

# Proposed Variations to Western Power's Access Arrangement for 2009/10 to 2011/12: Contributions Policy

Issues Paper

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**Economic Regulation Authority**

WESTERN AUSTRALIA

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# 1 Introduction

Western Power's current access arrangement was approved by the Authority in January 2010, with the access arrangement becoming effective on 1 March 2010.

As required under the *Electricity Networks Access Code 2004* (**Access Code**) Western Power submitted proposed revisions to the access arrangement to the Authority on 30 September 2011. The Authority issued a draft decision on 29 March 2012 and a final decision is likely to be published in July or August 2012. Taking account of the processes set out in the Access Code, it is unlikely the proposed revised access arrangement will come into effect before November 2012 and, potentially, may be some time after that. The current access arrangement remains in place until the revised access arrangement comes into effect.

Sections 4.41A to 4.45 of the Access Code allows Western Power to propose (mid-period) revisions to vary its approved access arrangement during the access arrangement period and sets out the procedure for the Authority to follow when considering such revisions to an access arrangement.

The proposed revisions to the access arrangement revisions submitted by Western Power on 30 September 2011 included a new distribution low voltage connection scheme (**DLVCS**). Western Power had originally intended to submit a mid-period proposal under section 4.41A of the Access Code to seek approval for the scheme prior to lodging its proposed revisions to the access arrangement in September 2011. This did not occur and instead a proposed mid-period application was submitted to the Authority in January 2012.

At the time of the Authority making its draft decision on the proposed revisions to the access arrangement, the Access Code did not permit the proposed DLVCS as it fell above the threshold set for such schemes as set out in section 5.17D(b) of the Access Code. The Authority was aware that a proposed Access Code amendment was under consideration for approval and noted that once an amendment was gazetted, it would give consideration to the proposed scheme. In the interim, the Authority drew attention to the points raised in public submissions in relation to the proposed scheme and recommended that Western Power continue to work with stakeholders to resolve any issues.

An amendment to section 5.17D(b) of the Access Code was gazetted on 13 April 2012. Consequently, the Authority can now give consideration to the proposed scheme.

As Western Power's variation proposal to revise parts of the contributions policy is material, the Authority is required, under section 4.43(a) of the Access Code, to consult with the public prior to making a decision on the proposal. Hence, the Authority has prepared this issues paper to assist interested parties in understanding:

- the process for varying an access arrangement;
- Western Power's variation proposal; and
- the matters to be considered by the Authority in determining whether to approve or not approve variations to Western Power's current access arrangement.

Western Power's variation proposal has been published on the Authority's website together with this issues paper.<sup>1</sup>

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<sup>1</sup> Economic Regulation Authority website: [www.erawa.com.au](http://www.erawa.com.au)

## 2 Varying an Access Arrangement

An access arrangement details the terms and conditions, including prices, that apply to third parties seeking the use of regulated (covered) electricity networks.

Under the Access Code an approved access arrangement for a covered network continues in effect from the specified start date until the network ceases to be covered. The service provider responsible for the network is, however, required to periodically submit proposed revisions to the access arrangement, which the Authority is required to assess. Such periodic revisions coincide with defined access arrangement periods of three or more (typically five) years.

Further to the requirement for a service provider to submit periodic revisions to the access arrangement, the Access Code contains provisions that allow an approved access arrangement to be varied at other times, including during an access arrangement period. In particular, section 4.41A of the Access Code states:

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 [“Revision of price control or pricing methods during an access arrangement period”] and 4.41 [“Revision of access arrangement if Code is amended”] do not apply, the Authority may by notice to a service provider vary its access arrangement in accordance with the proposed revisions.

Sections 4.42 to 4.44 of the Access Code outline the procedure for amendments to an access arrangement under sections 4.41 and 4.41A of the Access Code.

- 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.

Importantly, section 4.41B of the Access Code specifies that, in considering and implementing revisions under section 4.41A, the Authority is not obliged to undertake a complete review of the access arrangement as would occur with proposed revisions that are periodically required to be submitted by the service provider.

## 3 Western Power's Access Arrangement

Western Power's current access arrangement was approved by the Authority in January 2010, with the access arrangement becoming effective on 1 March 2010.

