

Our ref: EDM 59703697
Contact: Zahra Jabiri

19 May 2022

Electricity Access Team
Economic Regulation Authority
Level 4, 469 Wellington Street,
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Submitted via electronic lodgement to info@erawa.com.au

Dear Sir / Madam

Re: AA5 issues paper – submission of further access arrangement information

Western Power welcomes the opportunity to submit further access arrangement information to the Economic Regulation Authority of Western Australia (**ERA**), following the ERA's first round of public consultation on Western Power's proposal for the fifth access arrangement period (**AA5**).

This further access arrangement information includes our proposal to provide supplementary information on key matters of common interest raised by stakeholders in public submissions, which were received in response to the issues paper. It aims to provide further clarity on Western Power's proposal for AA5.

If the ERA would like to discuss any aspect of the attached information, please contact Zahra Jabiri at [REDACTED]

Yours sincerely

[REDACTED]

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1. Executive Summary

Western Power provides this further information to support our initial proposal for the fifth access arrangement period spanning 1 July 2022 to 30 June 2027 (**AA5**). This is a new step in the access arrangement process following the amendments to the *Electricity Networks Access Code (2004)* (**Access Code**) gazetted by the Minister for Energy on 18 September 2020.

Western Power has reviewed each of the public submissions provided to the ERA's issues paper and it is evident there is much that is agreed as an industry, particularly the need to respond to the rapidly changing energy landscape. We note there are also some areas where stakeholders are seeking more clarity on Western Power's AA5 proposal.

Ensuring stakeholders have a common understanding of our AA5 proposal is paramount to Western Power. Accordingly, we propose to provide further information to assist stakeholder understanding in the following key common areas of interest:

- tariff structures and indicative 2023/24 price list;
- reference services; and
- improving outage information for customers.

In addition, we propose to undertake further stakeholder engagement on these topics via public forums and targeted stakeholder meetings in June and July 2022, to inform the ERA prior to publishing their draft decision on our AA5 proposal, currently expected in September 2022.

Further information on each of these areas of interest is included in Section 3 of this submission.

Western Power notes that the need for transformational investment in order to respond to the rapidly changing energy environment and customer behaviour is well understood by stakeholders. However, the pace of that investment has been identified as an area of interest, with some stakeholders suggesting Western Power's proposed level of investment is too high or too soon, and others noting that we may not be moving fast enough.

Western Power considers our AA5 proposal outlines the need for the forecast investment during AA5 with specific information on the drivers of the investment outlined in the following sections:

- *Access Arrangement Information Chapter 2 – Western Power and the changing energy landscape;*
- *Access Arrangement Information Chapter 8 – Forecast capital expenditure; and*
- *Attachment 8.1 – AA5 Forecast Capital Expenditure Report.*

In addition to the information provided in our initial proposal, Western Power is engaging heavily with the ERA and their consultants to rigorously test the assumptions underpinning our forecasts. This is part of the normal determination process and provides an avenue for Western Power to provide confidential and additional information to the ERA and their consultants (in response to queries and questions) which further supports our investment proposal. The findings of this review will be included in the ERA's draft decision later this year and stakeholders will be provided with a further opportunity to comment on Western Power's proposal in the context of that draft decision. Accordingly, this submission will not include any additional information on this topic.

2. Background

On 1 February 2022, Western Power submitted its proposed revised access arrangement for AA5.¹ The proposal, including our revised access arrangement and access arrangement information, are available on the ERA's website.

The ERA published an issues paper on Western Power's AA5 proposal on 4 March 2022.²

Western Power is providing this further access arrangement information to promote a common understanding of Western Power's AA5 proposal. The further access arrangement information addresses the matters commonly raised by stakeholders in public submissions, which were received in response to the issues paper.

The process the ERA follows for an access arrangement review is set out in chapter four of the Access Code.

An indicative timetable for the review is shown in Table 1.

Table 1: Indicative timetable for the access arrangement review

Assessment stage	Indicative date
Framework & Approach Decision published by ERA	9 August 2021
Western Power submits AA5 proposal	1 February 2022
Issues paper published by ERA	4 March 2022
ERA Public forum	25 March 2022
Public consultation closes	20 April 2022
Western Power may submit further access arrangement information	19 May 2022
ERA draft decision published for consultation	September 2022
ERA public forum	September 2022
Western Power submits revised proposal	November 2022
Public consultation to the ERA closes	December 2022
Western Power may submit further access arrangement information	January 2023
ERA final decision published	31 March 2023
Western Power submits price list for 2023/24	April 2023
ERA approved price list	May 2023
Revised access arrangement commences	1 July 2023

¹ Western Power's access arrangement was first approved by the ERA in April 2007 and covered the period 2006/07 to 2008/09 (AA1). Subsequent revisions were approved for 2009/10 to 2011/12 (AA2), 2012/13 to 2016/17 (AA3) and 2017/18 to 2021/22 (AA4).

² [Issues paper for Western Power's fifth access arrangement review](#)

3. Further access arrangement information

Western Power has reviewed each of the public submissions provided to the ERA's issues paper and identified a number of common areas of interest raised by stakeholders for which we consider the provision of further access arrangement information would assist in ensuring greater clarity for stakeholders on our AA5 proposal. These common areas of interest are listed below.

