposed revisions to the AQP are shown in the marked version attached at appendix 3. These changes can be summarised under the following headings:

- Defined objective
- Name of policy
- Amendments to definitions
- Enquiry and application commencement
- Competing applications
- Deletion of queue concept
- Applicant-specific solutions
- Fees and costs
- Withdrawal of applications
- Changes to priority dates
- Timeliness

The following sections describe the proposed changes, and how they implement the concept described in the December 2009 Consultation Proposal. Section 3.3 of this submission demonstrates how each of the revised aspects maintains and/or improves

Code compliance.

3.2.1 Defined objective

Applying the AQP involves Western Power making a number of judgments. The revised AQP sets out an objective in clause 1.2 to provide guidance for the implementation of Western Power's more detailed processes and procedures. Western Power considers that there is advantage in having a clearly-stated objective for the policy.

The proposed objective recognises that the AQP should provide an equitable, transparent and efficient process for the connection of new loads and generators and for changes to existing connections. It should promote economically efficient and non-discriminatory access and that, where feasible and cost-effective, it should promote joint solutions for connection applications.

One of the more problematic aspects of the current AQP has been the need to accommodate competing applications, under the WA-specific "unconstrained planning" criteria. One of the significant identified issues with the current policy is that it does not support connection of new generators in the WEM in an economically efficient development sequence, nor does it readily support network development planning on a strategic basis. The revised AQP is intended to alleviate these shortcomings. Accordingly, Western Power considers that there is merit in including these objectives in the revised AQP in order to provide guidance in developing processes and procedure and otherwise interpreting the policy, and as guidance towards any future changes to the policy.

3.2.2 Amendments to definitions

The following definitions require amendment in order to accommodate the revisions (in alphabetical order):

- Application-specific solution – accommodates the concept of a single applicant requesting changes to *shared works* on the basis that the costs will be fully recoverable through tariffs and/or contributions from that applicant;
- Bypass – term deleted. See under Section 3.2.5: Deletion of queue concept;
- Competing applications group – new term required. See under Section 3.2.4: Competing applications
- Connection offer – term deleted. Not used in the AQP or in the revised policy;
- Dormant applications – term deleted. See under Section 3.2.5: Deletion of queue concept;
- Enquiry – new term required. See under Section 3.2.3: Enquiry and application commencement;
- First come first served – term deleted. See under Section 3.2.5: Deletion of queue concept;
- Operational solution – new term required. See under Section 3.2.6: Applicant-specific solution;
- Preliminary access offer – new term required. See under Section 3.2.4: Competing applications;
- Priority – term deleted. See under Section 3.2.5: Deletion of queue concept;
- Priority date – new term required. See under Section 3.2.4: Competing applications;

- Queue – term deleted. See under Section 3.2.5: Deletion of queue concept;
- Queuing rules – term deleted. See under Section 3.2.5: Deletion of queue concept.

3.2.3 Enquiry and application commencement

Enquiry

Western Power considers that there are advantages in formalising the enquiry process. This would bring Western Power into alignment with other markets in this region, such as the NEM and New Zealand⁷. The Enquiry process will provide a formalised but efficient means for Western Power to provide initial information so that the intending applicant can make a better-informed decision as to the nature of their application and how to proceed. Western Power will clarify the required application information that will be required, expediting applications.

Under the revised policy, it will be compulsory to lodge an Enquiry prior to lodging an Application. The intending Applicant may choose to ask Western Power to undertake preliminary studies at this stage. The applicant may also request information from Western Power (which would be provided at the Applicant's cost) in order to commission its own preliminary studies. At the conclusion of the Enquiry stage, Western Power will provide an enquiry response letter which will confirm the information that Western Power will need in an Application. It will also provide the results of any studies requested by the applicant, or the results of any assessment that Western Power has elected to do.

The Enquiry stage is introduced through a minor change to clause 3.2(a) and through clause 18 (which incorporates most aspects of what are currently designated "informal discussions" in the same-numbered clause). A new clause 17A would preserve the pre-enquiry informal discussions previously allowed for in clause 18, but would preclude studies prior to an Enquiry being lodged. An Enquiry fee would be payable (revised clause 18.4), and which Western Power anticipates will be set at a modest level and substantially the same as the current Application Lodgment Fee. Costs for studies requested by the applicant would be payable by the applicant consistent with the current policy.

Application

If an applicant decides to make an application, then they will need to provide the information specified by Western Power in the Enquiry stage. Western Power will assess the application and, once it is deemed to be complete, it will be time-stamped as per current processes. This time-stamp will give the application its Priority Date (a new clause 3.2(c)).

Under the revised policy, the Priority Date will only be used in limited circumstances and will not establish an application's overarching queue position. Importantly, applications that do not compete with other applications will progress unimpeded to an offer.

Western Power will use the Priority Date as its initial basis for prioritizing the commencement of such studies; however these studies could subsequently progress at different rates depending on timeliness of information provision by the applicant and the complexity of the studies. Western Power will make offers to such applicants as soon as it

⁷ See Western Power December 2009, Appendix A: Applications and queuing policies in other jurisdictions

is in a position to do so. Where applications are competing then new application management processes are proposed under this revised policy – see Section 3.2.5. The Priority Date will have a residual role in this process but, unlike the current Queuing concept, would not determine overall priority of an application in relation to all other applications. The processes for dealing with competing applicants are described in Section 3.2.5.

The Application stage is covered in general terms in clause 3 which is unchanged from the current AQP except for the addition of the Enquiry stage and specification of the Priority Date (as above), some minor edit changes and deletion of clause 3.13(d) (See Section 3.8: Fees). Clauses relating to Electricity Transfer Applications (Part B) are unchanged. Connection Application processes are further described in clauses 16 (types of applications), 17 (lead times), 19 (reporting) and 20 (costs). Clauses 16 and 17 are unchanged.

Clause 19.1(a)(iii) referred to Western Power needing to give notice to an applicant as to whether the application required Western Power to give notice of bypass to another applicant. This sub-clause is deleted with the removal of the concept of bypass from the revised policy.

Clause 19.3 has been modified by the insertion of an additional clause (19.3(a2)) that clarifies that in its preliminary assessment Western Power would assess the impact of the applicant on the network and other users, and consider the need to assign the applicant to an existing Competing Applications Group, or to form a new Competing Applications Group as a result of the application.

Clause 19.4 places the onus on applicants to notify any changes in their applications without Western Power having specifically to ask them.

Changes to clause 20: Connection Application Costs, are covered under Section 3.2.7: Fees and Costs.

3.2.4 Competing applications

A significant aspect of the revised policy is the way in which Western Power will handle competing applications. As described in section 3.2.1 above, the revised policy will facilitate strategic development of Western Power's network to meet the needs of multiple applicants on an efficient and equitable basis. This approach will improve the validity and usefulness of network development information for existing and prospective applicants. It will reduce uncertainty for applicants through a transparent and time-boxed process for resolving technically and commercially viable network solutions for groups of such applicants, and will curtail the need for rounds of studies that currently occur as each competing project changes its application or new competing applications are made. It is expected that this will reduce the cost of studies, which are paid for by applicants. The changes will better meet the Code objective of promoting economically efficient investment in networks and supporting connection of new generation in an efficient (and least-cost) manner.

The revised process also obviates the need for certain processes under the queuing rules, such as by-pass and the need for Western Power to assess whether applications should be deemed to be dormant, and will make more efficient use of network study resources which have become a choke-point in the current process as new and revised applications lead to study "churn" for existing applicants. This reduced churn will in turn lower the study costs incurred by applicants and materially shorten processing times.

