

Western Power Response to ERA Consultation Paper

Metering Model Service Level Agreement

17 April 2020



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1. Executive Summary

The Model Service Level agreement (MSLA) details the metering services that Western Power must provide and the terms and conditions it must offer, including applicable charges. It is required under the *Electricity Industry (Metering) Code 2012*.

In November 2019, Western Power submitted a proposal to amend its MSLA to the Economic Regulation Authority (ERA). Western Power withdrew the previous MSLA proposal originally submitted in October 2017 following the initial Access Arrangement Four (AA4) submission. In both cases, Synergy was the only market participant to make a submission on the proposal to the ERA.

On 18 March 2020, the ERA published a consultation paper on its preliminary findings on Western Power's proposed amendments and invited submissions from interested stakeholders on Western Power's proposed MSLA and the ERA's preliminary findings.

Western Power's response to the ERA's preliminary findings and proposed required amendments are contained in section 2, below. Western Power would like to facilitate the speedy resolution of any outstanding matters and is willing to respond to any issues raised in this consultation and provide further information where required.

Western Power notes that this is the second round of consultation undertaken by the ERA on Western Power's proposed MSLA. Subject to stakeholder feedback and the ERA's consideration of the matters raised, Western Power's expectation is the MSLA can be concluded and approved by ERA to facilitate a commencement date of 1 July 2020 or reasonably soon thereafter to provide regulatory certainty for Western Power, Users and customers and avoid the need for the implementation of transitional arrangements.

2. Response to ERA findings and required amendments

2.1 Metering services offered

2.1.1 Scheduled meter reading services

Item:	Scheduled meter reading services
ERA Finding:	<p><i>Scheduled meter reading services</i></p> <p>Western Power has consolidated the individual scheduled meter reading services in the current MSLA into a single service. The proposed service, MS-1 Scheduled Energy Data Provision, replaces current services:</p> <ul style="list-style-type: none">• 9. Scheduled Bi-Monthly Meter Reading• 10. Scheduled Monthly Meter Reading• 14. Manually Collected Energy Interval Data (Monthly)• 15. Remotely Collected Energy Interval Data (Monthly)• 16. Remotely Collected Energy Interval Data (Daily) <p>Table 2 of Schedule 2 in the proposed MSLA sets out the suite of energy data provision services available under the access arrangement.</p> <p>Scheduled energy data provision continues to be a standard metering service with the costs recovered through network charges.</p> <p>The proposed changes are consistent with the ERA's decision on Western Power's revised access arrangement for the period 2017 to 2022. The ERA required Western Power to unbundle metering from network services and include a suite of metering services in the access arrangement. Users are now able to choose the frequency and type of meter reading they want through the same process they use to acquire network services, rather than being required to undertake a separate application process under the MSLA. The process for scheduled meter reading services continues to be included in the MSLA.</p>
Western Power Response:	No comment.

2.1.2 Categorisation of metering services

Item	Categorisation of metering services
ERA Finding:	<p><i>Categorisation of metering services</i></p> <p>To accommodate the changes to metering services in the access arrangement, Western Power has expanded Standard Metering Services into three new categories:</p> <ul style="list-style-type: none"> • “Reference Service (Metering) (standard metering service)” • “Additional Reference Service (Metering)” • “Accessory Metering Services – Reference Services (Metering)”. <p>The proposed classification for each Standard Metering Service is set out in Table 1. (see Consultation Paper for Table).</p> <p>Services classified as “Reference Service (Metering) (standard metering service)” and “Additional Reference Service (Metering)” are obtained through the access arrangement processes. Requests for services classified as “Accessory Metering Services – Reference Services (Metering)” are made under the MSLA processes.</p> <p>Consistent with the Standard Metering Services in the current MSLA, the costs for all three new categories of Standard Metering Services will be recovered through network charges under the access arrangement.</p> <p>The proposed changes are consistent with the ERA’s decision on Western Power’s revised access arrangement for the period 2017 to 2022.</p>
Western Power Response:	No comment.
ERA Finding:	<p><i>Other amendments to the list of metering services</i></p> <p>In its proposed MSLA, Western Power has renamed, renumbered and re-ordered the existing services. Some services have been modified or removed and new services have been added.</p> <p>Table 2 below provides a line by line comparison of each current service with the proposed service and a brief description of any changes. (see Consultation Paper for Table).</p> <p>Generally, the list of current services has been expanded. Exceptions to this are:</p> <ul style="list-style-type: none"> • Installation of accumulation meters has been deleted as advanced meters will be installed for all new connections. • Supply abolishment has been deleted as it is now included as a reference service under the access arrangement. • Card and customer meter readings are no longer listed as specific services, but a customer reading can be used if agreed with Western Power. • Energy interval data produced by survey meter, which is not a service specified under the Metering Code, is no longer listed as a service. <p>The ERA’s preliminary finding is that the proposed list of services meets the requirements of clause 6.6(1)(a)(i) to include at least all of the metering services the network operator is required to provide under the Metering Code, the Code of Conduct and the Customer Transfer Code.</p>
Western Power Response:	No comment.

2.2 Metering service descriptions

Item:	Metering service descriptions
ERA Finding:	<p>As required under clause 6(1)(b)(i), the proposed MSLA includes a description for each service. The ERA considers the level of detail needs to be sufficient to enable users to clearly understand the service that will be delivered.</p> <p>The level of detail in the proposed descriptions appears to be at least equal to the descriptions in the current MSLA. The ERA is seeking feedback from users on whether the proposed descriptions are sufficiently detailed to enable them to clearly understand the service that will be delivered.</p>
Western Power Response:	No comment.

