



Notice

3 April 2014

Variations to Western Power's Access Arrangement

The Economic Regulation Authority has today approved minor variations to Western Power's access arrangement for its South West Interconnected Network. The variations have been approved pursuant to section 4.41A of the *Electricity Networks Access Code 2004* (Access Code) and are detailed in [Schedule 1](#) of this notice.

APPROVED VARIATION

A [proposal](#) from Western Power to amend its approved access arrangement during the current arrangement period (2012/13 to 2016/17) was received on 5 March 2014.

The mid-period amendment sought by Western Power involves a minor change to section 6.5.3 of the access arrangement which will allow for reference tariffs in the price list to be set so that the forecast revenue can be less than or equal to the calculated revenue cap for the year.

Prior to this mid-period amendment, the access arrangement wording required that forecast revenue was equal to the calculated revenue cap. In years when sales are lower than expected and Western Power has under-recovered revenue, this requirement would have meant Western Power had to automatically add the revenue shortfall to the amount to be recovered in the following financial year. If the revenue shortfall was substantial, network tariffs could spike in the following year.

The mid period variation proposed by Western Power will enable it to manage annual price movements, reducing the risk of sudden material tariff adjustments, by managing the timing of the collection of the revenue cap over the access arrangement period. The present value of capped total revenue to be recovered over the current access arrangement period will remain unchanged, regardless of the timing of recovery.

The Authority determined that the advantages of varying the access arrangement during the current access arrangement period outweigh the disadvantages, as the changes provide the flexibility to manage annual price movements to reduce sudden upward tariff adjustments. The Authority considered the variations to be minor in nature and determined that they did not require public consultation under Appendix 7 of the Access Code.

A copy of Western Power's access arrangement that incorporates the approved variations is available from the Authority's [website](#).

The varied access arrangement takes effect on *Friday, 4 April 2014*.

For further information contact:

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6.4 Price list and price list information

- 6.4.1 The *price list* in respect of the *pricing year* ending on 30 June 2013 is attached at Appendix F.1. The *price list information* for this *price list* is attached at Appendix F.2.
- 6.4.2 The *price list* is to be updated in accordance with Chapter 8 of the Code. The *pricing years* for this *access arrangement* period are defined in the table below:

Table 30: Pricing years for this access arrangement period

Pricing year	Start date	End date
1	Effective date under section 1.3.1 of this <i>access arrangement</i>	30 June 2013
2	1 July 2013	30 June 2014
3	1 July 2014	30 June 2015
4	1 July 2015	30 June 2016
5	1 July 2016	30 June 2017

- 6.4.3 In accordance with section 8.1 of the *Code* this *access arrangement* requires Western Power to submit a proposed *price list*, together with *price list information*, to the *Authority* for approval at least 45 *business days* before the start of each *pricing year* (except for the first *pricing year*).

6.5 Pricing methods

- 6.5.1 This section of the *access arrangement* explains how the *pricing methods* comply with sections 7.3 and 7.4 of the *Code*. In accordance with the *Code* requirements, the *price list information* provided as Appendix F.2 to this *access arrangement* explains the *pricing methods* that underpinned the development of *reference tariffs* for this *access arrangement* period.

Recovery of forward-looking efficient costs of providing *reference services*

- 6.5.2 In accordance with section 7.3(a) of the *Code*, *reference tariffs* are designed to recover the forward-looking efficient costs of providing *reference services*. Further information is provided in the *price list information*, Appendix F.2 to this *access arrangement*.
- 6.5.3 Western Power, as a *reasonable and prudent person*, will set the reference tariffs in the *price list* so that the forecast *transmission system* revenue for *revenue cap services* for year t does not exceed MTR_t and the forecast *distribution system* revenue for *revenue cap services* for year t does not exceed MDR_t .
- 6.5.4 *Non-revenue cap services* revenue is recovered on a fee-for-service basis.

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