- **Tariff structures and indicative 2023/24 price list** – stakeholders are seeking further information on the charging parameters and structures for the new reference services to be introduced in AA5 and have requested Western Power publish an indicative price list for 2023/24. Note, the price list for 2022/23 was included with our initial proposal and has been developed on the basis of maintaining 2021/22 prices in accordance with the framework and approach.³
- **Reference services** – stakeholders are seeking additional information on some of the proposed changes to *Appendix E – Reference Services*. In addition, although stakeholders generally supported Western Power's proposed new opt-in "super off-peak" time of use services (which have been developed in consultation with users and end-use customers), some stakeholders did not support the grandfathering of existing time of use services without visibility of additional information on charging parameters and prices for the new alternatives.
- **Improving outage information for customers** – the reliability performance impacts of the heatwave conditions experienced in late December 2021, with four consecutive days above 40 degrees Celsius, has been the subject of an independent review commissioned by the State Government. The Independent Review of Christmas 2021 Power Outages Final Report⁴ (**IRCO Report**) was published in March 2022 with a number of recommended actions identified. Accordingly, stakeholders have expressed interest in how Western Power will be responding to reliability performance impacts during AA5.

3.1 Tariff structures and indicative 2023/24 price list

Amendments to the Access Code changed the process for determining revisions to Western Power's Access Arrangement. The amended process consists of three main parts, the Framework & Approach, the Access Arrangement Decision, and the Price List approval process.

The intent of having three stages was to facilitate a more effective process by defining some components, such as incentive methods and services upfront (Framework & Approach), before considering proposed expenditure and revenue. The final stage (Price List) applies the decisions made in the previous stages to the tariffs for AA5.

The Framework & Approach was prepared and published by the ERA prior to the access arrangement determination process. It set out which reference services will be regulated and the broad nature of our regulatory arrangements. The objective of this Framework & Approach is to facilitate early public consultation and to obtain stakeholder feedback on the reference services that will apply in AA5.

In the Framework & Approach, the ERA set out a requirement for Western Power to include new reference services for network-connected batteries and for electric vehicle charging stations. Consistent with the requirements of the Framework & Approach, Western Power's Tariff Structure

³ Framework and approach for Western Power's fifth access arrangement review, Final decision, 9 August 2021, <https://www.erawa.com.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF>

⁴ Independent Review of Christmas 2021 Power Outages, Final Report, March 2022, <https://www.wa.gov.au/system/files/2022-03/Independent-Review-Christmas-2021-power-outages-Report-Final.pdf>

Statement submitted as part of its access arrangement information includes reference services of this type.

Further amendments to the Access Code to better streamline the decision-making process included the requirement for the pricing for each reference tariff to be determined by Western Power and provided to the ERA for approval *after* the Final Access Arrangement Decision has been published. The Energy Transformation Taskforce noted that “while indicative pricing will likely be included in the Draft and Final Decisions published by the ERA, the intent of moving the formal setting of the price list until after the conclusion of the final decision is to focus the decision making process on formalising the allowed capital and operational expenditure and Western Power’s target or allowed revenue”.⁵ As such, in line with the changes to the Access Code, Western Power’s access arrangement information did not include an indicative price list for reference tariffs for 2023/24.

Western Power’s Tariff Structure Statement sets out information of the type previously included in the Price List Information. We recognise this is a new process for this access arrangement and that the new Tariff Structure Statement - Overview (Appendix F.1) and Tariff Structure Statement - Technical Summary (Appendix F.2) present information in a different manner to Western Power’s prior access arrangements as follows:

- the Overview sets out context for tariff setting; the tariff structures for the new reference services; and a summary of the forecast weighted average price change for each reference tariff over AA5;
- the Technical Summary sets out Western Power’s compliance with the pricing objective and pricing principles under the Access Code in the setting of the revenue to be recovered from each class of reference tariffs. The Technical Summary also provides an overview of each reference tariff and its charging parameters (fixed and variable charges, any time of use bands, capacity charges, demand-based charges, and any applicable discounts).

Stakeholders have reviewed the material we have provided and requested the level of information be increased to provide the same level of information as in prior access arrangements. Western Power is committed to providing transparent information to stakeholders regarding tariffs and, therefore, proposes to provide the following supplementary information in accordance with the timeline outlined below:

Table 1. Provision of supplementary Tariff Structure Information and 2023/24 indicative price list

Supplementary Information	Date
Tariff Structure Statement supplementary information will include: <ul style="list-style-type: none"> - greater clarity on Western Power’s proposed charging parameters for the new storage, electric vehicle and “super off-peak” time of use tariffs; - Western Power’s proposed fixed and variable components for each tariff; - further information to support Western Power’s compliance with the Access Code pricing principles⁶. 	30 June 2022
2023/24 indicative price list	30 June 2022

⁵ Energy Transformation Taskforce, “Energy Transformation Strategy: Proposed Changes to the Electricity Networks Access Code”, May 2020, pp. 37-41.