As required under the current access arrangement Western Power submitted proposed revisions to the access arrangement to the Authority on 30 September 2011. The Authority issued a draft decision on 29 March 2012 and a final decision is likely to be published in July or August 2012. Taking account of the processes set out in the Access Code, it is unlikely a revised access arrangement will come into effect before November 2012 and, potentially, may be some time after that. The current access arrangement remains in place until the revised access arrangement comes into effect.

Further information about Western Power's access arrangement is available from the Economic Regulation Authority's website.<sup>2</sup>

### 3.1 Variation Proposal

Western Power's current access arrangement includes, at Appendix 3, a contributions policy. The contributions policy sets out the principles and processes for determining when a contribution will be required from a user, including for a network augmentation, and for determining the amount of the contribution.

Under the current contributions policy, customers seeking a new low voltage connection to the electricity network are required to pay a capital contribution based on the specific augmentation costs for individual new customer connections less the forecast incremental revenue that Western Power would earn as a consequence of the connection. Capital contributions are assessed on a case by case basis.

Western Power notes:

An outcome of using specific augmentation costs is that quotes can vary considerably for the same size load in different locations depending upon the spare capacity of the network and the timing of the application. Loads connected to areas with low capacity, that require extensive augmentation may result in a customer making a higher capital contribution when compared to the same load being connected to an area that has ample spare capacity and little or no augmentation is required. This can result in a situation where adjacent customers make vastly different contributions, as the first customer pays for the majority of the costs and subsequent applicants are able to connect at much reduced costs.<sup>3</sup>

Western Power is seeking to vary its current contributions policy to introduce a DLVCS. It is proposed to implement the DLVCS as a "headworks scheme" within the terms of the contributions policy.

Western Power considers the proposed DLVCS will address concerns raised by customers about the lack of transparency of the current contributions policy and the lack of predictability of the required contributions amounts.

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<sup>2</sup> Economic Regulation Authority website:  
[http://www.erawa.com.au/2/583/48/electricity\\_\\_access\\_arrangements.pm](http://www.erawa.com.au/2/583/48/electricity__access_arrangements.pm)

<sup>3</sup> Western Power, Variation proposal, section 3.1, p.6.

The proposed amendments to the contributions policy are set out in a marked-up document in Attachment D of Western Power's variation proposal. The methods used to derive the proposed contributions under the DLVCS are set out in Attachment G of Western Power's variation proposal.

The DLVCS would result in a new method of charging customers for low voltage connections on the basis of standard charges rather than individually determined charges.

Western Power proposes to have three tranches of charges (low use, medium use and high use) for applicants seeking connections direct to transformers. The three tranches of charges recognise that costs per unit of capacity (kVA) decrease as demand increases due to economies of scale.<sup>4</sup>

Western Power also proposes a separate two-tranche set of charges for applicants that will be supplied from a low voltage street network (rather than directly connected to a transformer). The charges for supply from the low voltage street network are higher than for a direct connection to a transformer because of the additional low voltage assets required for a connection to the street network.<sup>5</sup>

The standard charges would be based upon the average costs for the provision of capacity (kVA) for customers eligible for this service. The actual contribution for these customers would be net of expected additional (incremental) revenue.<sup>6</sup> The approach Western Power proposes to take to develop the DLVCS prices is as follows.

- (a) Western Power determines the cost of *distribution low voltage connection scheme works* for connection of applicants that meet the eligibility criteria for the *distribution low voltage connection scheme* over a period of 12 months.
- (b) The costs of *distribution low voltage connection scheme works* determined under (a) have been allocated to categories as follows:
  - (i) whether the incremental capacity requirement at the connection point determined under clause 7.3(a) of the *contributions policy* is:
    - less than 216 kVA or
    - between 216 kVA and 630 kVA or
    - greater than 630 kVA, and
  - (ii) whether the location of the connection point is on a lot separate from the location of the transformer, or whether the connection point is supplied from the low voltage street network.
- (c) From the costs of *distribution low voltage connection scheme work* and the incremental electricity demand associated with the categories defined in (b) above, the total costs of supply for each tranche can be determined in terms of \$ per kVA.
- (d) The price structure and prices are then derived to reflect the average costs derived under (a) and (b) above. Prices are expressed in a block structure that provides for a continuous price path. Note that there is a separate price path for connections with a contiguous transformer to those connected to the low voltage street network.<sup>7</sup>

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<sup>4</sup> Western Power, Variation proposal, Attachment G, p.8.

<sup>5</sup> Western Power, Variation proposal, section 3.2, p.7.