2.3 Process for requesting metering services

Item:	Process for requesting metering services
ERA Finding:	<p>The ERA has compared the processes set out in the proposed MSLA with the requirements set out in Appendix 4 of the Metering Code. The ERA has identified two deficiencies.</p> <p>Appendix 4 provides for users to request a preferred appointment date and time and the network operator must make reasonable endeavours to perform the metering service at that preferred date and time. Only the proposed non-scheduled special metering service includes provisions for a user to request a nominated date or appointment time.</p> <p>Appendix 4 requires the network operator to publish a form to allow a user to request to cancel a service order. The proposed MSLA includes cancellation fees but a process and form to request a cancellation is not included in the MSLA.</p> <p>Apart from the deficiencies described above, the ERA's preliminary finding is that the processes set out in the proposed MSLA comply with the requirements of clause 6.2(1)(g) and Appendix 4 of the Metering Code.</p>
Western Power Response:	<p>The MSLA closely interacts with the Communication Rules, which incorporate the Build Pack.</p> <p>Section 2.6 of the WA B2B Procedure – Service Order Process, the relevant document under the Communications Rules, sets out the business process for actioning a service order. Section 2.6.2 details business processes relating to requesting a preferred date and time for a service.</p> <p>Section 2.10 of the WA B2B Procedure – Service Order Process, the relevant document under the Communications Rules, sets out the business process for cancelling a service order.</p> <p>Clause 5.1(4) of the Code provides that the information to be submitted by a Code participant to a network operator when requesting a metering service from the network operator is detailed in Appendix 4.</p> <p>Appendix 4 then sets out the information a network operator's metering service order form must require the user to provide. It then sets out certain other matters (which go beyond information to be requirements of the Code participant). These include that the user may provide the network operator with a preferred appointment date and time for the network operator to carry out the metering service order. It also includes that the network operator must publish a form to allow a user to request the network operator to cancel a metering service order, what the form must require a user to provide and other related matters.</p> <p>Appendix 4 does not require a <i>process</i> for requesting a preferred appointment date and time or for requesting a cancellation to be included in the MSLA. Similarly, clause 6.2(1)(g) of the Code does not require these processes. However, as noted above the ERA's concerns are addressed in practice by the MSLA making specific reference to the Communications Rules where the ERA's required processes can be found and employed by a user.</p>

Required amendment:	The MSLA must include: <ul style="list-style-type: none">• a process for requesting a preferred appointment time for all metering services• a process for requesting the cancellation of services.
Western Power Response:	Western Power requests that the ERA reconsider its preliminary finding and the additional information provided above relating to interaction of the MSLA with the Communication Rules.

2.4 Meter reading schedule

Item:	Meter reading schedule
ERA Finding:	<p>The ERA’s preliminary finding is that the proposed MSLA meets the requirements of clause 6.6(1)(f) to publish annually a meter reading schedule and assign meter reading dates to each meter. However, the proposed MSLA does not comply with the requirement to specify the procedures by which, and the frequency with which, the meter reading schedule may be revised.</p> <p>Changes to the reading day number affects the billing of customers. It could lead to a retailer not being able to comply with its obligations to its customers.</p> <p>The ERA considers greater detail is needed about when and how changes can be made to the meter reading schedule, including when users will be notified, what consultation will be undertaken and how Western Power will ensure users are able to meet their customer obligations.</p>
Western Power Response:	<p>The MSLA closely interacts with the Communication Rules, which incorporate the Build Pack. The Build Pack details the B2B procedures for day to day communication between Western Power and Code participants.</p> <p>Western Power considers that the ERA’s finding would be better dealt with in the B2B procedures than the MSLA.</p>
Required amendment:	<p>The MSLA must include details about when and how changes can be made to the meter reading schedule. This should include when users will be notified, what consultation will be undertaken and how Western Power will ensure users are able to meet their billing obligations.</p>
Western Power Response:	<p>Western Power does not support this required amendment.</p> <p>Western Power’s proposed MSLA meets the requirements of the Code. The procedures are specified by which the list may be revised (consultation with users) and the frequency with which the list may be revised set out (as new metering points are established and following consultation with users).</p> <p>The ERA is concerned about a retailer being able to comply with obligations to its customers and requires Western Power <i>to ensure</i> users are able to meet their billing obligations. This is not an obligation to be placed on Western Power that is authorised by the Code. It is a matter for users.</p> <p>However, Western Power is willing to consider a change to the Build Pack to include further detail about the process of consultation with users (during which they can be concerned with their responsibility to users). Western Power proposes an amendment to the MSLA as highlighted below:</p> <p style="padding-left: 40px;">Western Power will publish a Meter Reading Schedule, for the following calendar year by 31 October each year. New Meters will be added to the Meter Reading Schedule, during the year as new Metering Points are established. Western Power may amend the Meter Reading Schedule during the year for Meter Reading optimisation, following consultation with the User in accordance with the Communications Rules. Where amended, Western Power will publish an amended Meter Reading Schedule.</p>

Western Power requests that the ERA reconsider its preliminary finding and the additional information provided relating to interaction of the MSLA with the Communication Rules.

Western Power proposes that the ERA finding be addressed via a change to the Build Pack.

