



Economic Regulation Authority

Draft decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27

Attachment 1: Price control and target revenue

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D250953

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Note

This attachment forms part of the ERA's draft decision on proposed revisions to the access arrangement for the Western Power Network for the fifth access arrangement period (AA5). It should be read with all other parts of the draft decision.

The draft decision comprises all of the following attachments:

Draft decision on proposed revisions to the access arrangement for the Western Power network 2022/23 – 2026/27 – Decision Overview

Attachment 1 – Price control and target revenue (this document)

Attachment 2 – Regulated asset base

Attachment 3A – AA4 capital expenditure

Attachment 3B – AA5 capital expenditure

Attachment 4 – Depreciation

Attachment 5 – Return on regulated asset base

Attachment 6 – Operating expenditure

Attachment 7 – Other components of target revenue

Attachment 8 – Services

Attachment 9 – Service standard benchmarks and adjustment mechanism

Attachment 10 – Expenditure incentives and other adjustment mechanisms

Attachment 11 – Network tariffs

Attachment 12 – Policies and contracts

1. Summary

This attachment deals with the following matters:

- the form of the price control
- the total target revenue requirement.

The “price control” determines the target revenue Western Power can earn during the access arrangement period. The price control must meet the objectives in section 6.4 of the Access Code. The objectives include giving Western Power the opportunity to earn sufficient revenue (“target revenue”) for the access arrangement period to meet the forward-looking and efficient costs of providing regulated services, including a return on investment commensurate with the commercial risks involved.

Historically, as permitted under the Access Code, target revenue has been determined using a building block approach incorporating the following elements:

- operating costs
- depreciation
- return on the regulated capital base¹
- taxation.

The Access Code specifies additional items that, if applicable, are included in target revenue for the access arrangement period:

- Tariff equalisation contributions (TEC) – funds collected from users of the Western Power network to subsidise the operations of Horizon Power.
- “Deferred revenue” a prescribed amount set out in the Access Code in relation to AA2 target revenue that was deferred in the AA2 access arrangement for recovery in future access arrangement periods.²
- Advanced Metering Infrastructure (AMI) communications expenditure incurred prior to 30 June 2022.³
- A demand management innovation allowance.
- Incentive payments (or penalties) and other adjustments from the previous access arrangement (AA4) including:
 - Sharing operating cost efficiencies between Western Power and customers (gain sharing mechanism).
 - Rewards or penalties for service standard performance (service standard adjustment mechanism).
 - Adjusting for differences between forecast and actual capital expenditure for specified investment categories.

¹ The regulated capital base represents the capital investment in regulated assets and is calculated by adding capital expenditure to and deducting depreciation from the opening regulated asset base.

² As at the end of AA4, the remaining balance to be recovered was forecast to be \$497.8 million (\$ real as at 30 June 2017).

³ Advanced metering infrastructure of \$115.36 million (real dollar values as at 30 June 2017) to be recovered over AA5 and AA6.

- Unrecovered costs arising from unforeseen events (force majeure).
- Expenditure arising from changes to the Technical Rules.
- Operating expenditure incurred from deferring/substituting a capital expenditure project, such as network control services or for demand-management initiatives (D-factor).⁴
- Regulatory reform expenditure incurred during AA4 to support preparation of the initial whole of system plan and the development of network constraints information.

Summary of draft decision on the form of the price control and target revenue.

- Western Power's proposed form of price control is consistent with the framework and approach document except in relation to the treatment of revenue for the 2022/23 financial year. The ERA requires Western Power to remove the proposed adjustment for under/over recovery of revenue for the 2022/23 financial year.
- The ERA has not accepted Western Power's proposed target revenue. The ERA's draft decision on each component of the building blocks to determine Western Power's total target revenue for AA5, compared with Western Power's proposal, is set out in Table 1 below.
- The ERA's draft decision on the smoothed target revenue amounts for each year of the access arrangement period and indicative effects on average prices is set out in Table 2 below.
- The forecast customer numbers, energy volumes and other charging parameters in clause 6.4 of the proposed revised access arrangement must be amended to reflect the most recent demand forecast available prior to the final decision and to remove formatting errors

⁴ The D-factor is not a specific requirement of the Access Code but has formed part of Western Power's access arrangement since AA2.