<sup>6</sup> Western Power, Variation proposal, section 3.2, pp.6-7.

<sup>7</sup> Western Power, Variation proposal, Attachment G, pp.7-8.

Western Power will update the standard charges annually to reflect the actual augmentation costs for works undertaken during the previous 12 month period.

Western Power's proposed initial standard charges per kVA are set out in the following table.

**Table 3.1 Proposed Charging Rates**

Customer Category	Charge Rate (\$/kVA)
Low use transformer connection (0 – 216 kVA)	\$443.74
Medium use transformer connection (217 – 630 kVA)	\$221.87
High use transformer connection (631 kVA and above)	\$110.93
LV street feed connection (0 – 216 kVA)	\$495.63
LV street feed connection (217 kVA and above)	\$273.76

Western Power proposes that the DLVCS will apply to both country and metropolitan customers connecting to the low voltage distribution system within 25 kilometres of a zone substation. The DLVCS will not apply to large industrial or commercial premises, pole to pillar connections, Supply Extension Scheme works, works in excess of standard requirements, temporary supplies, street-lighting, unmetered connections, relocations, undergrounding and subdivisions.

Western Power proposes applying an economic test to exclude some otherwise eligible customers on the grounds that the costs of their required augmentation would be substantially higher than the average cost.<sup>8</sup> Western Power notes that the purpose of the economic test is to ensure that the average charges are not unreasonably skewed by very high cost connections.

Western Power anticipates that around 1.5 per cent of connections would be ineligible for the standard charges and would be charged at actual cost.<sup>9</sup>

## 3.2 Proposed timing of implementation

Western Power considers that the required revisions to the contribution policy to accommodate the DLVCS should be implemented as soon as possible<sup>10</sup> on the basis that:

- stakeholders have provided overwhelming support for the implementation of this policy as soon as possible and a delay in implementation will unnecessarily delay benefits to customers; and
- introduction of the new scheme assists in achieving the Access Code objective and provides for a more efficient outcome.<sup>11</sup>

It is unlikely the proposed revised (third) access arrangement will come into effect before November 2012 and, potentially, may be some time after that. The current (second) access arrangement remains in place until the revised access arrangement comes into effect. On this basis, it is understood to be Western Power's preference that the DLVCS

<sup>8</sup> Western Power, Variation proposal, Attachment G, pp10.

<sup>9</sup> Western Power, Variation proposal, section 3.2, p.7.

<sup>10</sup> Western Power has proposed from 1 July 2012.

<sup>11</sup> Western Power, Variation proposal, section 3.4, p.8.



and associated amendments be included as a mid-term revision to the current access arrangement.

The Authority notes that a mid-period revision requires the Authority to determine whether the advantages of varying the access arrangement during the current access arrangement period outweigh the disadvantages, and in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay. This matter is considered in 4.1.2.

Submissions are invited from interested parties on whether the proposed DLVCS should be implemented as a mid-period revision during the current (second) access arrangement period or at the same time as the third revised access arrangement comes into effect.

## 4 Western Power's Proposed Variations to the Contribution Policy

### 4.1 Matters to be Considered

Western Power proposes varying the contributions policy, which forms Appendix 3 of Western Power's current access arrangement.

In considering whether to approve Western Power's variation proposal, and hence allow variations to Western Power's current access arrangement, the Authority must:

- form an opinion on the materiality of the proposed variations to determine whether there is a need for public consultation prior to making a decision on the proposed variations<sup>12</sup>;
- determine whether the advantages of varying the access arrangement during the current access arrangement period outweigh the disadvantages, and in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay<sup>13</sup>; and
- determine whether the proposed variations are consistent with the specific requirements for a contributions policy as set out in the Access Code.

#### 4.1.1 *Need for public consultation*

Pursuant to section 4.43(a) of the Access Code, the Authority has given preliminary consideration to Western Power's variation proposal in order to form an opinion on the materiality of the proposed variations to determine whether it must consult with the public under Appendix 7 of the Access Code.

The Authority is of the opinion that Western Power's proposed variations are material in nature as the variations may affect the value of capital contributions that customers are required to pay under Western Power's access arrangement. For this reason, the Authority is consulting with the public prior to making a decision on Western Power's variation proposal.

#### 4.1.2 *Advantages of varying the Access Arrangement*

Western Power considers that its proposal to vary the contributions policy will result in the following advantages.

