



Economic Regulation Authority

# Horizon Power model service level agreement

Decision

25 November 2021

## **Economic Regulation Authority**

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# Contents

<b>1.</b>	<b>Decision .....</b>	<b>1</b>
<b>2.</b>	<b>Regulatory requirements .....</b>	<b>2</b>
<b>3.</b>	<b>ERA's considerations .....</b>	<b>5</b>
3.1	Consultation process and report .....	5
3.2	Model service level agreement approval criteria .....	6
3.2.1	Requirements for all documents.....	6
3.2.2	Specific requirements for a model service level agreement.....	6

## 1. Decision

On 13 September 2021, Horizon Power submitted a proposed model service level agreement to the Economic Regulation Authority for approval. The application was made under clause 6.2 of the *Electricity Industry (Metering) Code 2012*.

In response to queries raised by the ERA, Horizon Power submitted a revised proposed model service level agreement to the ERA on 22 November 2021.

The ERA is satisfied that Horizon Power has complied with the requirements of the Code. Accordingly, the ERA has decided to approve the revised proposed model service level agreement.

The reasons for the ERA's decision are set out below.

## 2. Regulatory requirements

The establishment and approval procedure for metering documents, including a model service level agreement, is outlined in Part 6 of the Code.

Clause 6.2 of the Code requires a network operator to establish metering documents and have these documents approved by the ERA:

### 6.2 Network operator must establish documents

A network operator must as soon as practicable and in any event no later than 6 months after the date this Code applies to the network operator submit to the Authority for its approval under Division 6.2:

- (a) a proposed *model service level agreement*; and
- (b) [not used]
- (c) a proposed *metrology procedure*; and
- (d) proposed *mandatory link criteria* under clause 3.6.

The model service level agreement sets out the metering services that the network operator provides and the terms and conditions it offers, including applicable charges. The model service level agreement automatically applies to metering services if a user does not have its own agreement with the network operator.

A model service level agreement only has relevance if customers on a network are supplied by a third-party retailer that requires metering services from the network operator. As Horizon Power is currently the retailer for all customers on its network, a model service level agreement is not needed and it has not previously sought to implement one.

With the introduction of a light-handed regulatory regime for access to networks in the Pilbara, large customers on Horizon Power's Pilbara coastal network may be supplied by third parties.<sup>1</sup> Consequently, Horizon Power is now seeking to establish a model service level agreement.

Clause 6.11 of the Code requires the network operator to undertake consultation prior to submitting a proposed document to the ERA for approval:

### 6.11 Consultation with Code participants

- (1) This clause 6.11 does not apply in respect of a proposed registration process or proposed mandatory link criteria.
- (2) Before submitting a proposed document to the Authority under clause 6.2 or publishing proposed communication rules under clause 6.19A, a network operator must:
  - (a) give Code participants a reasonable opportunity to make submissions to the network operator concerning the proposed document; and
  - (b) take into account any submissions received from Code participants in developing the proposed document.
- (3) Before submitting a proposed document to the Authority under clause 6.2 or publishing proposed communication rules under clause 6.19A, a network operator must provide a report to the Authority that:
  - (a) identifies the process through which the proposed document was developed, including details of consultation with Code participants under this clause 6.11; and

<sup>1</sup> Customers that consume greater than 1,200 MW hours per annum.

- (b) describes how the proposed document complies with the criteria set out in clauses 6.5 to 6.9 (as applicable); and
  - (c) describes how the network operator took into account any submissions received from Code participants; and
  - (d) includes copies of submissions received by the network operator from Code participants.
- (3A) The network operator must publish the report it provides to the Authority under clause 6.11(3).
- (4) The Authority must not approve a proposed document under clause 6.2 unless the Authority is satisfied that the network operator has complied with clauses 6.11(2) and 6.11(3).