Changes resulting from deleting the current queuing process are described in Section 3.2.5. The processes which replace them are shown in the revised Process Diagram in Section 1.1 of the revised AQP and are described in the current sub-section. The revised policy involves the following steps (referenced to the revised AQP):

- Western Power determines if an application is competing with other applications for shared network capacity, in its Preliminary Assessment (clause 19.3(a2)).
- Western Power forms Competing Applications Groups from among applicants (clause 24.1).
- As and when Western Power develops a potential solution involving shared network assets to meet the needs of a Competing Applications Group (in whole or in part), Western Power will notify the applicants in that group of its intention to make a Preliminary Access Offer to all the applicants in that group (clause 24.2).
- Applicants will have the opportunity to respond within 30 business days of such notice, by notifying Western Power whether or not they wish Western Power to make them an offer and by paying a “preliminary offer processing fee” where they wish to be made an offer⁸ (clause 24.3). The response requirement and associated fee will help ensure that offers are made only to applicants with projects that are genuine, viable and where the applicants are confident of their readiness to proceed, pending connection and the required network augmentation. This is important to the integrity of the offer process since withdrawal, non-response or changes by competing applicants once Western Power starts to prepare offers will have flow-on effects to the viability of the contemplated shared network solution and thus to other applicants who stand to benefit from a network solution. If applicants notify Western Power that they do not require a Preliminary Access Offer, or if they fail to respond, then their applications will be deemed to have been withdrawn (clause 24.3).
- Western Power will prepare Preliminary Access Offers to each of the remaining applicants in the group, based on the information in their applications at the time of receiving notice from that applicant (clause 24.4). Offers to all applicants in a competing applications group will be equivalent for an equivalent service (in terms of unit charges and technical requirements) and made simultaneously, providing one of the major efficiency benefits of the revised process: namely, that those projects that are most viable and ready are more likely to self-select commercially while less viable projects are likely to be deferred by the applicants or wound up. At the same time, this aspect of the process creates the opportunity for shared network solutions which can provide access at lower cost than incremental, applicant-specific augmentations, and which removes the artificial value in the current process that may be bestowed by queue position.
 - By way of explanation, Western Power envisages that the Preliminary Access Offers will be conditional, for example, on acceptance by all (or a sufficient number) of applicants and on the necessary regulatory approvals (including the Regulatory Test and pre-NFIT outcomes as applicable) and on financial approvals. They will be provided in good faith on the basis that they are capable of forming the substance of subsequent unconditional access offers. The offers will cover apportioned shared network asset augmentation requirements as well as related applicant-specific shallow

⁸ see Section 3.2.7 Fees and Costs

connection requirements so that the applicant has substantially complete connection information.

- Applicants will be required to respond to Preliminary Access Offers within 30 business days (clause 24.5(a)) by notifying Western Power either that:
 - they would accept a Preliminary Access Offer if it were an access offer,
 - they would not accept such an offer (in which case their application is withdrawn), or
 - they would accept such an offer, subject to specified amendments, in which case the applicant and Western Power have 30 business days to agree to any amendments, after which the application will be deemed to have been withdrawn.
- Once applicants accept a Preliminary Access Offer then within 30 days they will be required to pay a Preliminary Acceptance Fee (clause 24.5(b)). This fee will be credited against further study costs for this solution, and against the network charges and capital contributions that might be payable once connected, based on the respective charges and contributions agreed to in the Preliminary Access Offer. In the event that Western Power is unable to offer access to such party the Preliminary Acceptance Fee will be repaid in full to the applicant. By way of clarification (and without limitation) Western Power envisages that possible reasons why Western Power might be unable to proceed to a firm access offer could include:
 - the preliminary access offer is over-subscribed and the applicant does not have “priority” (see below);
 - the preliminary access offer is under-subscribed and it is not viable for Western Power to proceed with the necessary augmentation;
 - the necessary augmentations do not pass the Regulatory Test, and/or the pre-NFIT assessment by the Regulator differs sufficiently from the assumptions in the preliminary access offers to require material modifications to the offers (which are subsequently rejected by applicants);
 - Western Power is unable to obtain funding or funding approvals from its shareholder; or
 - other applicants that have accepted offers fail to proceed (for example, because they fail to obtain finance), thus making the Preliminary Access Offer unviable.
- If competing applicants accept the preliminary access offers to the level where the Preliminary Access Offer is in effect “fully subscribed” then Western Power will proceed to make firm offers to applicants based substantially on the accepted Preliminary Access Offers (clause 24.6(a)).
- If competing applicants either over- or under-subscribe then clause 24.6(b) makes provision for Western Power to revise offers. By way of clarification, Western Power envisages this as a mechanism by which it can iterate towards a solution that best meets the needs of applicants. For example, Western Power may be able to augment the proposed solution if a Preliminary Access Offer is over-subscribed. Conversely if a Preliminary Access Offer is under-subscribed, Western Power may be able to de-rate the solution or to re-develop the offer to meet the needs of the (reduced) capacity apparently required.
- Finally, if a preliminary access offer is over-subscribed and Western Power is unable to augment the solution or otherwise redevelop the offer to cater for the

needs of all accepting applicants, then clause 24.6(c) provides for applicants that have accepted Preliminary Access Offers to be made Access Offers according to their Priority Date.

Western Power has also considered the scenario where a competing applicant may be subject to more than one constraint, in which case Western Power would assign that applicant to more than one Competing Applications Group. If Western Power notifies its intention to make a Preliminary Access Offer that would relieve only one of the relevant constraints then, in line with the process described above, the applicant may wish to make its acceptance of that offer conditional on a solution to other relevant constraints within a defined time-frame. Western Power would normally expect to be able to anticipate this situation and to therefore either provide both solutions at the same time or else to be able to give such applicants a status update on the other constraint(s) that is sufficient for the applicant's purposes. An applicant would not have its application deemed withdrawn nor would it be financially penalized if it was subsequently unable to proceed with its connection because of other constraints still existing.

To enable these policy changes, a new clause (24.7) is added to allow Western Power to manage competing applications groups. These groupings will vary from time to time as (for example) new applications are made, applications are withdrawn, network augmentation projects proceed, or other system changes affect the nature or location of constraints.

Clause 24.8 (Determining the extent of spare capacity) is modeled on clause 24.15 in the current AQP.

Clauses 24.9, 24.10 and 24.11 are modeled on clauses 24.16, 24.17 and 24.11 in the current AQP. The clauses are edited consistent with removal of the queue concept. In addition, sub clause 24.10(a) in the revised AQP (sub clause 24.17(a) in the current AQP) is deleted. This clause referred to provision of information in response to the initial application, but this is already covered in clause 19 (specifically sub-clauses 19.1 and 19.3) and would conflict if retained. Consequently the title of clause 24.10 is modified to refer to updating information.

3.2.5 Deletion of queue concept

The queuing rules in the current AQP were established to deal with competing applications, by establishing the priority of each such application (current AQP clauses 24.1). In the current AQP, priority is given effect through the definition of the "first come first served" principle. This principle is considerably extended from the definition in the Model AQP contained in the Code, and is currently defined so as to prioritise the processing of offers as well as to reserve capacity for earlier applicants and not to make offers to later applicants until earlier applicants have signed access contracts. The queuing rules are applied not only to offers relating to spare capacity but also effectively establish a single-file queue for augmentations, which are developed for the competing applicant heading the queue and for later applicants on the assumption that earlier applicants connect.

Western Power has described the drawbacks of this aspect of the current AQP in its December 2009 Consultation Proposal where it describes the revised process for dealing with competing applications set out in the previous sub-section. Western Power considers that the revised process should wholly replace the current queuing rules. Specifically, the revised process involves:

- Where spare capacity exists and there is not competition for that capacity at the time that Western Power (having undertaken the necessary studies) is capable of

making an offer for the use of that capacity, then those applications will (as at present) be provided with offers;

- Where applicants are competing, whether for “spare” capacity (in that their combined requirements exceed that capacity) or for capacity that is yet to be built, those applications will be pooled into competing applications groups as described in the previous subsection. Therefore under the revised AQP, these applications are not in a single-file queue but will be made consistent and comparable offers at the same time. The aspect of the current policy that relates to processing of such applicants in a serial manner is therefore not required;
- All competing applications in a competing applications group will be simultaneously provided with consistent preliminary access offers, obviating the need for by-pass;
- For similar reasons, Western Power does not consider the need remains to assess applications to be dormant in advance of offers being made, since applications remaining in competing applications groups will not hinder Western Power’s development of shared network solutions and therefore the ability to make offers to constrained applicants. Under the competing applications process, those applications that are in effect dormant will have an incentive to opt out at the time that Western Power notifies them that it will prepare Preliminary Access Offers since requesting such offers will require them to pay various fees.

Western Power has considered the queuing rules clause (clause 24) in the current AQP and has made the following changes to reflect the needs described above⁹ :

- The meaning of clause 24.1(a) is retained, in that the revised clause applies only to competing applications;
- Whereas the purpose of the queuing rules as defined in clause 24.1(b) was solely to establish priority, the new clause contains a self-contained mechanism for making offers to competing applicants;
- The application priority concept in clause 24.2 is retained in the definition of Priority Date;
- The concept in the current clause 24.3 of excepting transition applications, that is applications to modify existing connections where those modifications do not impede applications, is retained but shifted to clause 24.12;
- The concept of there being “more than one queue” as defined in clause 24.4, is in effect the kernel of the Competing Applications Group concept in the revised policy;
- Clauses 24.5 to 24.9 provided provisions for Western Power to alter priority such that one applicant would be deemed to by-pass another applicant, and is not required as competing applications will be considered as a group under the revised policy;
- Clauses 24.10 to 24.13 which provided for changes to priority for (respectively) tender projects, concurrent processing of applications and amended applications are retained with minor editing for context in revised clauses 24A.1 to 24A.3 which deals with these arrangements in terms of changes to Priority Dates;
- Clause 24.14 provided provisions for Western Power to assess applications as dormant, and is not required;

⁹ Unless stated, clause references are to the existing AQP

- Clauses 24.15 to 24.17 which covered (respectively) determination of spare capacity, information Western Power is to provide to applicants and requirements for Western Power to update this information, are substantially retained (revised clauses 24.8 to 24.10), with some amendments as described in section 3.2.5.