2.5 Time frames and service levels

Item:	Time frames and service levels
ERA Finding:	<p>The proposed MSLA includes a timeframe for each metering service offered. The timeframes for services with specified times in the Metering Code, Code of Conduct or Customer Transfer Code all appear to be within the specified times.</p> <p>The services with timeframes Western Power has proposed to increase do not have mandated timeframes. Western Power explained its rationale for amending the timeframes:</p> <p>As part of the review of the MSLA, Western Power has sought independent benchmarking of existing service standards relative to other jurisdictions. This has identified that in general, the performance targets outlined in the existing Model are similar to those prescribed in other jurisdictions in Australia. However, for a number of meter provision and technical services, the existing Model has shorter timeframes to undertake the work.</p> <p>Western Power has reviewed the impact of these shorter timeframes and identified that they may be contributing to higher service delivery costs, particularly when servicing Country areas, where scheduling to meet shorter timeframes may result in suboptimal resource utilisation. As a result, Western Power is proposing amended service standards that seek to balance both timeliness and cost efficiency.</p> <p>Western Power provided benchmarking information supporting its case that the proposed revised timelines are in line with timeframes adopted in other jurisdictions.</p> <p>The ERA's preliminary finding is that the proposed MSLA complies with the requirement to include timeframes and service levels for each metering service and that the proposed timeframes and service levels meet the minimum requirements set out in the Metering Code.</p> <p>As described above, in addition to a service standard for each service, the MSLA includes a KPI for each service.</p> <p>As set out in the tables on pages 61 to 62 of the proposed MSLA, each service standard is a specified timeframe. For example, the service standard for de-energisations in the metropolitan area is within one business day after receipt of the request.</p> <p>However, the tables on pages 61 to 62 also include a column headed "KPI". The KPI for de-energisations in the metropolitan area is 95 per cent. The KPIs for other services range from 95 per cent to 99 per cent.</p> <p>Performance is measured as follows:</p> <ul style="list-style-type: none"> • Performance to the service standard is measured on the difference between the requested date of the metering service and the actual change date. • Performance against the KPI for each metering service is calculated on the number of services that met the service standard during the reporting period divided by the total number of services performed during the reporting period. <p>The Metering Code refers to a "timeframe" for each service and does not explicitly contemplate KPIs. Unless a KPI was set to 100 per cent, it results in there not being a definitive timeframe for each service. On that basis, the ERA's preliminary finding is that KPIs are not consistent with the requirements of clause 6.6(1)(b)(ii) to specify a timeframe for each service.</p>

Western Power Response:	<p>Clause 6.6(1)(b)(ii) of the Metering Code requires that the MSLA must at least (with emphasis) specify a timeframe, and (with emphasis) where appropriate other service levels, for the performance of the metering service.</p> <p>Western Power considers it is appropriate to include performance indicators for service levels and that the inclusion of both a timeframe and a suitable measure of performance of the metering service is consistent with the requirements of Clause 6.6(1)(b)(ii).</p> <p>It is important to note that the word “timeframe” refers to a period of time during which something is expected to happen; it is not a reference to a set date upon which something must precisely happen. When the ERA states that “unless a KPI was set to 100 per cent, it results in there not being a definitive timeframe for each service”, it seems that the word “timeframe” is being read as if it said, “absolute time”. It is consistent with the Code for a timeframe to be set of a period in which something is expected to happen (which is definitive), for example within 1 day for MS – 1 where the energy data passes validation, and then have a KPI which measures the performance of Western Power against that standard (99%). The timeframe (that is, a standard which is definitive but not absolute) and the performance measured against that standard are conceptually and actually different things. This structure is consistent with and permitted by clause 6.6(1)(b)(ii) which, as set out above, draws a distinction between a timeframe and other service levels. Western Power’s proposed MSLA specifies a timeframe as required by the Code.</p> <p>This approach is consistent with the current MSLA and provides users with transparency of performance. Western Power is concerned that the removal of KPIs may result in an increase in performance related disputes.</p> <p>In relation to the ERA’s preliminary finding that inclusion of KPIs “results in there not being a definitive timeframe for each service”, Western Power proposes that the following clause be added to Schedule 4 – Service Standards:</p> <p><i>Where a service is not performed within the service standard timeframe, it will be performed no later than 20 business days after the service standard timeframe or at a time agreed with the user.</i></p> <p>And that KPIs be retained within the MSLA.</p> <p>The addition of this clause will ensure there is a definitive timeframe for each service.</p>
Required amendment:	The KPIs must be removed from the MSLA.
Western Power Response:	<p>Western Power does not support this required amendment.</p> <p>Western Power requests that the ERA reconsider its preliminary finding and the additional information provided by Western Power.</p>

2.6 Charges for metering services

2.6.1 Update of Prices

Item:	Update of prices
ERA Finding:	<p><i>Update of prices</i></p> <p>The MSLA prices have not been updated since 2006. A comparison of the current and proposed charges is included in Appendix 1 of these draft findings.</p> <p>In the current MSLA, the costs for standard metering services are recovered through network charges under the access arrangement and the costs for extended metering services are recovered through MSLA charges.</p> <p>Western Power has proposed to continue this approach as the costs for the three new categories of standard metering services will be recovered through network charges under the access arrangement.</p> <p>Charges for standard metering services are set out in Table 21 of the 2019/20 Price List published on the ERA's website. The charges are based on the default metering service for the relevant network service. As set out in the Price List, additional charges may apply if the user selects a different metering service. The additional charge may only include Western Power's incremental costs of providing the selected metering service compared with the default service and may consist of capital and non-capital costs. The ERA will assess the incremental costs proposed by Western Power in the 2020/21 network charges price list review. (added emphasis)</p> <p>The proposed MSLA includes fees for some Standard Metering Services in Table 5 of Schedule 5. Although there are footnotes stating that these fees are included in the network tariff metering charges under the access arrangement, their inclusion in Table 5 creates confusion, as indicated in Synergy's submission.</p> <p>In its submission, Synergy noted that there was insufficient published information for users to satisfy themselves that Western Power had sought to achieve the lowest sustainable cost of providing metering services. Synergy asked the ERA to ensure that the prices were consistent with the Metering Code requirements and were not based on "cost plus pricing".</p> <p>Synergy submitted network charges are subject to:</p> <p>A rigorous price control framework to give effect to its objective of promoting the economically efficient investment in and operation and use of networks and services of networks in Western Australia. Cost efficiency is a requirement of the Metering Code for MSLA's – see clause 6.6(i)(e). However, the Metering Code does not specify how this is to be achieved.</p> <p>The revenue Western Power receives for extended metering services through the MSLA is relatively small in comparison to the standard metering costs recovered through network tariffs. In 2016/17, network tariffs included \$76 million for standard metering services compared with \$7.2 million for extended metering services recovered through MSLA charges shown in Table 4 below. (see Consultation Paper for Table).</p> <p>To update its prices, Western Power developed a pricing model with estimates of the average field, fleet and administration times and materials used for each service. The proposed fees are based on labour, fleet, material and indirect cost unit rates for the 2017 financial year. The results of the model were compared with the 2017 financial year actuals to validate the model and underlying assumptions.</p>