- Transparent and predictable charges to customers as the contributions are based on information more readily available to the customer, such as the size of the load and location of transformer (as opposed to the capacity of the existing network at a particular location).
- Minimise first mover disadvantages in the current process as the amount of the contribution would not vary depending on the time the customer connected to the network.

<sup>12</sup> This is a requirement under section 4.43(a) of the Access Code, which relates to mid-period revisions to access arrangements.

<sup>13</sup> This is a requirement under section 4.42 of the Access Code, which relates to mid-period revisions to access arrangements.

- Faster and more accurate responses to customer applications because there would be no need to carry out detailed design prior to being able to issue the quote.<sup>14</sup>

Western Power did not identify any disadvantages arising from the proposed DLVCS.

Western Power further indicates that the required processes and information technology systems have already been developed. Western Power advises that it will ensure that no customers are disadvantaged as a result of the changes during the transition to the DLVCS.

Submissions are invited from interested parties on the advantages and disadvantages arising from the proposed DLVCS.

### 4.1.3 Requirements specific to the Contributions Policy

In considering whether to approve Western Power's variation proposal, the Authority must give consideration to the specific requirements for a headworks scheme under a contributions policy.

The required content of an access arrangement is specified in Chapter 5 of the Access Code. Specifically, section 5.1(h) of the Access Code requires that an access arrangement include a contributions policy, defined in section 1.3 of the Access Code as a policy in an access arrangement under section 5.1(h) dealing with contributions by users.

The contributions policy sets out the principles and processes for determining when a contribution will be required from a user, including for a network augmentation, and for determining the amount of the contribution. A "contribution" is defined in section 1.3 of the Access Code as a capital contribution, a non-capital contribution or a headworks charge.

Specific requirements for a contribution policy that must be met are set out in sections 5.12 to 5.17D of the Access Code. However, of these sections, only sections 5.12, 5.13(a), 5.13(c), 5.15, 5.16, 5.17, 5.17C and 5.17D are relevant to a headworks scheme such as the proposed DLVCS.

Western Power submits that its proposal for a headworks scheme (the DLVCS), and hence its proposed revised contributions policy, complies with the requirements of the Access Code. The following sections of this issues paper contain Western Power's explanation of how the DLVCS meets the requirements of the relevant sections of the Access Code.

#### 4.1.3.1 Section 5.12 of the Access Code

Section 5.12 of the Access Code states as follows:

- 5.12 The objectives for a contributions policy must be that:
- (a) it strikes a balance between the interests of:
    - (i) contributing users; and
    - (ii) other users; and

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<sup>14</sup> Western Power, Variation proposal, section 3.2, p.7.

- (iii) consumers; and
- (b) it does not constitute an inappropriate barrier to entry.

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that:

The interests of contributing users, other users and consumers are more appropriately balanced under the DLVCS with regard to simplicity, predictability and transparency

In addition, the DLVCS reduces the barriers to entry for relevant customers, and, as discussed in section 3.3 [of Western Power's variation proposal], it strikes a better balance between the interests of contributing users and other users.<sup>15</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.12 of the Access Code

#### 4.1.3.2 Section 5.13 of the Access Code

Section 5.13 of the Access Code states as follows:

- 5.13 A contributions policy must facilitate the operation of this Code, including:
- (a) sections 2.10 to 2.12; and
  - .... and
  - (c) the regulatory test.

Section 2.10 to 2.12 of the Access Code states as follows:

- 2.10 Subject to section 2.11, the service provider must undertake and fund any required work.
- 2.11 If one or more contributions are required to be made under the contributions policy or under section 5.17A in respect of required work, then the service provider may refuse to undertake and fund any relevant required work under section 2.10 until either:
- (a) the applicant provides the contributions; or
  - (b) the applicant and the service provider reach agreement on, or the arbitrator determines, the terms on which the applicant will make the contributions.
- 2.12 If work:
- (a) is of a class which is or has been identified as headworks under any current or past headworks scheme; and
  - (b) is necessary in accordance with good electricity industry practice,
- then the service provider must undertake and fund the work, despite section 2.11 and whether or not the work is required work.

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that the revisions do not vary the compliance of the existing contributions policy with these clauses.<sup>16</sup>

<sup>15</sup> Western Power, Variation proposal, Attachment E, p.1.

<sup>16</sup> Western Power, Variation proposal, Attachment E, p. 1.