The approval process is set out in clause 6.13:

#### 6.13 Authority may approve a document or specify amendments

- (1) If a *network operator* submits a proposed document (other than proposed *communication rules*) to the *Authority*, then the *Authority* must within 30 *business days* of submission:
  - (a) make a decision to either:
    - (i) approve the proposed *document*; or
    - (ii) not approve the proposed *document*; and
  - (b) notify the *network operator* in *writing* of:
    - (i) the *Authority's* decision; and
    - (ii) if the *Authority's* decision is not to approve the proposed *document* – the amendments (or nature of the amendments) which would have to be made to the proposed *document* in order for the *Authority* to approve it.

Under clause 6.14 of the Code, the ERA must not approve a proposed metering document unless it is satisfied that the document meets the criteria set out in clauses 6.5 to 6.9 (as applicable) of the Code.

Clauses 6.5 of the Code sets out the requirements that apply for all documents required under the Metering Code:

#### 6.5 Requirements for all documents

A *document* must:

- (a) comply with this *Code*; and
- (b) not impose inappropriate barriers to entry to a market; and
- (c) be consistent with *good electricity industry practice*; and
- (d) be reasonable; and
- (e) be consistent with the *Code objectives*; and
- (f) be consistent with the *market rules*; and
- (g) unless this *Code* requires otherwise, be consistent with other enactments.

The Code objectives are set out in clause 2.1 of the Code:

#### 2.1 Code Objectives

- (1) The *Code objectives* are to:

- (a) promote the provision of accurate metering of electricity production and consumption;
- (b) promote access to and confidence in *data* of parties to commercial *electricity* transactions;
- (c) facilitate the operation of Part 8 and Part 9 of the Act, the *Customer Transfer Code* and the *Code of Conduct*.
- (2) *Code participants* must have regard to the *Code objectives* when performing an obligation under this *Code*, whether or not the provision under which they are performing refers expressly to the *Code objectives*.

Specific requirements for the model service level agreement are included in clause 6.6:

#### 6.6 Requirements for model service level agreement

- (1) A *model service level agreement* must at least:
  - (a) specify the *metering services* that the *network operator*:
    - (i) must provide (which must include at least all the *metering services* that this *Code*, the *Code of Conduct* and the *Customer Transfer Code* require the *network operator* to provide); and
    - (ii) may provide, to other *Code participants* on request,
  - and
  - (b) for each *metering service* referred to in clause 6.6(1)(a), specify:
    - (i) detailed description of the *metering service*; and
    - (ii) a timeframe, and where appropriate other service levels, for the performance of the *metering service*,
  - and
  - (c) subject to clause 5.21(9), specify the maximum *charges* that the *network operator* may impose for each *metering service* referred to in clause 6.6(1)(a); and
  - (d) if any of the *charges* specified under clause 6.6(1)(c) is variable, provide details of the methodology and cost components that will be used to calculate the variable *charge* including (where applicable) hourly labour rates, distance-related costs and equipment usage costs; and
  - (e) provide that the *charges* which may be imposed under a *service level agreement* may 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*; and
  - (f) require the *network operator* to *publish*, annually, a list setting out for each metering point on the network either:
    - (i) each date for a *scheduled meter reading* in the coming year;
    - or
    - (ii) the *reading day number* to apply for the current year,
  - and specify the procedures by which, and frequency with which, this list may be revised;
  - and
  - specify the procedures for a *Code participant* to make a request for *metering services* ("**metering service order**") and the procedures for dealing with a *metering service order*.

## 3. ERA's considerations

### 3.1 Consultation process and report

As set out in clause 6.11(4) of the Code, the ERA must not approve a proposed model service level agreement unless it is satisfied that Horizon Power has complied with clauses 6.11(2) and 6.11(3). These clauses require Horizon Power to do the following:

- Provide code participants with an opportunity to make submissions on the proposed model service level agreement and, where submissions are made, take those submissions into account.
- Provide a report to the ERA that:
  - Identifies the process through which the proposed model service level agreement was developed, including the consultation undertaken.
  - Describes how the proposed model service level agreement complies with the approval criteria set out in the Code.
  - Describes how Horizon Power took into account any submissions made to it.
  - Includes copies of any submissions received.

Horizon Power provided a report to the ERA addressing the matters listed above.<sup>2</sup>

Horizon Power advertised its proposed model service level agreement for consultation in *The West Australian* and local newspapers in September 2020. It published a copy of the proposed model service level agreement on its website and directly contacted participants involved in the Pilbara reform process.