⁶ Electricity Networks Access Code (2004), Clause 7.3

Following submission of the supplementary information outlined above, Western Power will hold a stakeholder forum to further inform stakeholders of the proposed charging parameters and how the indicative price list has been developed.

As part of our response to the draft decision later this year, Western Power will incorporate the supplementary information into Appendix F.1 and F.2 of the access arrangement for approval by the ERA as part of the final decision.

The 2023/24 indicative price list will be developed on the basis of the following inputs:

- Revenue for the AA5 period as per *Attachment 11.1 – AA5 Regulatory Revenue Model – Public*;
- Energy and customer number forecasts for the AA5 period as per *Attachment 7.5 – Energy and Customer Number Forecast Report (2020)*;
- Reference services as listed in *Appendix E – Reference Services (Track Changes) 1 February 2022* and any supplementary information on reference services as outline below.

Western Power notes that the above inputs may be updated as part of our response to the draft decision. If that occurs, Western Power will also submit an updated 2023/24 indicative price list at that time.

3.2 Reference services

As part of the AA5 proposal, Western Power submitted a marked up *Appendix E – Reference Services (Track Changes)* which includes the new services as determined via the Framework & Approach⁷ and some amendments to existing services. Western Power notes that stakeholders are seeking additional information on some of the proposed changes to *Appendix E – Reference Services*. In addition, although stakeholders generally supported Western Power’s proposed new opt-in “super off-peak” time of use services, some did not support the grandfathering of existing time of use services without visibility of additional information on charging parameters and prices for the new alternatives. Stakeholder submissions to the ERA’s Issues Paper contended there were users that utilised the existing time-of-use reference tariffs with a demand component and, therefore, did not support the closing of existing services to new customers.

In line with our submissions during the Framework & Approach process, Western Power included its intention in the AA5 proposal to close the existing AA4 time of use tariffs to new customer nominations.⁸ The intent of this amendment is to acknowledge the structure of these tariffs is no longer fit for purpose as the time-of-use bands no longer coincide with network utilisation. This is particularly true for a network dominated by distributed energy resources where low demand in the middle of the day is becoming equally important as early evening peak demand. For example, RT17 and RT19 have a shoulder period between 12:00pm and 3:00pm which coincides with peak solar photovoltaic exports to the network and has an off-peak rate at all times over the weekend and public holidays. Similarly, the time bands for RT21 do not reflect the efficient utilisation of the network. In recent years low demand days typically occur during Spring and Autumn on the weekend when the total system demand is low and solar photovoltaic output is high.

⁷ Framework and approach for Western Power’s fifth access arrangement review, Final decision, 9 August 2021, <https://www.era.gov.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF>

⁸ Western Power, *Appendix F.1 – Tariff Structure Statement Overview – Proposed revisions to the access arrangements*, 1 February 2022, p.15.

Western Power considers it imperative that tariffs designed during previous access arrangements which no longer reflect or support the efficient utilisation of the network should be closed to new customer nominations and replaced with more cost reflective network tariffs.

In order to address stakeholder concerns about a reduction in available tariff options and to continue to provide network tariffs that signal efficient utilisation of the network during peak demand periods, Western Power is considering options to provide a “super off-peak” time-of-use tariff with a demand component.

Western Power will provide supplementary information to *Appendix E – References Services (Track Changes)* to the ERA on 30 June 2022 in line with the provision of the supplementary tariff structure information outlined above.

3.3 Improving outage information for customers

Western Power notes the Framework & Approach sets the regulatory framework for service standard benchmarks and service standard targets that will apply for AA5⁹. Since the release of the Framework & Approach, there has been significant stakeholder interest in network performance, particularly following the impacts of the heatwave conditions experienced in late December 2021, with four consecutive days above 40 degrees Celsius.

The IRCO Report included a recommendation for Western Power to “improve information on its reliability performance, including making it easily understood by its customers.”¹⁰

Western Power is committed to understanding stakeholder requirements and introducing improvements to the reporting of network performance that will best address those stakeholder requirements. To facilitate this process, Western Power is proposing to undertake stakeholder engagement prior to the ERA’s draft decision with a variety of stakeholders, including:

- Western Power’s customer reference group, established as part of the AA5 customer and community engagement program;
- regional stakeholders;
- the ERA; and
- Energy Policy Western Australia and other Government stakeholders.

During these engagement forums, Western Power will test a range of information with stakeholders including:

- reporting options that will best meet stakeholder needs and how stakeholders will use increased reporting information;
- how Western Power can improve information on its reliability performance to make it easily understood by its customers; and
- customers’ preferred methods of communication during outages.

⁹ Framework and approach for Western Power’s fifth access arrangement review, Final decision, 9 August 2021, <https://www.erawa.com.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF>

¹⁰ Ibid. Recommendation 6

This information will be used to inform our proposed response to the recommendation, with a commitment to publishing further network performance information on the Western Power website in October 2022.

In addition, we intend to provide a summary of this information to the ERA to enable Western Power and the ERA to co-design a pragmatic solution that addresses stakeholder requirements for additional reporting for inclusion in the ERA's draft decision currently expected in September 2022.