	<p>As can be seen in Table 4, Western Power has been under-recovering its costs for Extended Metering Services. This indicates the current fees in the MSLA are below cost and, presumably, would have motivated Western Power to manage its expenditure efficiently to minimise losses. For that reason, the ERA considers it reasonable to assume the proposed starting prices are based on efficient costs.</p> <p>As discussed later under automatic annual updates, the ERA has required Western Power to include a productivity improvement of 1 per cent each year, consistent with the access arrangement decision for 2017/18 to 2021/22, to ensure the MSLA prices continue to reflect efficient costs.</p> <p>Benchmarking against other service providers, included in Appendix 3, indicates Western Power’s proposed metropolitan charges are in line with other service providers for 12 of the 18 services that could be compared. The exceptions are for different types of meter testing and urgent re-energisations. The ERA is seeking further information from Western Power to understand why these charges are higher compared with other service providers.</p> <p>All Western Power’s proposed country fees are higher than other service providers. As discussed below under travel costs, the ERA considers travel costs should be averaged across all customers.</p> <p>Most services are charged a fixed fee. However, Western Power has proposed to price manual de-energisation and re-energisation services for high voltage supplies on application. The method that will be used to calculate the fee is included in Schedule 5 of the proposed MSLA. The unit rates that will be used in these calculations have not been included. Synergy submitted this is not consistent with the requirements of the Metering Code.</p> <p>The Metering Code requires any applicable hourly labour rates, distance-related costs or equipment usage costs used in the calculation of the price to be included in the MSLA.</p>
Western Power Response:	<p>Proposed fees for meter testing and urgent re-energisations have been prepared using the same methodology used for pricing other services. Charges have been calculated using inputs specific to Western Power’s service area and custom requirements sought by users through consultation.</p> <p>During benchmarking, in some instances, direct comparison of the scope of a service with peers in other jurisdictions was not possible, due to customised user specific requirements. For example, a required delivery timeframe of 3 hours for urgent reenergisations. In these instances, a reasonableness check was applied to comparable services of best fit. For example, the urgent reenergisation service was considered similar in scope to an unplanned outage and was therefore compared to unplanned maintenance fees in other jurisdictions.</p> <p>Western Power considers that proposed charges for meter testing and urgent re-energisations are consistent with Western Power’s efficient cost and are not inconsistent with other service providers.</p> <p>Western Power identified Essential Energy’s <i>Price Schedule for Ancillary Network Services – 1 July 2019</i>, to be one of the most comprehensive sources of service variants.</p> <p>Essential Energy’s 2019-20 pricing includes the following fees for meter testing:</p> <ul style="list-style-type: none"> • Meter test, whole current: \$603.82 • Meter test, CT: \$728.14 <p>These fees are higher than the meter testing charges proposed by Western Power.</p> <p>Fees for urgent re-energisations were compared to Essential Energy’s:</p> <ul style="list-style-type: none"> • Unplanned Outage – retailer outage impacting non retailer customer (site attendance): \$293.49 (normal time) & \$487 (overtime) <p>These fees are higher than the urgent reenergisation charges proposed by Western Power.</p>

Required amendment:	Fees for Standard Metering Service that are recovered through network tariffs must be removed from Table 5 in Schedule 5 of the proposed MSLA.
Western Power Response:	Western Power <u>accepts</u> this required amendment and will incorporate these prices into the 2020/21 Price List. Relevant deletions will be made to the MSLA to delete the relevant rows in table 5 of Schedule 5 and the following paragraph: Under the heading Additional Metering Services in Table 5, the fees payable (Reference Tariff) pursuant to the authority of the Price List where the User has selected an Additional Reference Service (Metering). As required by the Price List, these Fees reflect the incremental cost of providing the Metering Service. This fee is to be regarded as having been specified in the Price List.
Required amendment:	The MSLA must include details of any unit rates used in the calculation of fees for services priced on application.
Western Power Response:	Western Power <u>accepts</u> this required amendment.

2.6.2 Travel Costs

Item:	Travel Costs
ERA Finding:	<p><i>Travel costs</i></p> <p>The current MSLA fees are inclusive of 30 minutes of travel. Additional travel is charged at \$93.50 per hour for vehicle travel, or \$85 per hour plus airfare and accommodation for air travel.</p> <p>Western Power proposes consolidating all travel costs in the fee for the metering service. It considers this is administratively easier to manage. It has developed a metropolitan and country fee for each service. Typically, the proposed country fees include additional travel time of 30 minutes compared with metropolitan fees. This can result in differences in fees of between \$30 to \$112 depending on the service.</p> <p>Standard metering services included in network charges for customers using less than 1 Mega Volt Amp are charged on a uniform basis to all customers regardless of their geographic location. This is a requirement under clause 7.7 of the Electricity Networks Access Code 2004.</p> <p>The largest component of metering costs – standard metering services – is averaged across all customers regardless of geographical location. In contrast, Western Power’s proposed MSLA fees will result in country customers paying significantly higher fees than metropolitan customers.</p> <p>The MSLA services are consequential to having a meter. There are no efficiency benefits from setting the MSLA fees on a geographical basis. The ERA agrees consolidating travel costs in the metering fee will be administratively easier and less costly to manage. However, travel costs should be averaged across all customers rather than making an arbitrary differentiation between “metropolitan” and “country”.</p>
Western Power Response:	No comment.
Required amendment:	Travel costs should be averaged across all customers.