Table 1 Draft decision on target revenue for AA5 (\$ million real at June 2022)

	Draft decision	Western Power proposal	Attachment reference
Operating costs	2,032.0	2,182.5	Attachment 6
Depreciation	2,471.5	2,496.3	Attachment 4
Return on regulated asset base	2,300.9	1,488.0	Attachment 5
Return on working capital	56.9	35.3	Attachment 7
Taxation	156.1	122.4	Attachment 7
Investment adjustment mechanism	(41.3)	(39.2)	Attachment 7
Service standard adjustment mechanism	(46.1)	(44.2)	Attachment 9
D-factor	43.9	42.2	Attachment 7
Gain sharing mechanism	52.3	48.1	Attachment 7
Deferred revenue recovery	229.5	182.9	Attachment 7
Tariff Equalisation Contribution (TEC)	873.6	897.4	Attachment 7
Demand management innovation allowance	6.4	5.9	Attachment 7
Advanced meter infrastructure recovery	71.2	66.6	Attachment 7
Regulatory reform costs	2.7	2.7	Attachment 7
Target revenue unsmoothed	8,209.6	7,486.9	

Source: ERA analysis; ERA and Western Power target revenue models

Table 2: Draft decision smoothed target revenue for AA5 (nominal prices)

	2022/23	2023/24	2024/25	2025/26	2026/27	
Draft decision						
Unsmoothed target revenue	\$ million	1,648.5	1,701.1	1,787.4	1,876.4	1,962.9
Smoothed target revenue	\$ million	1,576.4	1,678.8	1,790.1	1,911.5	2,044.2
Change in average prices based on forecast demand	%	0%	7.5%	7.7%	7.8%	7.9%
Forecast inflation	%	2.96%	2.96%	2.96%	2.96%	2.96%
Western Power proposal						
Unsmoothed target revenue	\$ million	1,494.6	1,512.8	1,582.9	1,644.0	1,726.8
Smoothed target revenue	\$ million	1,576.4	1,601.9	1,593.5	1,585.0	1,576.6
Change in average prices based on forecast demand	%	0%	3.7%	0%	0%	0%
Forecast inflation	%	2.03%	2.03%	2.03%	2.03%	2.03%

Source: ERA analysis; ERA and Western Power target revenue models

The reasons for the ERA's draft decision in respect of the matters relevant to the form of price control and the requirements in relation to total target revenue and details of relevant required amendments are set out in this attachment.

2. Form of price control

The access arrangement must include a price control that determines target revenue.⁵

An extract of the Access Code provisions relevant to the price control has been included in Appendix 1.

The price control approved for AA4 was a modified revenue cap.

The ERA's decision on the form of the price control, as set out in its framework and approach document published on 9 August 2021, was that the form of price control in Western Power's current access arrangement for AA4 should be retained with the following amendments:

- a single price control would be set⁶
- the side constraint would be removed.⁷

The unchanged aspects of the price control in the current access arrangement are:

- The calculation of target revenue is based on total costs using the building block method as contained in the revenue model target revenue calculation approved in the ERA's final decision for AA4.
- The price control formula includes a separate value for the TEC so that it can be updated each year to reflect the actual amount gazetted by the Government.
- For each annual reference tariff update during the access arrangement period, Western Power must ensure that the forecast target revenue from reference tariffs, based on the forecast customer numbers, energy volumes and other charging parameters for each reference service consistent with the demand forecast approved for the access arrangement period, is equal to the target revenue determined by the price control formula.
- There is no adjustment for any under-recovery or over-recovery of actual revenue compared with forecast revenue from previous years except in respect of the TEC. An adjustment for under or over recovery of the TEC is permitted so that Western Power can recover the gazetted amount payable as permitted under the Access Code.
- The target revenue values included in the access arrangement are amended each year to reflect the change in the weighted average cost of capital for the annual debt risk premium update to reflect the hybrid trailing average cost of debt approach.

The target revenue determined by the price control applies to all network access services that Western Power provides to transmit and distribute electricity, whether they are a reference services or non-reference services. These services, which can be either a reference or non-reference service, include:

- connection services
- exit services

⁵ "Price control" is defined in section 1.3 of the Access Code as meaning the provisions in an *access arrangement* under section 5.1(d) and Chapter 6 which determine *target revenue*.

⁶ The current access arrangement included separate price controls for the transmission and distribution network.