Horizon Power received one submission, from Alinta Energy, in October 2020. Horizon Power's report to the ERA included a copy of Alinta's submission and Appendix 3 of its proposal set out how Horizon Power has taken account of the matters raised in the submission.

Appendix 4 of Horizon Power's report to the ERA described how the proposed model service level agreement complied with the approval criteria set out in the Code.

Horizon Power submitted its proposed model service level agreement to the ERA 11 months after undertaking its consultation process. This was because the regulatory arrangements for the Pilbara light handed regulatory regime were not finalised until June 2021.

To ensure no new issues had arisen and to give stakeholders an opportunity to comment on how Horizon Power had addressed feedback from the consultation process in September 2020, the ERA published Horizon's proposal for further consultation on 23 September 2021. No submissions were received.

Taking account of the information included in Horizon Power's application and that no submissions were received to the ERA's consultation on the proposal, the ERA is satisfied that the consultation Horizon Power undertook and the report it provided to the ERA complies with the requirements of clauses 6.11(2) and 6.11(3).

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<sup>2</sup> [Report to the ERA](#)



## 3.2 Model service level agreement approval criteria

The ERA must not approve a model service level agreement unless it is satisfied that the procedure meets the criteria set out in clauses 6.5 to 6.9 (as applicable) of the Code.

Clauses 6.5 and 6.6 are applicable to a proposed model service level agreement.

### 3.2.1 Requirements for all documents

The requirements of clause 6.5 of the Code apply to all metering documents that are required to be established under the Code, so the requirements are broad in nature. To make an assessment against these broad requirements, the ERA has given consideration to other model service level agreements established under the Code and the submissions made by Code participants.

The ERA approved an updated model service level agreement for Western Power in August 2020. Horizon Power's proposed model service level agreement is broadly consistent with the content of Western Power's model service level agreement. The consistency with other model service level agreement assists in demonstrating compliance against the Code's requirements for model service level agreements, particularly whether the proposal is consistent with good electricity practice and reasonable.

As discussed further below, the ERA identified inconsistencies between the current Western Power model service level agreement and Horizon Power's proposal. In response to queries from the ERA about these differences, Horizon Power submitted a revised proposal on 22 November 2021 addressing the inconsistencies.

Feedback from stakeholders provides additional information to determine whether the proposed document is reasonable and consistent with applicable codes and industry practice. Horizon Power received a submission from Alinta, which it addressed in the proposal submitted to the ERA. No submissions were made during the additional consultation undertaken by the ERA.

In the absence of further submissions, the ERA assumes that code participants generally accept the proposed model service level agreement as being reasonable and consistent with applicable codes and industry practice.

### 3.2.2 Specific requirements for a model service level agreement

The ERA has considered each of the requirements listed in clause 6.6(1) of the Code under the following headings:

- metering services and descriptions
- process for requesting metering services
- meter reading schedule
- timeframes and service levels
- charges for metering services.

### 3.2.2.1 *Metering services and descriptions*

Clause 6.6(1)(a) of the Code requires that the model service level agreement must at least provide all of the metering services that the Code, the Code of Conduct for the Supply of Electricity to Small Use Customers and the Customer Transfer Code require the network operator to provide. Clause 6.6(1)(b)(i) of the Code requires the model service level agreement to include a detailed description of each metering service.

Horizon Power's metering services, including descriptions, are set out in Schedule 3 of the proposed model service level agreement.

Horizon Power consulted on the proposed services when developing its model service level agreement. Alinta Energy suggested that there should be a service for customers to change their meter route. As noted in its report to the ERA, Horizon Power will send daily readings to retailers. Consequently there is no need to request a route change to change the meter reading date.

The ERA has compared the list of services with the Code requirements and is satisfied that it meets the minimum requirements of the Code and that detailed descriptions have been provided for each service.