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.13(a) and 5.13(c) of the Access Code

#### 4.1.3.3 Section 5.15 of the Access Code

Section 5.15 of the Access Code states as follows:

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

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that:

The proposed scheme identifies the circumstances in which a contributing user is required to make a contribution and the method for calculating the contribution, which satisfies clauses 5.15 (a) and 5.15 (b).

Compliance of the contribution policy with clause 5.15 (c) is unchanged by the proposed scheme.<sup>17</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.15 of the Access Code.

#### 4.1.3.4 Section 5.16 of the Access Code

Section 5.16 of the Access Code states as follows:

- 5.16 A contributions policy may:
- (a) be based in whole or in part upon the model contributions policy, in which case, to the extent that it is based on the model contributions policy, any matter which in the model contributions policy is left to be completed in the access arrangement, must be completed in a manner consistent with:
    - (i) any instructions in relation to the matter contained in the model contributions policy; and
    - (ii) sections 5.12 to 5.15; and
    - (iii) the Code objective;

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<sup>17</sup> Western Power, Variation proposal, Attachment E, p.2.

and

- (b) be formulated without any reference to the model contributions policy and is not required to reproduce, in whole or in part, the model contributions policy.

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that in accordance with clause 5.16 (b) the proposed scheme is not based on the model contributions policy.<sup>18</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.16 of the Access Code.

#### 4.1.3.5 *Section 5.17C of the Access Code*

Section 5.17C of the Access Code states as follows:

- 5.17C Despite section 5.14, the Authority may approve a contributions policy that includes a "headworks scheme" which requires a user to make a payment to the service provider in respect of the user's capacity at a connection point on a distribution system because the user is a member of a class, whether or not there is any required work in respect of the user.

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that the proposed scheme is a headworks scheme, which the Authority may approve under clause 5.17C.<sup>19</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.17C of the Access Code.

#### 4.1.3.6 *Section 5.17D of the Access Code*

##### **Section 5.17D(a)**

Section 5.17D(a) of the Access Code states as follows:

5.17D A headworks scheme must:

- (a) identify the class of works in respect of which the scheme applies, which must not include any works on a transmission system or any works which effect a geographic extension of a network;

Western Power considers that the proposed revisions comply with this requirement on the following basis:

The class of users is defined in the proposed CP in clause 7.1 and refers to the definition of "distribution low voltage connection scheme works". The definition precludes any works on the transmission system (see the definition of "distribution low voltage connection

<sup>18</sup> Western Power, Variation proposal, Attachment E, p.3.

<sup>19</sup> Western Power, Variation proposal, Attachment E, p.3.

scheme works”) as well as a geographic extension of the network (see the definition of "distribution low voltage connection scheme application" which requires that applicants must already have an electricity-serviced lot; that is any new un-serviced lot cannot be included in the proposed scheme).<sup>20</sup>

### **Section 5.17D(b)**

Section 5.17D(b) of the Access Code states as follows:

5.17D A headworks scheme must:

...

- (b) not seek to recover headworks charges in an access arrangement period which in aggregate exceed 4 per cent of the distribution system target revenue for the access arrangement period;

Western Power considers that the proposed revisions comply with this requirement on the following basis:

The proposed scheme does not seek to recover headworks charges which exceed 5%<sup>21</sup> of the distribution system target revenue for the access arrangement period. This is in accordance with the proposed variation to the Code (Interim Code Amendment 2) expected to be gazetted imminently.

For clarity the following should be noted:

- The existing distribution headworks scheme (clause 6 of the current CP) recovers no more than 1% of Western Power's distribution system target revenue for the access arrangement period.
- The addition of the proposed scheme will recover no more than 5% of the distribution system target revenue for the access arrangement period.
- While the prices for both the proposed scheme and the distribution headworks scheme are designed to recover the full cost of related works and this is in excess of 5% of the distribution system target revenue for the access arrangement period, clause 5.2 of the CP acts to reduce the actual headworks charges to no more than 5% through a reduction due to forecast incremental revenue.

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with sections 5.17D(a) and 5.17D(b) of the Access Code.

### **Section 5.17D(c)**

Section 5.17D(c) of the Access Code states as follows:

5.17D A headworks scheme must:

...

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<sup>20</sup> Western Power, Variation proposal, Attachment E, p.4.

<sup>21</sup> The Authority notes that subsequent to Western Power submitting its variation proposal Section 5.17D(b) of the Code was amended, resulting in the threshold being increased to 4 per cent (not 5 per cent as previously indicated by Western Power). Western Power have advised that the proposed scheme will fall within the 4% threshold.