3.2.6 Applicant-specific solutions

The revised policy is intended to be consistent with Western Power revising its network augmentation processes so that they will over time be largely driven by long-term strategic assessments of requirements, informed (but not solely driven by) connection applications. Nevertheless Western Power considers that there can be circumstances where a single applicant may request connection and may wish to consider (through NUOS and/or contributions) fully covering the cost of any augmentation of the shared network required to facilitate that connection.

This aspect of the revised policy would allow Western Power, if requested by an applicant, to develop an applicant-specific solution and make an offer to the requesting applicant based on that solution. The term 'applicant-specific solution' is defined in clause 2.1 and covers augmentations to the shared network funded solely by the applicant, and operational schemes such as generator run-back or load inter-trips, or some combination of both.

If competing applicants exist and if there is spare capacity created by the applicant-specific solution, then Western Power would notify all competing applicants of its intention to make Preliminary Access Offers relating to that spare capacity. However since the offers would not relate to the whole of such applicants' requirements, any applicants that chose to stand aside from the Preliminary Access Offer process, or who were made such an offer but did not accept it, would not be deemed to have withdrawn their applications.

The provision for applicant-specific solution is in revised clause 20.3. Under clause 20.3 the applicant must fund any necessary study costs. Western Power would make an offer to the applicant based on its network charging and contributions policies as at present.

Clause 20.3 provides for any existing user or competing applicant to object to an applicant-specific solution where the objecting party considers that the solution might impede provision of covered services to it. Western Power could proceed to make an offer of an applicant-specific solution where there is an objection and Western Power evaluates that to do so would impede an existing user or competing application, but can rework an applicant-specific solution to avoid this.

3.2.7 Fees and costs

The following fees and costs will be considered under the revised policy.

Enquiry fee

Western Power envisages that a modest fee, which is substantially the same as the current application lodgement fee, will be charged when an intending applicant lodges an Enquiry. This flat fee is intended to cover (on a standardised basis) the costs of processing the enquiry, including the provision of an enquiry response letter stating the application requirements for that applicant. It would not cover any study costs.

This fee is provided for in clause 18.4 and would not be refundable.

Application fee

Western Power envisages charging an appropriate application fee. This fee is subject to review from time to time and included within the approved Price List. As with the enquiry fee, this flat fee is intended to cover (on a standardised basis) the costs of processing the application, including assigning the application to a competing applications group where this is relevant, and provision of the preliminary responses including a study proposal. The application fee would not cover any study costs.

This fee is currently provided for in clause 7.1, which is retained. Clause 3.13(d) has been modified to clarify that this fee would not be refundable.

Study costs

Payment of study costs by applicants is provided for in clause 20, which is substantially unchanged. As in the current AQP, Western Power would provide study proposals to applicants, who would then either accept the proposal or negotiate to achieve an acceptable outcome. Western Power envisages flexibility, in that applicants could request the provision of certain system data so that they, or their advisors, could undertake the studies themselves and this would be an acceptable option.

A sentence has been added to clause 20.2(b) to provide a time window for acceptance of study proposals, after which applications would be deemed to be withdrawn. Western Power considers that this will help to ensure that queue applications at a given time largely represent bona fide projects and are not “place-holder” applications nor applications that have become dormant (in the general sense of that word).

A new clause 20.3 has been added to cover study costs for applicant-specific study costs.

Clause 20.2(a) requires Western Power to provide good faith estimates of study costs in its study proposals. Western Power keeps account of actual study costs for each applicant and draws against such payments. The current policy does not provide a trigger for a true-up of actual study costs against the original estimate, nor does it contain provisions for additional costs to be levied (although both of these aspects have been assumed in practice). The revised AQP would provide that when an application is withdrawn or when an access offer is made, then Western Power must refund any unspent part of the study costs, but Western Power may (with prior notification to and acceptance by the applicant) may also charge the applicant reasonable costs in excess of the study costs it originally estimated (clause 20.2(e)).

Costs of shared network planning and strategic solution development

Under the revised policy, Western Power would bear the cost of its long-term strategic planning and solution development assessments for shared assets, up until the point where applicants in a Competing Applications Group are notified and accept a preliminary access offer. At that point, the accepting applicants would pay a preliminary offer processing fee, as below.

Preliminary offer processing fee

A preliminary offer processing fee would only apply to competing applications, at the time that Western Power has notified competing applicants in a particular competing applications group of its intention to make a preliminary access offer. Applicants that notify Western Power that they wish to receive such an offer would at the same time need to

lodge a preliminary offer processing fee.

The preliminary access offer process is designed to establish which applicants at that time are ready to proceed, pending a commercially and technically suitable connection. The competing application group process has the potential to provide efficient solutions for the benefit of the WA power sector, but would be less effective and possibly dysfunctional to the extent that non-viable applications remain in the process past this point. Further, Western Power's costs will become more significant past this point in the process as it will then need to undertake detailed and specific studies for a particular sub-set of applicants, consider a range of alternative solutions, determine an optimal solution, cost the solution, determine network charges and contributions, draft offers and prepare (as/if necessary) for the regulatory test and the new facilities investment test applications.

Western Power proposes to charge a preliminary offer processing fee with a fixed (\$) and a variable (\$/MW) component. This fee will be maintained to the account of the particular applicants and the funds will be applied (on an apportionment basis) to study costs and other offer preparation costs as above, with any balance being held over and credited towards network charges and/or contributions if applications proceed.

The circumstances in which these fees may be refunded are described under section 3.2.5: Competing applications.

The provision for Western Power to charge this fee is in clause 24.2, and the requirement for accepting applicants to pay it is in clause 24.3.

Preliminary acceptance fee

Where competing applicants accept a preliminary access offer then they will be required to pay a preliminary acceptance fee (clause 24.5(a)(iii)). This fee would be a "holding deposit" for each applicant's share of the network charges and contributions that they will have accepted in good faith, by accepting the preliminary access offer.

All competing applicants in accepting a preliminary access offer can be considered to have a common interest in the relevant network augmentation proceeding. Western Power considers that it is important to bind accepting applicants to this process and envisages a fee in the range of 5% to 10% of the overall cost represented by the augmentation solution.

Unpaid study costs

A new clause 20A has been added to provide that applications will be deemed to have been withdrawn if any fees or study costs are levied and remain unpaid after 60 days. This will have the effect of removing dormant applications from consideration of network solutions, based on the commercial decisions of applicants not to progress those applications.

3.2.8 Withdrawal of applications

One of the issues that led to the review of the current AQP is that it would appear that non bona-fide applicants and applicants that are not "ready to proceed" have hindered Western Power's ability to make offers to genuine applicants that are otherwise ready. This issue has been manifest through the need to iterate studies for a given applicant, taking account of other applications and through direct policy requirements to make offers in priority order.

Current AQP provisions for bypass and for removal of applications through "dormant application" assessment were intended to address these issues. However Western Power

considers the use of the discretion inherent in these processes to be commercially risky and procedurally difficult. In practice, the bypass and dormancy provisions have almost never been used. Western Power's revised policy is based on the following principles:

- Where an application has no material effect on Western Power's ability to progress network investment projects or to make offers to other applicants, its status is of no real concern to Western Power or to other applicants at that time and Western Power can see no reason other than to retain that application.
- If and when an application affects Western Power's ability to formulate a viable network investment project and in particular, where this affects studies for and offers to other applicants, then the status of the applicant becomes important to both Western Power and other affected applicants. Western Power prefers for genuine applicants with viable and prepared projects to be incentivised to self-select at this point, through their demonstrated commitment to the remainder of the application process, including financial commitments as represented by the preliminary offer processing fee and the preliminary access fee.