Western Power Response:	Western Power <u>accepts</u> this required amendment.
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2.6.3 Prices for meters, radio frequency communication installations and meter re-configurations

Item:	Prices for meters, radio frequency communication installations and meter re-configurations
ERA Finding:	<p><i>Prices for meters, radio frequency communication installations and meter re-configurations</i></p> <p>Western Power has proposed to charge a uniform fee for meter exchanges, regardless of the metering type. The proposed fee is \$64.55 in the metropolitan area and \$137.05 in country areas. It also applied the same fee to radio frequency communication installations and manual meter re-configurations.</p> <p>The fee is based on the cost of a visit by a technician (24 minutes in metropolitan areas and 54 minutes in the country) and does not include the cost of the meter or any other materials.</p> <p>The proposed fee for a cellular communications link is \$324.34 in the metropolitan area and \$396.84 in the country. This fee includes the cost of materials.</p> <p>In its submission, Synergy supported the proposed fees for meter exchanges and radio frequency communication links. It considers the proposed fees will encourage the uptake of remote metering services and allow customers to benefit from the new services this infrastructure will provide.</p> <p>The ERA is concerned that charging for new meters below cost could lead to meters being replaced unnecessarily. For example, if the price for a meter re-configuration is the same as a meter exchange, a user may be motivated to request a new meter even when it would be more cost-effective to reconfigure the existing meter.</p> <p>It is also unclear from Western Power’s proposal how it intends the cost of meter exchanges requested by users will be funded. Currently, only metering expenditure for new connections and meter replacements are included in regulatory capital expenditure under the access arrangement. Meter exchanges initiated by users are paid for by the user through the MSLA fees. Setting the fee below cost will result in a shortfall in revenue for Western Power.</p>
Western Power Response:	<p>The framework and treatment of metering capex and capital contributions is established. All fees for capex metering services are treated as a (partial) capital contribution and, where this contribution doesn’t recover expenditure in full, the balance of expenditure is added to Western Power’s regulated asset base (RAB). Expenditure allocated to the RAB is recovered over time via tariff revenue.</p> <p>A lower upfront fee provides a price signal that encourages customers to access AMI services. These services promote competition in markets upstream and downstream of Western Power’s network and promote access to and confidence in data of parties to commercial electricity transactions.</p> <p>A lower upfront fee is also appropriate, given AMI provides a net benefit in the covered network over a reasonable period. The capital contributions proposed strike a balance between the interests of users and consumers and does not constitute an inappropriate barrier to entry, which is consistent with clause 6.5(b) of the Metering Code.</p> <p>Western Power recognises that price signals need to be appropriate to ensure customers are only incentivised to access services which they need. The services offered in</p>

	<p>Western Power’s proposed MSLA allow users to request the installation of an AMI meter to satisfy the eligibility criteria for a reference service or non-reference service. It does not give customers or users absolute discretion to require the replacement of an existing asset that already meets the requirements of a requested reference, or non-reference, service.</p> <p>Another key objective of Western Power’s proposed pricing is simplicity. Currently, a range of different fees apply to customers seeking to change or access new network services. The complex fee structure means customers in the same market segment pay different amounts depending on factors which are beyond their control. Western Power considers the simplicity proposed by the pricing structure will promote the economically efficient operation and use of services.</p> <p>Western Power considers that applying a method in which upfront fees recover the full capital cost of AMI meters may constitute a barrier to entry and is unlikely to strike an appropriate balance between the interests of the contributing user, other users and consumers.</p> <p>A high entry fee may stifle users seeking to innovate new products for consumers and defer the realisation of AMI benefits across the electricity supply chain. Higher upfront fees may also promote short sighted economically inefficient use of services, as the upfront method is biased against long term investment. For example, users applying the payback rule may seek to use manual metering services as an alternative to remote services, which incur a higher entry fee.</p> <p>Western Power’s Build Pack details the B2B procedures for users wishing to access AMI meters and services. Details of amendments implemented to accommodate AMI are detailed in Build Pack Change Request 18.pdf.</p> <p>Synergy had originally proposed a no upfront fee. Western Power held several discussions with Synergy and other retailers to find a suitable capital contribution to manage the risk that the ERA has identified. Western Power consider that the prices we have proposed are consistent with the objective of promoting access to and confidence in data of parties to commercial electricity transactions, without resulting in unnecessary replacements.</p>
<p>Seeking further information from Western Power:</p>	<p>Western Power must provide information and evidence of how its proposed prices for meters, radio frequency communication installations and meter re-configurations will not result in meters being replaced unnecessarily and how the difference between the proposed MLSA fee and actual cost will be funded.</p>

Western Power Response:	<p>Western Power recognises that price signals need to promote economically efficient investment in services and the network. We consider that the prices we have proposed are consistent with this objective.</p> <p>All fees for capex metering services are treated as a (partial) capital contribution and, where this contribution doesn't recover expenditure in full, the balance of expenditure is added to Western Power's regulated asset base (RAB). Expenditure allocated to the RAB is recovered over time via tariff revenue. Our AA5 submission will identify how this investment in meters meets the New Facilities Investment Test by providing a net benefit in the covered network.</p> <p>At a high level, and as explained in our AA4 submission, the installation of AMI will provide the following benefits:</p> <ul style="list-style-type: none">• Giving more power to people by facilitating choice in innovative product and service offerings for retailers and customers, including new tariffs• Improved safety for the community by using advanced meter data to reduce the risk of electric shock through early identification of faults/faulty equipment (presently there is no practicable way to identify these) and• Remote visibility of timely and granular network data and alarms at the connection point, which means Western Power can reduce network and metering costs over time, which benefits retailers and customers.
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2.6.4 Automatic annual updates