- (c) identify the class of users who must make a payment under the scheme;

Western Power considers that the proposed revisions comply with this requirement. It notes that the class of users is defined in clause 7.1 of the proposed contributions policy and it refers to the definition of "distribution low voltage connection scheme application".<sup>22</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.17D(c) of the Access Code.

### Section 5.17D(d)

Section 5.17D(d)(i) of the Access Code states as follows:

5.17D A headworks scheme must:

- (d) set out the method for calculating the headworks charge, which method:
- (i) must have the objective that headworks charges under the headworks scheme will, in the long term, and when applied across all users in the class referred to in section 5.17D(c), recover no more than the service provider's costs (such as would be incurred by a service provider efficiently minimising costs) of any headworks; and

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that the proposed scheme has the objective required by clause 5.17D(d)(i), which is described in section 2.2 and section 3 of the methodology in Attachment G in its variation proposal.<sup>23</sup>

Section 5.17D(d)(ii) of the Access Code states as follows:

5.17D A headworks scheme must:

- (d) set out the method for calculating the headworks charge, which method:
- (ii) must have the objective that the headworks charge payable by one user will differ from that payable by another user as a result of material differences in the users' capacities and the locations of their connection points, unless the Authority considers that a different approach would better achieve the Code objective; and

Western Power considers that the proposed revisions comply with this section as:

The pricing depends on the user's required incremental capacity, and charges therefore differ based on the users' capacities.

The physical location of the connection point determines the application of the street-feed charge, and charges therefore differ based on the users' locations.<sup>24</sup>

Western Power notes that this is described in clause 7.4 of the contribution policy and in section 2.2 of the methodology in Attachment G of its variation proposal.<sup>25</sup>

<sup>22</sup> Western Power, Variation proposal, Attachment E, p.4.

<sup>23</sup> Western Power, Variation proposal, Attachment E, p.5.

<sup>24</sup> Western Power, Variation proposal, Attachment E, p.5.

<sup>25</sup> Western Power, Variation proposal, Attachment E, p.5.



Section 5.17D(d)(iii) of the Access Code states as follows:

5.17D A headworks scheme must:

- (d) set out the method for calculating the headworks charge, which method:
  - (iii) may use estimates and forecasts (including long term estimates and forecasts) of loads and costs; and

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that the proposed scheme is based on estimates and forecasts (including long term estimates and forecasts) of loads and costs, in accordance with clause 5.17D (d) (iii).<sup>26</sup> This is described in section 2.2 of the methodology in Attachment G of its variation proposal.

Section 5.17D(d)(iv) of the Access Code states as follows:

5.17D A headworks scheme must:

- (d) set out the method for calculating the headworks charge, which method:
  - (iv) must contain a mechanism designed to ensure that there is no double recovery of costs in all the circumstances, including the manner of calculation of other contributions and tariffs; and

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that:

The existing contribution policy complies with this requirement, and the proposed scheme does not vary this arrangement. Therefore the proposed scheme contains the mechanism described in clause 5.17D (d) (iv).<sup>27</sup>

Section 5.17D(d)(v) of the Access Code states as follows:

5.17D A headworks scheme must:

- (d) set out the method for calculating the headworks charge, which method:
  - (v) may exclude a rebate mechanism (of the type contemplated by clauses A4.13(d) or A4.14(c)(ii) of Appendix 4) and may exclude a mechanism for retrospective adjustments to account for the difference between forecast and actual values.

Western Power considers that the proposed revisions comply with this requirement. Western Power notes that:

The proposed scheme excludes a rebate mechanism as defined in clause 10 of the CP (which is unchanged by this proposal).

The proposed scheme does not include a mechanism for retrospective adjustments to account for the difference between forecast and actual values.<sup>28</sup>

Submissions are invited from interested parties on whether Western Power's variation proposal, and hence its proposed revised contribution policy, complies with section 5.17D(d) of the Access Code.

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<sup>26</sup> Western Power, Variation proposal, Attachment E, p.5.

<sup>27</sup> Western Power, Variation proposal, Attachment E, p.5.

<sup>28</sup> Western Power, Variation proposal, Attachment E, p.6.