The following lists the circumstances under which applications will be deemed to be withdrawn by virtue of an act or omission on the part of the applicant:

- The applicant fails to correct an error in an application (clause 3.10, which is the same as in the current AQP);
- Where an applicant rejects an access offer and does not seek amendment (current AQP provision retained, in clause 5.2);
- Where an applicant rejects an access offer and seeks an amendment (current and revised AQP, clause 5.2(b)) but where Western Power and the applicant fail to reach agreement within 30 business days (clause 5.3). The clause 5.3 provision is changed from the current AQP equivalent, which triggered re-prioritisation of the application but not withdrawal and which would lead competing applications into a state of limbo with no determining timeframe;
- Where an applicant rejects a study proposal from Western Power and fails to agree an alternative within 60 business days (clause 20.2(b)). Western Power considers that this would indicate that the application is not bona fide or is not ready to progress and it is preferable for it to be withdrawn, with the right for the applicant to re-submit an application when it is ready. Existence of this provision would provide an incentive for applicants to apply when their project is ready;
- An overarching provision that an application is deemed withdrawn, where the applicant does not pay any fees or study costs that are payable, within 60 days of being invoiced for those fees or costs (clause 20A);
- Where Western Power notifies an applicant in a competing applications group of its intention to provide an offer to all applicants in that group, and the applicant either (within 30 business days) does not notify Western Power that it wishes to receive such an offer or fails to respond to the notification or does not pay the associated fee (notwithstanding the 60 day provision above) (clause 24.3);
- Where Western Power makes a Preliminary Access Offer to an applicant in a competing applications group and the applicant either rejects that offer or seeks amendments but those amendments have not been agreed within 30 business days (clause 24.5).

In addition, applicants may withdraw their applications at any time (clause 3.13(c)).

3.2.9 Changes to priority dates

Clause 24A contains provisions for priority dates to be amended in certain circumstances. These provisions for the most part reflect clauses in the current AQP. The provisions are as follows:

- Clause 24A.1 relates to withdrawn applications and is identical to clause 24.12 in the current AQP;
- Clause 24A.2 relates to tender projects and is based on clause 24.10 in the current AQP. It is intended to have the same meaning as the current clause, with minor drafting amendments that result from changes in terminology;
- Clause 24A.3 relates to amending applications. Sub-clauses 24A.3(a), 24A.3(b) and 24A.3(c) are based on the respective sub-clauses in clause 24.13 in the current AQP and are intended to have the same meaning, with minor consequential drafting changes;
- Clause 24A.3(d) has been inserted to help ensure the integrity of the preliminary access offer process for competing applicants by permitting Western Power to ignore changes to applications made after receipt of preliminary access offers. Under the provision, an applicant may still change its application after that time and the clause allows provision for Western Power to take that change into account, which it may wish to do if the change is beneficial for the viability of underlying the network augmentation. However Western Power would not be obliged to consider the change and would in that case make an offer based on the application as at the time the applicant agreed to receive it.
- Clause 24A.4 allows Western Power to proceed straight to an access offer where this results from a Network Control Service procurement process.

3.2.10 Timeliness

As in the current AQP, clause 26 requires Western Power to make offers in a timely manner. A strict reading of the current wording could be taken to imply that Western Power was expected to make offers in the sequence in which applications are lodged. This would be inconsistent with the revised AQP, which specifically allows for projects that can progress more rapidly to be made such offers. Such a reading is also inconsistent with the current situation in which Western Power is unable to make offers to competing projects because of the unconstrained access requirements of the Code, until works solutions have been developed so as to allow unconstrained access.

A phrase has been added to this clause for clarity, while retaining the intended meaning.

3.2.11 Clarification of attachment point

The interpretation of 'attachment point' in the AQP has created some confusion. For example, a situation has arisen where a customer believed that two sites, situated 30 kilometres apart, should be treated as the one connection point, and therefore be subject to just one set of network charges.

This interpretation of attachment point is contrary to the meaning intended by the AQP, which allows multiple attachment points at the same voltage to a single site but attachment points to two different sites are deemed to be separate connection points.

Clause 14.1(d) currently states that:

a connection point may be more than one attachment point to the network, if each

attachment point is operated at the same voltage.

The proposed rewording for Clause 14.1(d) is:

a connection point may comprise more than one attachment point to the network provided that each attachment point is to the same lot or premises and is operated at the same voltage.

The rewording of this clause now expressly states that a single connection point must be to the same lot or premises, and so removes any confusion where multiple sites are concerned.

3.3 Compliance of proposed revisions with Access Code

3.3.1 Compliance with the Access Code

The proposed changes comply with the Access Code, and in particular the provisions in sections 5.7 to 5.11, which set out the required contents of an AQP.

Table 1 below sets out the provisions in sections 5.7 to 5.11 and explains how the revised AQP complies with the relevant Access Code provisions.

Table 1: Comparison of the Access Code provisions and the revised AQP

Access Code provisions - Sections 5.7 to 5.11	Compliance statement
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	The revised AQP accommodates the interests of the service provider, users, and applicants by revising processes for dealing with applications to seek to better manage multiple, competing applications.
5.7 An applications and queuing policy must: (b) be sufficiently detailed to enable users and applicants to understand in advance how the applications and queuing policy will operate	The revised AQP has detailed provisions explaining how applications will be dealt with in a range of circumstances, and including the impact on applications of competing applications.
5.7 An applications and queuing policy must: (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	A feature of the revised AQP is that it sets out timeframes to ensure competing applications move promptly through processes without holding up other applications. The revised AQP adds a number of timeframes, including: (i) clause 20.2 - 60 business days to agree on the scope of works for studies; (ii) clause 20A - 60 business days for applicants to pay fees or costs or have an application withdrawn; (iii) clause 24.3 – 30 business days to respond to a notice of intention to prepare a preliminary access offer; and (iv) clause 24.5 – 30 business days to respond to a preliminary access offer.

Access Code provisions - Sections 5.7 to 5.11	Compliance statement
<p>5.7 An applications and queuing policy must:</p> <p>(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:</p> <p>(i) information in respect of the availability of covered services on the covered network; and</p> <p>(ii) if there is any required work:</p> <p>A. operational and technical details of the required work; and</p> <p>B. commercial information regarding the likely cost of the required work</p>	<p>The revised AQP has improved provisions for information to be provided to applicants.</p> <p>The revisions add a pre-enquiry stage (clause 17A) where intending applicants can discuss their intentions and where Western Power will provide reasonable assistance.</p> <p>The revisions provide for a formal enquiry stage (clause 18) where the applicant can request studies and information, and will be issued with an enquiry response letter advising specifically on the information required in an application and on the results of any preliminary assessments of spare capacity.</p> <p>The revised AQP retains the provisions in clause 19 which provide for Western Power to provide information on the progress of applications. It has been redrafted in clause 19.4 to place an onus on applicants to advise on changes to their applications. This will assist Western Power in keeping competing applicants fully informed on progress.</p> <p>Clause 24.9 (modelled on clause 24.16 in the current AQP) provides that Western Power must advise applicants on competing applications and the estimated time until an access offer is made.</p> <p>Under clause 24.10, Western Power must update the information provided under clause 24.9 when requested by the applicant.</p> <p>More generally, the more intensive processes for joint management of competing applications through the formation of competing applications groups will keep applicants up to date with how their applications are progressing. The processes encouraging withdrawal of applications that applicants do not consider warrant further investment will expedite the processing of remaining applications.</p>

Access Code provisions - Sections 5.7 to 5.11	Compliance statement
<p>5.7 An applications and queuing policy must:</p> <p>(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</p>	<p>Generally, offers to competing applicants are made simultaneously, and can be accepted at the same time. The revised policy sets out a procedure at this stage which gives all such applicants the same priority, wherever possible.</p> <p>The revised policy provides a procedure involving ranked priority (known in the new processes as the priority date) only where a joint access offer to a competing applications group is over-subscribed (clause 24.6(c)). Clause 24.6 (c) provides that where more applicants in a competing applications group express an interest in an offer made jointly to that group than the capacity in that offer, then Western Power may make offers in the order of the priority date of applications until there is no more spare capacity. Remaining applications remain valid and Western Power will attempt to develop subsequent offers for them.</p>
<p>5.7 An applications and queuing policy must:</p> <p>(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</p>	<p>The revised AQP makes no changes to the arrangements for contestable consumers connected at exit points.</p>
<p>5.7 An applications and queuing policy must:</p> <p>(g) establish arrangements to enable a user who is:</p> <p>(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</p> <p>(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</p>	<p>The revised AQP makes no changes to the arrangements for suppliers of last resort or default suppliers.</p>
<p>5.7 An applications and queuing policy must:</p> <p>(h) facilitate the operation of Part 9 of the Act, any enactment under Part 9 of the Act and the 'market rules' as defined in section 121(1) of the Act</p>	<p>The revised AQP makes no changes to market rules or arrangements.</p>