### 3.2.2.2 *Process for requesting metering services*

Clause 6.6(1)(g) of the Code requires the model service level agreement to specify the procedures for making a request for metering services and the procedures for dealing with the request. Additional requirements are set out in Appendix 4 of the Metering Code, which include processes for cancelling services and requesting a preferred date and time.

The process for requesting metering services is set out in clause 3.3 of the proposed model service level agreement.

Alinta's submission to Horizon Power's consultation process identified that Horizon Power had not included provisions to allow users to request cancellation of services or to specify a preferred time and date for the service.

As set out in its report to the ERA, Horizon Power updated clause 3.3 to include these provisions. The revised clause is consistent with the approved Western Power model service level agreement.

The ERA is satisfied that the proposed model service level agreement meets the Code requirements for requesting metering services.

### 3.2.2.3 *Meter reading schedule*

Clause 6.6(1)(f) of the Code requires the network operator to publish, annually, a list setting out for each metering point on the network either:

- each date for a scheduled meter reading in the coming year
- the reading day number to apply for the current year.

The model service level agreement must specify the procedures by which, and frequency with which, the list may be revised.

The procedures for the meter reading schedule are included in Schedule 3.1 of the proposed model service level agreement and are consistent with the requirement above.

In any case, as noted above, Horizon Power will provide daily readings to retailers.

### 3.2.2.4 *Timeframes and service levels*

Clause 6.6(1)(b)(ii) of the Code requires timeframes and service levels to be included in the model service level agreement.

The proposed timeframes and service levels are set out in schedule 4 of the proposed model service level agreement.

The ERA has compared the proposed timeframes against any specific Code requirements and is satisfied that they are consistent.

### 3.2.2.5 *Charges for metering services*

Clause 6.6(1)(c) to (e) of the Code requires the model service level agreement to:

- Specify the maximum charge for each metering service.
- For any variable charges, provide details of the method and cost components that will be used to calculate the variable charge including, where applicable, hourly labour rates, distance related costs and equipment usage costs.

The charges may not exceed the costs that would be incurred by a network operator seeking to achieve the lowest sustainable costs of providing the relevant metering service.

Clause 4.2 of Appendix 4 of the Code includes the following requirements for cancellation charges:

- Upon receipt of a request to cancel a metering service, the network operator must use reasonable endeavours to ensure that the previously requested work is not carried out and costs are not incurred.
- A service level agreement (and a model service level agreement) may provide that the user must pay to the network operator the amount incurred by the network operator acting efficiently before the work or costs were able to be stopped or cancelled. The network operator must provide evidence to the user of any such costs.

The proposed charges are set out in Schedule 5 of the proposed model service level agreement.

Horizon Power provided details of its calculated charges. The ERA compared the proposed charges with those charged by Western Power and considers them to be reasonable after taking account of distance and other factors that increase costs in Horizon Power's region compared with Western Power.

However, the ERA identified two areas that were different from Western Power's model service level agreement:

- standard cancellation charges were included
- labour and equipment rates were not provided for services priced on application.

The clauses in Appendix 4 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.

A uniform cancellation fee is not consistent with the obligation on Horizon Power to charge the amount incurred if it acted efficiently. Cancellation costs should be entirely separate from the metering service fee and represent only the reasonable costs incurred by Horizon Power.

Horizon Power proposed that some fees would be priced on application. The method used to calculate the fee is included in Schedule 5, however the unit rates that would be used in those calculations were not included. This is inconsistent with the requirements of clause 6.6(1)(d).

The ERA queried these inconsistencies with Horizon Power. Horizon Power submitted a revised model service level agreement on 22 November that:

- Removed the standard cancellation charges and replaced with a clause stating that it would only recover costs that could not have been avoided and would provide reasonable evidence of the costs incurred.
- Included labour and equipment rates in the pricing schedule.

The ERA also identified that Horizon Power had overlooked an amendment it had proposed to make in response to Alinta's submission. Alinta considered there should be a requirement for invoices to state what service each charge is for. Horizon Power agreed revised wording to clause 5.1 of the model service level agreement with Alinta to address this. However, the amendment was not included in the proposal submitted to the ERA. The revised model service level agreement submitted on 22 November incorporates this amendment.