Item:	Automatic annual updates
ERA Finding:	<p><i>Automatic annual updates</i></p> <p>Western Power has proposed the MSLA fees will be updated automatically each year based on the Wage Price Index published by the Australian Bureau of Statistics.</p> <p>In its submission, Synergy did not support this approach (see Consultation Paper for detail)</p> <p>The ERA does not consider automatic updates based on the Wage Price Index are consistent with the requirement in clause 6.6(1) that prices do not exceed the costs that would be incurred by a network operator acting in good faith and in accordance with good electricity industry practice, seeking to achieve the lowest sustainable costs of providing the relevant metering service.</p> <p>Although wages are a large component of the cost, they are not the only component. In any case, the Wage Price Index published by the Australian Bureau of Statistics is not a measure of an efficient increase in Western Power’s labour costs.</p> <p>The ERA agrees that periodic updates of the MSLA pricing schedule should be undertaken to ensure prices are current and continue to reflect efficient costs. This would best be achieved by using the pricing parameters approved in Western Power’s access arrangement for the period 2017/18 to 2021/22.</p> <p>The access arrangement pricing parameters include:</p> <ul style="list-style-type: none"> • The Consumer Price Index – based on the most recent December quarter compared to the December quarter in the previous year. • Labour escalation – 0.81 per cent to be applied to labour costs only. • Productivity improvement – minus one per cent each year.
Western Power Response:	<p>Western Power is supportive of the proposed escalation mechanism. Western Power proposes to adopt an escalation formula along the lines of:</p> $\text{New price} = ([\text{Labour component} * \text{Labour escalation}] + \text{Non-labour component}) * (1 + \text{CPI}) * (1 - \text{Productivity improvement})$ <p>This formula will appear in paragraph (c) in Schedule 5, page 66.</p> <p>Western Power will publish a new version of the fees in schedule 5 each year on its website, detailing the new prices after following the above formulation. It is intended that the values (e.g. for labour escalation) will be as per the AA4 decision until such time as a new determination is made on AA5 at which time the updated values will be used. A paragraph to this effect will be included in Schedule 5.</p>
Required amendment:	<p>The annual update of prices must be amended to use the pricing parameters approved in the access arrangement for the period 2017/18 to 2021/22.</p>
Western Power Response:	<p>Western Power <u>accepts</u> this required amendment.</p>

2.6.5 Cancellation fees

Item:	Cancellation Fees
ERA Finding:	<p><i>Cancellation fees</i></p> <p>Western Power proposed to introduce cancellation fees as set out on page 69 of the proposed MSLA.</p> <p>Synergy submitted the cancellation fees must be consistent with the relevant clauses of Appendix A4 in the Metering Code.</p> <p>As outlined in the regulatory requirements above, the clauses in Appendix A4 of the Metering Code permit the network operator to require the user to pay the amount incurred by the network operator, acting efficiently in accordance with good electricity industry practice, before the work or costs were able to be stopped or cancelled. The network operator must provide evidence to the user of this amount.</p> <p>Western Power did not provide any information on or evidence of how its proposed cancellation fees meet the Metering Code requirements for cancelled services.</p>
Western Power Response:	<p>Appendix 4 of the Metering Code contemplates the cancellation of a metering service order and clause A4.2(4) provides for the inclusion of cancellation fees in the MSLA.</p> <p>When a service request is cancelled, Western Power incurs a cost in each instance. Costs incurred vary depending on how far the service request has progressed. Western Power's proposed charges are based on 3 key timing point variables.</p> <ul style="list-style-type: none"> • C-1 B2B; where service request is cancelled prior to field dispatch, administrative & support costs are incurred. • C-2 In Field; where service request is allocated and dispatched to a delivery resource, service in-flight, and cancelled prior to field attendance. Administrative & resource rescheduling costs are incurred. • C-3 MS-7 De-energise (Manual); where action during site attendance has been undertaken. All costs relating to that service are incurred as per the unit rate methodology. <p>During stakeholder consultation, users did not propose an alternative methodology for the recovery of cancellation costs.</p>
Required amendment:	<p>Western Power has not demonstrated that its proposed cancellation fees are consistent with the requirements set out in Appendix 4 of the Metering Code. Western Power must revise the proposed fees and/or provide evidence to demonstrate they are consistent with the requirements of Appendix A4 in the Metering Code.</p>
Western Power Response:	<p>Western Power requests that the ERA consider the additional information provided above.</p>

2.7 Terms and conditions

Item:	Terms and Conditions
ERA Finding:	<p>Western Power has proposed amendments to the terms and conditions, including definitions. (see Consultation Paper for additional detail).</p> <p>Most of the proposed changes are to bring the document into line with the current electricity transfer access contract approved under the access arrangement.</p> <p>Users are able to acquire metering services only for connections they hold an access contract for. The ERA considers that harmonising the provisions in the MSLA with the electricity transfer access contract will ensure they work together effectively and ensure compliance with both the Metering Code and Access Code. In some cases, modifications are needed to take account of specific Metering Code requirements.</p> <p>In its submission, Synergy put forward a view that greater incentives are needed to make Western Power meet its service standards: (see Consultation Paper for additional detail).</p> <p>The ERA considers that compliance with the Metering Code requires the MSLA to ensure all parties have clarity about their obligations and that Western Power must deliver the services it is required to in line with the service standards.</p> <p>Western Power's proposed changes and the further amendments the ERA considers necessary will clarify parties' obligations and Western Power's requirements to deliver services in line with service standards or to pay compensation if its failure to deliver services results in users incurring additional costs.</p> <p>The ERA does not consider a penalty/reward mechanism is consistent with the requirements of the Metering Code.</p>
Western Power Response:	<p>Western Power supports the ERA's view that a penalty/reward mechanism is not consistent with the requirements of the Metering Code.</p> <p>With respect to the other amendments that the ERA has proposed, Western Power refers to its individual responses as outlined in the remainder of this section 2.7 below (including section 2.7.9 – Liability and indemnity).</p>