Access Code provisions - Sections 5.7 to 5.11	Compliance statement
<p>5.7 An applications and queuing policy must:</p> <p>(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.</p> <p><i>{Note: For the first access arrangement period section 5.7(i) would apply in respect of access applications or requests for access lodged under any prior access regime such as the regimes established under the Electricity Transmission Regulations 1996 (WA) and Electricity Distribution Regulations 1997 (WA). For subsequent access arrangement periods it would apply in respect of access applications lodged in a prior access arrangement period.}</i></p>	<p>The revised AQP makes only minor changes to the provisions of clause 2.4 of the current AQP, which provides for transitional applications (that is, applications which pre-date the current access arrangement and revised AQP).</p> <p>The revised AQP removes the concept of queue in clause 2.4(a). Applications received prior to the revised AQP being implemented will retain the priority date of when they were lodged and complete (refer clause 3.2).</p> <p>Apart from minor drafting changes to subparagraph (b), the revised AQP makes no changes to the provisions in clauses 2.4(b) and (c).</p>
<p>5.8 The paragraphs of section 5.7 do not limit each other.</p>	<p>Noted</p>
<p>5.9 Under section 5.7(e), the applications and queuing policy may:</p> <p>(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:</p> <p>(i) provide for departures from that principle where necessary to achieve the Code objective; and</p> <p>(ii) contain provisions entitling an applicant, subject to compliance with any reasonable conditions, to:</p> <p>A. current information regarding its position in the queue; and</p> <p>B. information in reasonable detail regarding the aggregated capacity requirements sought in competing applications ahead of its access application in the queue; and</p> <p>C. information in reasonable detail regarding the likely time at which the access application will be satisfied;</p> <p>and</p> <p>(b) oblige the service provider, if it is of the opinion that an access application relates to a particular project or development:</p> <p>(i) which is the subject of an invitation to tender; and</p> <p>(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.</p>	<p>To the extent that priority is used to rank competing projects, then the Priority Date is defined in regards to the time at which access applications are lodged, in accordance with this Code provision.</p> <p>The changes to the use of the concept of priority, such that competing applications are treated equally where possible, are proposed because Western Power considers that they better meet the Code objectives.</p> <p>The policy for provision of information applicants is substantially retained, in clause 19, with editing changes following from the policy change to the treatment of competing projects and associated terminology.</p> <p>The revised AQP makes no change to the policy for treatment of tender projects.</p>

Access Code provisions - Sections 5.7 to 5.11	Compliance statement
<p>5.9A If:</p> <p>(a) an access application (the “first application”) seeks modifications to a contract for services; and</p> <p>(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.</p>	<p>Noted.</p> <p>Clause 20.3 provides for applicant-specific solutions where an applicant is prepared to pay for the full costs of a solution. Clause 20.3 provides objection rights for competing applicants or existing users to object to applicant-specific solutions provided to particular applicants on the basis that they impede existing users or other applicants compared with what the position would be if the applicant specific solution did not proceed, and the policy gives effect to this Code requirement by requiring Western Power not to proceed if it judges that the solution would impede in this way.</p>
<p>5.10 An applications and queuing policy may:</p> <p>(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:</p> <p>(i) any instructions in relation to the matter contained in the model applications and queuing policy; and</p> <p>(ii) sections 5.7 to 5.9;</p> <p>(iii) the Code objective;</p> <p>and</p> <p>(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.</p> <p><i>{Note: The intention of this section 5.10(b) is to ensure that the service provider is free to formulate its own applications and queuing policy which complies with sections 5.7 to 5.9 but is not based on the model applications and queuing policy.}</i></p>	<p>The revised AQP is not based on the model AQP. This is permitted under 5.10(b).</p> <p>Western Power considers that the revised AQP is consistent with the Code and better meets the Code objectives.</p>
<p>5.11 The Authority:</p> <p>(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</p> <p>(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.</p>	<p>The revised AQP does not apply the model AQP so Western Power acknowledges that the Authority must have regard to the model policy in determining whether the revised AQP is consistent with sections 5.7 to 5.9 and the Code objective. It is noted, however, that, under clause 5.10(b) as above, the revised AQP does not need to be formulated with any reference to the model AQP.</p>

3.3.2 Better meeting the Access Code objective

The proposed changes better meet the Code objective by:

- providing clearer initial exchange of information, through the Enquiry stage and associated application and response requirements, so that acceptance and



subsequent processing of applications can be more efficient both for western Power and for applicants;

- providing for Western Power to more rapidly progress to being able to make access offers to generation plant, thus helping to clear the current backlog of applications in the queue and enabling entry of new and competing generation in the market;
- supporting a process of more strategic development of the Western Power network by enabling lower-cost simultaneous or joint access to a number of competing applications rather than higher-cost incremental access to single applicants;
- treating applicants more equitably than the current process by using the preliminary offer processes to clarify which applications are ready to proceed and by making equivalent offers simultaneously to competing applicants rather than sequentially as a function of priority as currently defined;
- using the priority date to allocate capacity only in circumstances where a preliminary offer is oversubscribed and it is not feasible for Western Power to meet the needs of all such applicants, thus reducing the extent to which the current process creates artificial and distortionary incentives and values; and
- be future proofed from market changes (if they occur) e.g. to the unconstrained planning policy and WEM 'road map' outcomes by modularising the "competing applications" components of the policy, which are a function of the unconstrained planning policy applied by Western Power based on the Code.

3.4 Transition

Western Power has considered how the existing policy would transition to the revised policy, and proposes that the following transition procedures will be applied:

- applicants whose applications have already been accepted by Western Power will not need to reapply and will be assigned a priority date equal to the date on which their application was lodged and accepted under the current AQP;
- existing applicants that are "competing applicants" will be assessed and grouped into Competing Applications Groups; and
- Western Power has carried out a trial assessment of the existing generation applications, as a "proof of concept". It was found that nearly all applications could already be grouped based on existing information: forty-six applications were found to group into nine Competing Applications Groups, eight applications were considered not to be constrained and five were pending studies.

Western Power will continue to process applications under the current AQP, pending the ERA's determination. Where applicants have been made an offer, or where Western Power is on track to be able to make an offer within the period of the ERA's consideration, then it will continue to do so.

Western Power has commenced scoping the program that will be required to implement the proposed revisions. Western Power expects to be able to utilise this planning work to answer questions of implementation detail that might arise in the course of the ERA's consideration and this will also put Western Power in a position to implement the revised policy as soon as possible following a determination. In broad terms, implementation will involve some changes to internal processes and systems, internal training and stakeholder liaison through the transition period leading up to commencement of the revised policy.

Appendix 1: Proposed changes to the Applications and Queuing arrangements for access to the South West Interconnected network (August 2009)



DISCUSSION PAPER: PROPOSAL FOR CHANGES TO THE APPLICATION AND QUEUING POLICY

PURPOSE

The purpose of this forum is to provide an opportunity for Western Power's major customers to provide suggestions towards changes to the applications and queuing policy ('AQP'). Western Power will use this feedback to develop its proposal prior to seeking approval from the Economic Regulation Authority ('ERA') to redraft the AQP. Western Power will outline the current Bypass mechanism allowed under the AQP to make Western Power's process more transparent to Applicants.

OVERVIEW

Western Power is responsible under the Electricity Networks Access Code (the '**Code**') for promoting the economically efficient investment in, operation of and use of the Network¹ which is currently impeded by the size and complexity of the Access Queue.

The AQP requires Western Power to process applications on a 'first come, first served' basis in chronological order, however certain circumstances will allow for application of the 'Bypass' process. Due to the large number of Applicants currently on the Access Queue, employing the Bypass process can be a time consuming, complex, and highly administrative task.

Western Power is proposing a change to the processing of applications through the following amendments:

1. Institute a compulsory "Enquiry Stage" of the connection process, similar to the National Electricity Market ('**NEM**') connection model; and
2. Institute criteria for entry to the "Queue" which will assess the level of 'readiness' of an Applicant's project prior to acceptance onto the Access Queue.

The following document forms a discussion paper to assist Applicants in understanding the proposed changes prior to the public "Queuing Forum" to be held on the 17th August 2009.

These changes should improve the ability of Applicants to gain connection to the SWMS and seeks to address known issues facing the existing process.

¹ Code objective is to "promote the economically efficient: (a) investment in; and (b) operation of and use of, *networks* and *services of networks* in Western Australia in order to promote competition in markets upstream and downstream of the *networks*."

CURRENT ISSUES

Western Power has a large number and scale of generation applications (approximately 6 GW) in the Access Queue making it difficult for Western Power to process all Applications efficiently.

Applicants and Western Power are confronted with issues which Western Power seeks to resolve to all parties mutual satisfaction.