⁷ The side constraint restricted the change for each tariff to be no more than two per cent above the overall average change in tariffs.

- entry services
- bi-directional services
- standard metering services
- streetlight maintenance.

The current access arrangement specifies that charges for non-target revenue services are negotiated in good faith, consistent with the Access Code objective and reasonable.⁸

In addition, the current access arrangement specifies that charges for access applications must be consistent with Western Power's Applications and Queuing Policy and charges for extended metering services (within the meaning of the Model Service Level Agreement) must be consistent with the Model Service Level Agreement and clause 6.6(1)(e) of the *Electricity Industry (Metering) Code 2012*.

2.1 Western Power's proposal

Western Power proposed the following revisions to the form of price control and target revenue in the current access arrangement to reflect the requirements in the framework and approach document:

- Clause 5.1.3 has been amended to require a single revenue target for the combined transmission and distribution systems.
- Clauses 5.7, 5.8 and 5.9 to 5.11 have been combined into a single clause, 5.7, consistent with the framework and approach requirement that there be a single price control.
- Clauses 6.5.11 to 6.5.14 in the current access arrangement, that dealt with the side constraint provisions, have been deleted to reflect the requirement in the framework and approach that a side constraint will no longer apply.

In addition, Western Power has proposed revisions to:

- Clause 5.7 to include its proposed target revenue amounts for AA5.
- Clause 6.4 to include the pricing years for the AA5 period and the forecast customer numbers, energy volumes and other charging parameters that it proposes will be used to calculate forecast target revenue for the annual price list updates during AA5.
- Clause 5.7.3 to include an additional term in the price control formula so that any under or over recovery of target revenue for the 2022/23 financial year against the forecast assumed in the model target revenue calculation is adjusted in the 2024/25 price list update.

⁸ As per clause 5.1.2. Clause 5.1.1 of the current access arrangement defines "non-revenue target services" as:

- non-reference services* provided by Western Power by means of the *Western Power Network* other than *non-reference services* that are provided as *revenue target services*.
- reference services* described as *reference services* (ancillary) in Appendix E
- reference service* (metering) M16 as set out in Appendix E.

2.2 Submissions

A submission on the form of the price control was received from Synergy. Synergy considers:

- Removal of the side-constraint should be contingent upon Western Power demonstrating compliance with the requirements in section 7.3H(c) of the Access Code to minimise distortions to price signals for efficient usage.
- The forecast customer numbers, energy volumes and other charging parameters should be listed by reference tariff rather than by customer segment.
- Inclusion of the proposed adjustment for under/over recovery of revenue in the 2022/23 financial year is not consistent with the framework and approach.

These matters are discussed further below in section 2.3.

2.3 Considerations of the ERA

In considering Western Power's proposal as to the form of price control the ERA has:

- Assessed whether the proposed form of price control is compliant with the price control objectives in section 6.4 and the requirements in Chapter 6.
- Had regard to the Access Code objective.
- Assessed whether it complies with the form of price control in the framework and approach document.
- Had regard to submissions received from stakeholders.

As identified in Synergy's submission, Western Power's proposal to include an adjustment for under/over recovery of revenue in the 2022/23 financial year is a departure from the framework and approach document. The ERA does not consider that there has been a material change in circumstances warranting the proposed departure and notes that Western Power has not provided reasons for the departure.

The form of price control decided by the ERA in the framework and approach does not include any adjustments for over or under recovery of target revenue against forecast. A key feature of this form of price control, as set out in the ERA's final decision for AA4 and restated in the framework and approach, is that it ensures Western Power is exposed to demand risk rather than guaranteeing it a fixed level of revenue and passing on the costs (or returning revenue) to users. This provides strong incentives for Western Power to encourage the connection of new customers, retain existing customers and offer services that meet user requirements. The need to manage demand risk also incentivises Western Power to set more efficient tariffs that assist it to manage demand on the network and its consequent costs.

As Western Power identified in its proposal, the ERA's final decision on AA5 will not be made until part way through the first year of the AA5 access arrangement period. Consequently, the 2022/23 revenue will not reflect the ERA's determination of target revenue for AA5. The ERA will account for this in its final decision in March 2023 by subtracting the latest forecast revenue for the 2022/23 financial year from the approved total target revenue for the AA5 period to determine the amounts of target revenue that will need to be recovered over the remaining four years of the access arrangement period. The additional adjustment proposed by Western Power for under/over recovery of revenue against forecast is inconsistent with the form of price control determined in the framework and approach.