2.7.1 Definitions and interpretation

Item:	Definitions and interpretation
Required amendment:	<p>Proposed new clause 1.3 must be amended to use the Consumer Price Index with adjustments for labour cost escalation and productivity improvements.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	<p>Western Power <u>accepts</u> this required amendment.</p>

2.7.2 Term

Item:	Term
ERA Finding:	<p>The proposed changes are administrative in nature and bring the MSLA in line with the electricity transfer access contract approved under the access arrangement. The amendments do not materially affect compliance with the Metering Code.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	No comment

2.7.3 Services

Item:	Services
Required amendment:	<p>The proposed parameters in clause 3.2(2) must be clearly defined so parties understand their respective obligations and there is no dispute about whether Western Power should have delivered the service or not.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	<p>Western Power accepts the required amendment in principle with modifications.</p> <p>The difficulty is that the future circumstances in which Western Power may not be able to provide the Metering Services cannot now be fully foreseen and delineated. Nevertheless, Western Power has not proposed an unlimited exclusion along the lines of “Western Power is not in breach if it is unable to provide the Metering Service” but rather it has limited the exceptions to “appropriate access to a property not provided”, “legitimate concern [about safety]” and “other impediments [beyond control]”. Western Power does not accept that the future circumstances can be clearly defined but in recognising the ERA’s concern Western Power proposes replacing “acting reasonably” with “acting as a Reasonable and Prudent Person”. This is a standard formulation to cater for uncertain circumstances as used in the MSLA and the ETAC.</p>

2.7.4 Financial covenants by user

Item:	Financial covenants by user
ERA Finding:	<p>The ERA considers the proposed changes clarify the MSLA fees and are consistent with the Metering Code obligations.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	No comment.

2.7.5 Invoicing, payment and GST

Item:	Invoicing, payment and GST
ERA Finding:	<p>The proposed amendments generally bring these clauses into line with similar clauses in the electricity transfer access contract approved under the access arrangement.</p> <p>However, Western Power proposes amending the definition of “business day” from “means a day that is not a Saturday, Sunday or public holiday throughout Western Australia” to “means a day that is not a Saturday, Sunday or public holiday in Perth, Western Australia”.</p> <p>The proposed amendment would result in the definition being inconsistent with the Metering Code and the electricity transfer access contract. The ERA is not aware of any public holidays that don’t apply throughout the state but, if there were to be, it may result in operational difficulties if the definition is inconsistent with the Metering Code. Other than the definition of business day, the ERA considers the proposed amendments provide additional clarity, are administrative in nature and do not materially affect consistency with the Metering Code.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	Western Power <u>accepts</u> the finding to amend the definition of “business day” to reference Western Australia rather than Perth.

2.7.6 Representations and warranties

Item:	Representations and warranties
ERA Finding:	<p>The proposed new clauses are taken from the representations and warranties included in the electricity transfer contract. They state clearly that Western Power’s and users’ obligations under the agreement are valid and binding and are enforceable under the terms of the agreement. The proposed amendments do not materially affect consistency with the Metering Code.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	No comment.

2.7.7 Force majeure

Item:	Force majeure
ERA Finding:	<p>The proposed changes Western Power has made to the force majeure provisions generally bring the MSLA into line with the electricity transfer access contract which will ensure they work together effectively. However, Western Power’s proposed amendments do not include provisions for how quickly force majeure events should be notified. The requirement in the electricity transfer access contract is “as soon as reasonably practicable and in any event within 5 business days of a Party becoming aware an event is or is likely to be a Force Majeure Event.”</p> <p>Synergy proposes immediate notification of a force majeure event if it is likely to prevent the operation of clause 5.8 of the Metering Code or adversely affects customers using Life Support Equipment.²³ The ERA agrees that prompt notification is necessary for these circumstances to enable users to take any actions they can to avoid breaches under the Code of Conduct or mitigate the effect on customers using life support equipment. However, immediate notification may not always be possible. The ERA considers “as soon as reasonably practicable” is a better alternative.</p> <p>For force majeure events that do not prevent the operation of clause 5.8 of the Metering Code or adversely affect customers using life support equipment, the ERA considers the obligations for notifying should be consistent with the electricity transfer access contract.</p> <p>The ERA considers Synergy’s proposed amendment to clause 8.3 is necessary to ensure breaches of the Metering Code are included.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	Western Power acknowledges the ERA’s finding.
Required amendment:	<p>Proposed clause 8.2 and 8.3 must be amended as follows:</p> <p>Subject to clauses 8.3 and 8.5, if a Force Majeure Event occurs and the Affected Person is unable wholly or in part to perform any obligation under this Agreement, then the Affected Person must:</p> <ul style="list-style-type: none"> (a) notify the other person as soon as reasonably practicable on becoming aware an event is or is likely to be a Force Majeure Event likely to prevent the operation of clause 5.8 of the Code or adversely affect the use by a customer of Life Support Equipment; and (b) subject to clause 8.2(a) notify the other Party if the FM Period continues for a period of two days or longer as soon as reasonably practicable and in any event within 5 Business Days of a Party becoming aware an event is or is likely to be a Force Majeure Event; and (c) use reasonable endeavours (including any reasonable expenditure of funds ... <p>An Affected Person is not obliged to incur any expenditure in complying with clause 8.2(b) if the Force Majeure Event is constituted by a breach of, or failure to comply with, this Agreement or the Code by the other Party.</p>

Western Power Response:	<p>Western Power accepts the required amendment in principle with modifications:</p> <ul style="list-style-type: none"> • as noted in the mark-up above in paragraph (a) for consistency with paragraph (b) and the ETAC and to focus the “adverse effect” on the use of the life support equipment and not the customer generally; and • to include in a new definition as follows: “Life Support Equipment has the meaning given to it in the Code”.
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2.7.8 Default

Item:	Default
ERA Finding:	<p>Proposed new clause 9(c) provides clarification about the suspension of metering services. The new clause does not materially affect consistency with the Metering Code.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	No comment.