Issue 1: Risks inherent in studies and options analysis

The 'first come, first served' principle for treating applications in the AQP obligates Western Power to reserve capacity for earlier applications. Therefore system studies, which determine scope of network augmentation, assume prior applications in the queue will be connected. As the number of prior applicants grows, so do the assumptions, potentially leading to complex system studies results and scopes of work for the applicant. Applicants may also wish Western Power to study a number of options.

Proposal: Western Power proposes to:

- Reduce the risk of complex system study results by reducing the number of applicants on the Access Queue, and
- Provide system study base case data to allow independent consultants to model applicant's connection options in the Enquiry Phase.

Issue 2: Rework caused by project uncertainty

Applications which are submitted too early in their project lifecycle or have incomplete details may cause delays in processing due to applicant's revision of requirements after studies and estimates are completed.

Proposal: Western Power proposes to increase project certainty by implementing a project rating criteria allowing it to deal with uncertain applications in the Enquiry Phase where reprioritisation is not subject to queuing constraints. Western Power also propose to institute a bond associated with entry to the Access Queue, this would be non-refundable and in the region of \$100,000.

Issue 3: Queue congestion caused by project dependence

There are a number of applications present in the queue with dependence upon other projects beyond the applicant's span of control (e.g. network reinforcements or other applications). Later applicants without such dependency may face queue congestion and consequently delays in receiving an Access Offer.

Proposal: Western Power proposes to deal with such applications in the Enquiry Phase where reprioritisation is not subject to queuing constraints.

Issue 4: Risk associated with Bypass

The AQP provides a test as to when bypass may be permitted. The test has some objective and subjective criteria which must be applied when assessing diverse application types.

Proposal: Western Power wish to ensure certainty and transparency in the bypass assessment in order to ensure it can make a fully informed decision and minimise the likelihood of appeal and subsequent risk to applicants.

Issue 5: Tender provision

The AQP has specific provision for prioritising applicants who are part of a tender. The conditions required for an applicant or tenderer to rely upon this clause may be uncertain or ambiguous.

Proposal: Western Power wishes to revise the AQP to remove any uncertainty pertaining to tender projects.

Western Power would like to resolve the above issues and achieve the stated objectives by proposing changes to the AQP after consulting with the market. The proposed changes are summarised in the following sections and will be discussed at the Queue Forum.

DISCUSSION TOPIC 1 – REVISION OF QUEUE ENTRY CRITERIA

Proposed Compulsory Enquiry Phase

Western Power is proposing to introduce a compulsory "Enquiry Phase" similar to the National Electricity Market connection model. This is intended to be a period where Western Power and the Applicant fully discuss the project requirements, thereby assisting the Applicant in their decision making process, without the constraints imposed by the Queuing Rules.

During the Enquiry Phase all applications will have equal priority. During the Enquiry phase an Applicant may request a load flow study(s) to indicate the need for network reinforcement. Western Power will work with the Applicant to investigate multiple connection options or varying the proposed in-service date.

Western Power will seek to publish the list of known enquiries by Enquiry reference number and the same information as that published for Connection Applications. In conducting the load flow studies at an Enquiry Phase, Western Power would include in its base case all applications on the Access Queue, and offer the Enquiry Applicant the choice of including any other known enquiries from the Enquiry list.

The applicant would be given the choice to have studies done by Western Power or other independent consultants. Western Power will provide the base case data under confidentiality agreement to the independent consultant.

Current Scenario: Running system studies to find initial scope of connection for **M** assumes all applicants ahead of **M** in the queue will connect.



Proposed Scenario: Only **A, B, C** are on the Queue, run studies for **M** assuming only **A, B, C**. Applicant **M** nominates to include known enquiry 'F' from the enquiry list.



Diagrams for illustration purposes only

The new approach will give Applicants a better first-view of the network state for when they propose to actually connect. This study information will be used to develop the scope of several connection options and any necessary reinforcements and cost estimates for each option. The Applicant will determine whether the application still meets their commercial requirements before selecting their final choice of primary plant and connection configuration leading to the submission of a connection application.

In the event there are limited resources (e.g. to perform studies) then Western Power would prioritise connection applications above enquiries.

Queue Entry Criteria

Once the Applicant has chosen their final connection option and plant, Western Power will schedule an "Access Queue Entry Criteria" assessment to be conducted by a Queuing Panel². The Queuing Panel will be assessing both the application for completeness and the level of progress of the Applicant's project.

Once the Access Queue Entry Criteria have been met the Connection Application is deemed to have been submitted. The Applicant would then be requested to pay the Access Entry bond, which would be in the region of \$100,000. The bond would be refundable in the event the applicant accepts an Access Offer otherwise it would be non-refundable. The proposed Criteria are attached to the end of this document for consideration.

The aim of the Criteria is to ensure Applicant's readiness to proceed and risk of project slippage prior to entry to the Access Queue. An assessment may reduce the number of applications on the queue and increase the certainty that connection applications will proceed without variation.

Treatment of Projects with Project Dependence

Western Power's view is that applications with dependence upon other major projects for which there is uncertainty beyond the applicant's span of control (e.g. network reinforcements or other proponent's applications) will be treated as an enquiry until such time as there is certainty regarding the related project.

Benefits

It is Western Power's view that the following benefits may be obtained:

- Decrease in processing times as the number of reworked studies and estimates are reduced
- Increased certainty to applicants by reducing the number of scenarios considered in system studies
- Increase in flexibility to applicants wanting to know the feasibility and budget costs of a project before being constrained by the connection application process
- Lower instance of project bypass as connection applications are more likely to proceed to an Access Offer

² The Queuing Panel will consist of three members drawn from Technical, Regulatory and Access Sections of Western Power and will meet on a regular timetable to assess applications.

Cost

- The overall cost may increase for some applications as studies conducted during the enquiry phase may need to be repeated during the connection application phase.
- Western Power proposes to institute a compulsory bond for Access to the Queue. This \$100,000 bond would be paid upon entry to the queue, and would offset any capital contribution or be refunded to the customer (in the case of capital contributions <\$100,000) at the time of entering into an Interconnection Works Contract. Withdrawn contracts would not be refunded their Access bond.

Queue Entry Criteria: Western Power seeks comment on the proposed Queue Entry Criteria and application of a non-refundable bond.

DISCUSSION TOPIC 2 – BYPASS TEST

Application of Bypass in Existing Process

The first Bypass was carried out in late 2008, with two further Bypasses recently completed. With the large number of applications presently in the Access Queue there is increased likelihood of Bypass.

Under the current process, if an application reaches a state where its progress through the Access Queue is slowed or impeded by an earlier application then Western Power must use the Bypass provisions of the AQP to reprioritise the applications.

Every competing applicant between the impeded Application up to and including the impeding Application(s) receives a notice and is given the opportunity to justify through project documentation or other evidence, why it should not be bypassed. Applicants must respond within 20 business days after which Western Power must then examine all the replies received and determine if a Bypass can actually occur.

Using the Bypass process to manage the queue imposes the following risks:

- Administrative delay of at least a month (as Western Power notifies bypassed applicants and assesses responses); and
- Additional cost and delay to bypassed applicants (as existing system studies and estimates may lose their validity and thereby incur additional cost to the applicant); and
- Additional risk to the bypassing applicant (who may be required to guarantee payment of capital contribution for additional works if the bypass decision is overturned on appeal).

Application of Bypass in Revised Process

With the proposed new compulsory Enquiry Phase, Western Power will be able to determine initial priority on the applicant's entire project readiness to proceed rather than based simply on its ability to provide data. Projects which are not at the requisite level of readiness will be treated as an enquiry and therefore not included in the Access Queue. Consequently there will be fewer applications on the Access Queue and higher level of certainty associated with projects on the Queue.

Once on the Queue any reprioritisation of applications would then be subject to the defined bypass process. The occurrence of Bypass and associated risks should decrease as a result of the reduced number of Applicants in the queue.

Bypass Test

Clause 24.4 of the AQP describes when Bypass is permitted. Clause 24.5 identifies circumstances where bypass *might* be satisfied.

Typically an applicant and Western Power would rely upon meeting the conditions contained in clause 24.4(a) and clause 24.5 thus requiring the bypass to better meet the *Code objective* and the bypassing applicant being able to demonstrate it is more ready to proceed to a signed access offer.

At present Western Power considers the test has some objective and subjective criteria which must be applied when assessing diverse application types. For example, Western Power considers that generally the following application types may more quickly proceed to a signed access offer and therefore are likely to bypass other applications:

- Increase to Declared Sent Out Capacity (DSOC) for existing installations
- Connecting to the distribution network
- Upgrading or replacing existing plant
- Other connection applications requiring minimal augmentation.

Western Power proposes that clause 24.5 be reworded to provide greater certainty such that it can be relied upon to make a bypass determination subject to sufficient assessment of project and applicant readiness to proceed.