#### 4.1.4 Submissions received in response to the proposed revised access arrangement

As outlined above, at the time of releasing its Draft Decision on Western Power's proposed revised access arrangement for the third access arrangement period the Authority was unable to approve the proposed DLVCS. The Draft Decision set out the points raised in public submissions in relation to the proposed scheme and recommended that Western Power continue to work with stakeholders to resolve any issues.

The following organisations commented on Western Power's DLVCS in their submissions to the Authority on Western Power's proposed revised access arrangement: Synergy; National Electrical and Communications Association; FINBAR; Property Council; and Office of Energy.

Western Power has since advised the Authority that similar comments were received during Western Power's consultation on the DLVCS, and that, as far as possible, the DLVCS has incorporated these comments<sup>29</sup>. Western Power does not consider that changes to the policy or associated documentation were required in response to the comments and does not intend to make further revisions. A summary of comments received in response to the proposed revised access arrangement and Western Power's response is set out in the table below.

**Table 5.1 Western Power's responses to comments on the DLVCS received in response to the proposed revised access arrangement**

Paragraph from Draft Decision	Comment	Western Power Response
1608	Synergy's submission notes that a proposed Code amendment allowing for an increase in the headworks charges that Western Power may directly recover from consumers who are subject to Western Power's proposed Distribution Low Voltage Connection Scheme (DLVCS), is yet to be approved and hence the scheme should not be considered as part of the AA3 revisions.	The proposed variation to the Access Code has now been gazetted.
1609	The National Electrical and Communications Association supports the proposed distribution low voltage connection scheme as providing greater transparency whilst removing the disparity in pricing for customers who request the same scope of works yet are charged very different prices.	No comment.
1610	Submissions from FINBAR and the Property Council of Australia both raise similar points and are concerned particularly with the potential impact on the competitiveness of multi-unit development in Western Australia. Specific points raised include:	See below.
1610	<ul style="list-style-type: none"> <li>there is no effective means to gauge</li> </ul>	The threshold exists to ensure that

<sup>29</sup> Table provided by Western Power on 12 May 2012 and published on ERA website.

	<p>the risk of having Contributions Policy section 7.5 (exclusion from DLVCS) applied to a project, thus providing no certainty to a developer when considering the initial feasibility of a project;</p>	<p>developments with a high average cost are not subsidised by other customers within the DLVCS. Unfortunately, until an accurate assessment of the expected costs is made, it cannot be determined whether a proposed development will fall within the threshold. Our analysis indicates that only 1.5% of applications will be excluded from the DLVCS under this provision.</p>
1610	<ul style="list-style-type: none"> <li>the revenue offset is not clearly set out and the current arrangements include the inequitable exclusion of multi-residential development from having a revenue offset applied to the headworks costs; and</li> </ul>	<p>There is a revenue offset for any connection that is subject to the DLVCS. This particular concern relates to connections that are subject to Appendix 8 augmentations which are potentially at full cost. This issue is being considered further as part of the implementation of this policy but does not impact on the policy itself.</p>
1610	<ul style="list-style-type: none"> <li>the formula to be used for calculating the level of security.</li> </ul>	<p>The formula is as per the approved Contributions Policy. Western Power considers that this approach is equitable for all customers.</p>
1611	<p>The Office of Energy's submission raised some points relating to drafting:</p>	<p>See below.</p>
1611	<ul style="list-style-type: none"> <li>The Contributions Policy defines "headworks scheme" as meaning "the scheme described in clause 6 of this contributions policy". Clause 6 only refers to the distribution headworks scheme. This definition therefore does not include Western Power's distribution low voltage connection scheme which is described in clause 7 of the contributions policy.</li> </ul>	<p>The original headworks scheme (Distribution Headworks) defined headworks in this way. To minimise variations to the Contributions Policy this has been retained. Western Power considers that the definition does not need to be expanded.</p>
1611	<ul style="list-style-type: none"> <li>The Distribution Headworks Methodology states that "headworks has the same meaning given to it in the Contributions Policy". However, the definition in the DLVCS Methodology does not contain the reference to HV (or high voltage) like the Contributions Policy definition does. The high voltage reference may have implications for the classification of the proposed distribution low voltage connection scheme as a headworks scheme.</li> </ul>	<p>As per the above, the DLVCS does not relate to the definition of "headworks" used in the Contributions Policy. Therefore this issue is not relevant.</p>

Submissions are invited from interested parties as to whether the issues raised during the public consultation on Western Power's proposed revised access arrangement in relation to the DLVCS have been adequately dealt with.