2.7.9 Liability and indemnity

Item:	Liability and indemnity
ERA Finding:	<p>It is unclear why Western Power has not amended proposed clause 7 to be fully consistent with similar clauses in the electricity transfer access contract. The matters raised by Synergy link closely with the views it expressed about making sure there are incentives for Western Power to deliver services in line with the service standards.</p> <p>The ERA considers clause 7 should be amended to be consistent with the electricity transfer access contract so that Western Power is required to provide financial compensation if its failure to deliver a service in line with the service standards results in the user incurring additional costs.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	Please see below
Required amendment:	Proposed clause 7 must be amended to be consistent with provisions in the electricity transfer access contract and ensure that Western Power is required to pay compensation if its failure to deliver a service in line with the service standard results in a user incurring additional costs.

Western Power Response:	<p>Western Power does not support the ERA’s required amendment and maintains its original position.</p> <p>Western Power notes the following to address Synergy’s concerns:</p> <ul style="list-style-type: none"> • contrary to Synergy’s assertion that the breadth of the liability exclusion of indirect damage is inconsistent with the ETAC, the liability exclusion of indirect damage mirrors that in the ETAC; • as to the example given of clause 3.6 of the ETAC, the dis-application of the exclusion of indirect damage there is preserved by clause 7.5 of the MSLA. There are no wilful default provisions in the MSLA; • the concern expressed about the application of the Australian Consumer Law is speculative and unsubstantiated. There is no recognition of this supposed issue in the ETAC; • the use of “however arising” mirrors the ETAC. Clause 7.4 of the MSLA specifically dis-applies the liability exclusion of indirect damage to fraud. There are no wilful default provisions in the MSLA. Exclusions to the operation of clause 7.2 are included as to payment of charges for services, GST and interest; and • the application of the liability cap for fraud and its dis-application for personal injury mirrors the ETAC. <p>Western Power adopts the principle that as Reference Service (Metering) are provided under the ETAC and the Metering Services comprised therein are provided in accordance with the Code and the MSLA, there must be conformity in the liability provisions in the two agreements.</p> <p>Synergy also argues the exclusion of indirect damage in clause 7.1 and the liability limitations in clause 7.2 should align with the approach approved by the ERA in respect of the ETAC.</p> <p>In the proposed MSLA, they do.</p> <p>The ERA considers clause 7 should be amended to be consistent with the ETAC. Western Power will be liable under the MSLA for losses other than excluded indirect damage in precisely the same way as it is liable under the ETAC. This will provide Synergy with “adequate compensation”.</p> <p>The required amendment is inconsistent with the ETAC.</p>
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2.7.10 Dispute resolution

Item:	Dispute resolution
ERA Finding:	<p>The MSLA should define dispute consistently with the Metering Code.</p> <p>(See Consultation Paper for additional detail)</p>

Western Power Response:	Western Power presumes the ERA intends that the definition of “Dispute” be: “means any dispute or difference arising in respect of any matter under or in connection with this Agreement between the parties, the subject matter of which is not also an access dispute under the Access Code, a dispute under the market rules, a dispute or a complaint under the Code approved under section 79 of the Act or a dispute under the Customer Transfer Code between the parties” and that the words “arising in respect of any matter under or in connection with this Agreement” be deleted from clause 10.1.
Required amendment:	The definition of “dispute” must be amended to be consistent with the Metering Code.
Western Power Response:	Western Power <u>accepts</u> the required amendment as proposed above.

2.7.11 Assignment and encumbrances

Item:	Assignment and encumbrances
ERA Finding:	The proposed changes to 12(c) considerably broaden the scope of this clause. The current clause is very clear it applies only to Western Power and is consistent with similar provisions in the electricity transfer access contract. However, the proposed changes would appear to apply to any user restructured in accordance with government policy. It is unclear why the change has been proposed or its intent. The resultant inconsistency with the electricity transfer access contract could result in administrative difficulties. (See Consultation Paper for additional detail)
Western Power Response:	No comment.
Required amendment:	The proposed changes to the assignment and encumbrances clause must be amended so that they apply only to Western Power.
Western Power Response:	Western Power <u>accepts</u> the required amendment.

2.7.12 Miscellaneous

Item:	Miscellaneous
ERA Finding:	<p>The proposed changes are administrative in nature and bring the MSLA provisions into line with the electricity transfer access contract. The amendments do not affect consistency with the Metering Code.</p> <p>The ERA considers Synergy’s proposed amendment would clarify that the updated MSLA supersedes previous versions of the MSLA and does not affect any agreements users have with Western Power.</p> <p>(See Consultation Paper for additional detail)</p>
Western Power Response:	Western Power has one Additional Metering Services Agreement with Synergy and intends for it to be superseded by the approved MSLA. Western Power considers that business efficacy is promoted by having only one agreement in place relevant to metering services.
Required amendment:	<p>Clause 13.8 must be amended as follows:</p> <p>This Agreement constitutes the entire agreement between the Parties as to its subject matter and, to the extent permitted by Law, supersedes all previous agreements, arrangements, representations or understandings-model service level agreements in effect under the Metering Code.</p>
Western Power Response	Western Power does not support the required amendment and maintains its original position. Please see our comments above.

2.7.13 Set off

Item:	Set off
ERA Finding:	<p>The proposed amendment is administrative in nature, consistent with the electricity transfer access contract and does not affect consistency with the Metering Code.</p> <p>(See Consultation Paper for additional detail).</p>
Western Power Response:	No comment.

2.7.14 Definitions

Item:	Definitions
ERA Finding:	<p>The current definition is consistent with the definition in the Access Code and electricity transfer access contract. The ERA considers the current definition adequately defines a reasonable and prudent person.</p> <p>(See Consultation Paper for additional detail).</p>
Western Power Response:	No comment.