It wishes to also clarify the AQP definition of *competing* applies to applications competing for network capacity but not competing for resources to process an application.

The proposed changes will remove uncertainty and possibly mitigate the need for Western Power to obtain a guarantee from bypassing applicants against the risk of a successful bypass appeal.

Bypass: Western Power seeks comment on issues perceived with the Bypass process in the existing and revised process.

Tender Projects

To date only one applicant has sought to rely upon the tender provision within the AQP (clause 24.9) which are thus largely untested. Western Power believes there may be uncertainty in the following aspects of clause 24.9:

1. The conditions which must exist for it to be applied
2. Whether all applicants would be equally prioritised regardless of whether they have provided notice
3. The type of tender where it can be applied
4. Its application to a tender where there are potentially numerous successful tenderers'
5. Obligations on the tenderer, including the level of disclosure to Western Power

Western Power proposes to clarify the above requirements in its AQP submission.

Tenders: Western Power seeks comment on the current provision for Tender Projects

TRANSITION TO NEW PROCESS

Prior to Approval of Western Power's AQP changes

Where applications are not proceeding then Western Power will continue to apply the current provisions in the AQP for dormant applications³ or where applicable, bypass.

The Dormant application process involves notifying Applicants who have been in the Access Queue for greater than twelve months with minimal progress that Western Power deems it unlikely they will proceed to an Access Offer. The Applicant receives a period of 30 business days in which they are required to provide documentary evidence to Western Power substantiating the progress of their Project. At the end of the 30 business days, Western Power makes a final assessment, using the Queue Entry Criteria, as to whether the application is deemed withdrawn.

Post Approval of Western Power's AQP changes

Western Power proposes that the revised AQP should apply retrospectively to all applicants in the access queue at the time of the approval. All applications would be subjected to the Queue Entry Criteria and if unable to meet the requisite criteria individual applications may be transitioned to the Enquiry Phase.

Transition: Western Power seeks comment on its proposal that proposed AQP changes be applied retrospectively.

³ The determination will be either the application is deemed to be progressing in a satisfactory manner, or Western Power determines the application should be withdrawn, and transitioned to the enquiry phase until further progress is made by the applicant.

SUBMISSIONS

Western Power's Submission

Western Power will be seeking verbal feedback on its proposal at the Queuing Forum to be held on the 17th August 2009. Western Power will also be seeking written submissions from interested parties to its proposal until the 7th September 2009 (the submission process is outlined below).

Western Power will revise its proposal to meet the respective needs of the market and Western Power in respect to application processing, queuing and assessment.

Western Power intends to provide to market participants and forum attendees detail of its proposed changes to the AQP by 30th October 2009 and invite further comment.

Approval of AQP Revision

Western Power will submit to the ERA its proposed changes to the AQP and supporting information. A copy of the submission will be placed on Western Power's website and notified to market participants and forum attendees.

The submission to revise the AQP will be made independently of the Access Arrangement submission process. Western Power intends to make this submission by or before February 2010 owing to the current review of the Access Arrangement 2.

Part of the ERA's approval process may include the opportunity for further public consultation and comment. It is Western Power's intention in holding this Forum to achieve alignment with stakeholders prior to commencing the ERA approval process.

Submission Process

Interested parties who are unable to attend the Queuing Forum on 17th August, or who wish to provide further comment prior to, or subsequent to, the Queuing Forum event may submit written comments to:

access.services@westernpower.com.au or addressed to Queuing Forum, Customer Solutions
Western Power
363 Wellington St
Perth WA 6000

By close of business on Monday the 7th September 2009.

ATTACHMENT 1 - ACCESS QUEUE ENTRY CRITERIA

This document intends to outline some of the criteria that Western Power will refer to when determining the technical, commercial or environmental 'readiness' of an applicant's project.

Whilst this is not an exhaustive list, it is an indication of how Western Power may compare a state of readiness to proceed for individual applications. All decisions will be made in the best judgement of Western Power's Queuing Panel, using the information provided by the applicant at that point in time.

Any revisions to applications will need to be reassessed based on the new information and not existing data.

The panel will convene quarterly to assess projects. However, should a project become urgent, Western Power may choose to convene an assessment outside of the quarterly sessions.

Proof of activity can only be assumed completed once the document has been sighted and a **copy of the signed page (or all of the document where required) is retained on the project file**. All documentation remains under the confidentiality clause and will not be made public or distributed to external organisations.

Individual criteria are awarded a score from 1 to an upper limit based on the level of detail and information provided by the applicant. The upper limit enables high importance factors to be weighted appropriately. Entry to the Access Queue will be determined by gaining a score of (for an initial discussion) 75% or more on the Access Queue Entry Criteria. The Queuing Panel may elect to disregard criteria that are not deemed relevant to the application in question. Bonus points may be awarded at the discretion of the Queuing Panel where constructive consultation between Western Power and the applicant has occurred at the enquiry stage.

	Complete Y/N	Date Completed
Access Application (Compulsory)		
Fully completed access application form		
Complete and accurate data for proposed generating machines, including a working dynamic computer model		
Western Power has agreed in principle that the requested in-service date is achievable		
Network constraints resolved to mutual satisfaction		
	Awarded Score	Maximum Score
Land/Premises		
Demonstration of purchase or lease of land that is to be the site of the facility (Titles or other documents must be sighted)		
Demonstration of planning approval for facility (WAPC application or other documents must be sighted)		
Demonstration of development approval (WAPC / LGA application or other documents must be sighted)		
Proof of site investigation report (Geotechnical survey and/or similar engineering investigations)		
Letters of consent for Western Power to access/enter property from Land owners, LGA etc		
	Awarded	Maximum

	Score	Score
Fuel Source		
Proof of fuel / energy source available for the applicable generation type, to achieve the nominated declared sent out capacity		
Proof of fuel / resource storage availability		
Evidence of supplier contract / agreement for fuel or resource		
Environmental		
Demonstration of Environmental Investigation		
Environmental Impact Assessment referred to EPA		
Environmental Approval granted by EPA		
Design Level Stage		
Demonstration of conceptual (user's) facility design		
Technical Rules		
Provide declaration of understanding and acknowledgement of Technical Rules and need for customer certification by a Chartered Professional Engineer (with NPER standing)		
Technical Rules compliance demonstrated through preliminary machine / generator certification		
Acceptance of Technical Rules exemptions		
Submitted and approved HV submission (for connections at 6.6 kV to 33 kV)		
Evidence of market participation Demonstrated by one of the following, or combination thereof:		
Demonstration of tender award / bilateral agreement from an electricity retailer or major load		
Demonstration of Generation licence awarded by the Economic Regulation Authority (ERA)		
Note: Each document submitted to Western Power as evidence of the above should include specific reference by the referee as to the facility and required in-service date that are the subject of the application.		

	Awarded Score	Maximum Score
Finance		
Demonstration of financial approval for complete project (includes awarding of grant where those funds cover full works associated with the project)		
Details of Financial Structure (include contract entity)		
Resourcing		
Demonstration of Resourcing Contracts e.g. Engineering Procurement Construction Management contracts, for turn-key project package, or for engineering design		
Demonstration of purchase of generator turbines or major plant (such as primary transformers)		
SCORE		
Other (Bonus Points)		
Unconditional IWC		
Stakeholder consultation		
Any other documentation or evidence that is able to show progression of the project		
BONUS SCORE		

Criteria	Total Scored
Land/Premises	
Fuel Source	
Environmental	
Design Stage	
Technical Rules	
Evidence of Market Participation	
Finance	
Resourcing	
Bonus score	
Total	

DETERMINATION: ENQUIRY / APPLICATION

ATTACHMENT 2 – APPLICATION PROCESS

A high level overview of the proposed application process is provided as follows:

Pre-feasibility Phase

- ❑ Contact Western Power for initial pre-feasibility discussions (ask general questions about known constrained areas of the network, discuss costs and processing times and the best method for applying)
- ❑ Submit a Connection Enquiry

Enquiry Phase

- ❑ Discussions, load flow studies (may be completed by independent consultant) and budget estimates are completed by Western Power under the direction of the Applicant to identify a single connection option
- ❑ Applicant decides to proceed and submits required project evaluation information
- ❑ Project is evaluated using Access Queue Entry Criteria
- ❑ Access Application deemed to be accepted or remain as an Enquiry
- ❑ Applicant pays Application Entry Fee

Application Phase

- ❑ Discussions, detailed studies, detailed scoping and detailed estimates are conducted by Western Power
- ❑ In rare cases the Application may be bypassed
- ❑ All agreements are negotiated
- ❑ Internal (Western Power Executive or Board) and external approvals are sought (Regulatory Test submission and New Facilities Investment Test submission to the ERA for Projects greater than \$30M)
- ❑ All agreements are executed; Applicant pays Capital Contribution or sets up an appropriate payment arrangement
- ❑ The Application leaves the Access Queue as Access is now granted

Delivery Phase

- ❑ Design, procurement, construction, commissioning and energisation

Appendix 2: Submissions received on proposed changes



9th February 2010

Applications and Queuing Policy Consultation
Customer Solutions Branch
Western Power
PO Box L921
Perth WA 6842

Dear Mike Lu,

CONFIDENTIAL

RE: Submissions on Western Power's proposed revisions to the Applications and Queuing Arrangements

We welcome the opportunity to submit comments on Western Power's proposed revisions to the Applications and Queuing Arrangements for access to the South West Interconnected Network (SWIN), document number 6742726v2 released in December 2009 as part of the consultation process involved in the continual improvement of the SWIN and access arrangements.

As a generation developer, Wind Prospect believes that an improved grid applications process is crucial to the successful development of new generation projects including improved grid efficiency during the transition towards a dynamic National Electricity Market (NEM) as demonstrated in Eastern States such as New South Wales and Victoria.

Although the proposed revisions reflect closer to the NEM's applications process than the current AQP, the key points in which we would like to make on the proposed revisions put forward by Western Power are as follows:

Proposed Revisions to AQP

- The proposed revisions of the AQP by Western Power in December 2009 are a significant improvement than of the initial proposal in August 2009.
- Preliminary grid connection data should be provided to intending applicants as part of Stage 1 (Enquiry) for applicants to determine grid connection opportunities and constraints prior to formal submission as to allow realistic grid capacity expectations.

WIND PROSPECT WA PTY LTD

PO Box 389 Level 1, Beach House, 20 Beach Road • Christies Beach • South Australia • 5165 •
Tel: +61 (8) 8384 7755 • Fax: +61 (8) 8384 7722
A.B.N. 30 126 717 995 • Email: info@windprospect.com.au • Internet: www.windprospect.com.au

OM27F_AUS

- Western Power's commitment to applicants in the first formal process, Stage 1 (Enquiry) needs to be elaborated, including Western Power's responsibilities and tasks undertaken as part of the formal submissions process.

Shared Network Competing Applications Group

- Greater detail for applicants in Stage 5 (Shared Network Competing Applications Group) needs to be provided such as predicted grid capacity and estimated timeframe for Western Power's shared network planning and investment processes.
- Over-subscribed conditional offers should not only be made on the basis of application lodgement date as this implies a similar queuing concept as currently implemented but instead utilise a basic set of criteria to meet Federal and State Government planning policies.

Applicant Bond

- As per the PJM charging model (US Regional Transmission Organisation), it is proposed that the applicant bond at Stage 9 should not only be based on a fixed value and the estimated cost for studies and assessment and preparation of offer (for thresholds > and ≤ 20 MW) but instead be based upon a minimum cap value, maximum ceiling and a variable payable amount per MW applied:
 - Minimum bond: \$50,000
 - Variable: \$1,500 per MW
 - Maximum bond: \$2,500,000
- A dynamic and scalable pricing cap will ensure that committed projects are liable for its application bond relative to its proposed size (capacity) while ensuring simplicity through the exclusion of estimated costs for studies and assessments.
- Wind Prospect would like to propose that the Economic Regulation Authority (ERA) of Western Australia be appointed as the application bond regulation authority.
- Western Power should be made liable to limited financial costs such as technical studies if Western Power is unable to deliver a solution to shared network constraints within a period of five years upon receiving the applicant's bond.

Existing Applicants

- Existing applicants who will be transferred into Stage 5 (Shared Network Competing Applications Group) should be provided with an opportunity to review and revise applications with reason, such as the merging of existing applicants and reasonable amendments to proposed grid capacity as influenced by the cost of an application bond.

As discussed, Wind Prospect welcomes the proposed revisions to the current Western Power AQP and strongly believes that such a process when properly implemented, regulated and operated will deliver benefits to all relevant stakeholders and to Western Australia's economic state.

Wind Prospect supports the principle of the proposed AQP process and key elements such as a dynamic and scalable Applicant Bond will help Western Power in determining the 'seriousness' of applicants who may not have the financial means to progress their projects to completion.

WIND PROSPECT WA PTY LTD
PO Box 389 Level 1, Beach House, 20 Beach Road • Christies Beach • South Australia • 5165 •
Tel: +61 (8) 8384 7755 • Fax: +61 (8) 8384 7722
A.B.N. 30 126 717 995 • Email: info@windprospect.com.au • Internet: www.windprospect.com.au

OM27F_AUS

We would also like to congratulate Western Power on receiving the ERA's approval with regards to the SWIN transmission grid upgrade and hope that such an undertaking would be implemented swiftly to enable an improved grid with increased capacity. We look forward to receiving further information from you on the next stage of consultation and about the progress of the line to be upgraded between Pinjar and Eneabba.

Yours sincerely



Andy MacCallum
Development Manager

WIND PROSPECT WA PTY LTD

PO Box 389 Level 1, Beach House, 20 Beach Road • Christies Beach • South Australia • 5165 •
Tel: +61 (8) 8384 7755 • Fax: +61 (8) 8384 7722
A.B.N. 30 126 717 995 • Email: info@windprospect.com.au • Internet: www.windprospect.com.au

OM27F_AUS



Your Ref: Doc No. 6742726v2
Our Ref: DM# 3249088
Enquiries: Wendy Ng
Telephone: (08) 9424 1917

12 Feb 2010

Mr Gino Giudice
A/Manager Customer Solutions
Western Power
GPO Box L921
PERTH WA 6842

Dear Mr Giudice

FEEDBACK ON PROPOSED REVISIONS TO THE APPLICATIONS AND QUEUING POLICY ARRANGEMENTS FOR ACCESS TO THE SOUTH WEST INTERCONNECTED NETWORK

Thank you for the opportunity to comment on the proposed changes to the Applications and Queuing Policy (A&QP) for managing applications for access to the South West Interconnected Network (SWIS). Verve Energy would like to congratulate Western Power on its proposal to change the A&QP with a view to provide more transparency, equitability for all applications and making the process more efficient.

Verve Energy would like to make the general comment that its interpretation of the Electricity Networks Access Code (the Code) has always been that it provides significant flexibility with respect to the assessment of Access Applications in general. The proposed arrangements have certainly moved towards a more flexible approach which is more in line with the Code.

It's clear that Western Power have identified that there are significant issues associated with the current process and are trying to rectify the issues through this new proposal.

Verve Energy has requested that the following specific comments be made on the proposed revisions to the A&QP:

- It is noted that Western Power intends to classify existing applicants according to the revised policy. To avoid disadvantaging any proponent, it is recommended that consultation with Proponents should occur as part of this process.

Verve Energy ABN 58 673 830 106
Head Office: 15-17 William Street, Perth, WA 6000
Postal Address: GPO Box F366, Perth, WA 6841
Telephone: (08) 9424 1888 - Facsimile: (08) 9424 1899
Website: www.verveenergy.com.au

- **Competing Applications Group** – Clarity is sought with respect to the contribution that renewable energy generators are required to make towards shared network augmentations and the process by which the contributions are determined. Additionally it is not clear in this process how the alignment of project timing with the implementation of network augmentation is treated. It can be foreseen that within a Competing Applications Group that all projects may have differing target dates for development.
- **Modifications to existing DSOC** - The A&QP should have a well defined process for dealing with the situation where an existing holder of DSOC wishes to make changes to how that DSOC is used in the future. This would involve a technical assessment that the proposed new generator/s complies with the Technical Rules, however, the process of dealing with these applications should be kept quite separate from the access queue and managed accordingly.
- **Network Support and Payments** - Western Power has capital constraints on augmenting its network but is not obligated to negotiate with third parties for the provision of network support services that a Proponent could provide in a constrained area of the network. It is suggested that payment for network support services would incentivise proponents to more optimally locate projects and enable better utilisation of existing network infrastructure.
- **Confidentiality of Information** – A more transparent queuing process is welcomed as this opens up opportunities for Proponents in a Competing Applications Group to collaborate on the exploration of solutions or to allow for improved decision making as to whether to submit a network access application.
- **Queuing Process Documentation** – Documentation that clearly describes the proposed steps and costs involved in applying for and obtaining network access would be advantageous for all proponents.

I trust that the above information satisfies your request for comments on the proposed changes to the A&QP. If you require any further information, please don't hesitate to contact me on 08 9424 1917.

Yours sincerely



WENDY NG
MANAGER STRATEGY & REGULATION