Required Amendment 1

Clause 5.7.3 must be amended to remove the proposed adjustment for under/over recovery of revenue for the 2022/23 financial year.

Synergy submitted that removal of the side-constraint should be contingent upon Western Power demonstrating compliance with the requirement in section 7.3H(c) of the Access Code. Section 7.3H(c) requires compliance with sections 7.3H(a) and 7.3H(b) of the Access Code in a way that minimises distortions to the price signals for efficient usage that would result from reference tariffs that comply with the pricing principle set out in section 7.3G. As the ERA decided in the framework and approach paper that the side constraint was to be removed, the removal of the side-constraint cannot be contingent on the requirement in section 7.3H(c) of the Access Code. In any event, the ERA cannot approve the access arrangement unless it is satisfied that Western Power has met the requirement section 7.3H(c).

Western Power has revised clause 6.4 of its current access arrangement to include forecast customer numbers, energy volumes and other charging parameters that it proposes will be used to calculate forecast revenue for the annual price list updates during AA5. Synergy submitted that the information should be provided by reference tariff rather than by customer segment. The ERA considers that providing the information by customer segment is sufficient to ensure that forecast revenue used in the annual price list updates is consistent with the demand forecast approved in the access arrangement. However, the ERA notes that there are formatting and data errors in the proposed revisions to clause 6.4 of the proposed revised access arrangement and the values will need to be updated to reflect accurately the most recent demand forecast available at the time of the final decision and to remove formatting errors.

Required Amendment 2

Clause 6.4 of the proposed revised access arrangement must be amended to reflect the most recent demand forecast available prior to the final decision and to remove formatting errors.

With the exception of the proposed revenue adjustment for the 2022/23 financial year and amendments required to the forecasts in clause 6.4 of the proposed revised access arrangement, the ERA is satisfied that the proposed form of price control meets the requirements in the Access Code and is consistent with both the price control objectives and Access Code objective.

3. Target revenue

3.1 Western Power's proposal

A breakdown of Western Power's proposed target revenue for AA5 is set out in Table 3 below.

Table 3 Proposed target revenue for AA5 (\$ million real at June 2022)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Operating costs	423.9	434.9	434.3	440.1	449.6	2,182.7
Depreciation	435.0	455.8	500.5	532.6	572.6	2,496.4
Return on regulated asset base	310.1	299.5	295.5	292.4	290.5	1,488.0
Return on working capital	8.1	7.3	7.0	6.6	6.3	35.3
Taxation	40.3	23.6	21.4	17.9	19.2	122.4
Investment adjustment mechanism	(39.2)					(39.2)
Service standard adjustment mechanism	(44.2)					(44.2)
D-factor	42.2					42.2
Gain sharing mechanism	48.1					48.1
Deferred revenue recovery	38.2	37.1	36.4	35.8	35.4	182.9
Tariff Equalisation Contribution	185.2	180.6	180.8	177.2	173.6	897.4
Demand management innovation allowance	1.1	1.1	1.2	1.2	1.2	5.9
Advanced meter infrastructure recovery	13.5	13.4	13.3	13.2	13.2	66.6
Regulatory reform costs	2.6					2.6
Target revenue unsmoothed	1,464.8	1,453.2	1,490.2	1,517.0	1,561.7	7,486.9

Source: Derived from Western Power AA5 Regulatory Revenue Model.

Before developing individual tariffs, Western Power has proposed to smooth its target revenue over the access arrangement period as shown in Table 4 below.

Table 4: Western Power proposed smoothed target revenue for AA5 (\$ million nominal)

		2022/23	2023/24	2024/25	2025/26	2026/27
Unsmoothed target revenue	\$ million	1,494.6	1,512.8	1,582.9	1,644.0	1,726.8
Smoothed target revenue	\$ million	1,576.4	1,601.9	1,593.5	1,585.0	1,576.6
Change in average prices based on forecast energy delivered	%	0%	3.7%	0%	0%	0%
Based on forecast CPI	%	2.03%	2.03%	2.03%	2.03%	2.03%

Source: Derived from Western Power AA5 Regulatory Revenue Model

As the final decision on Western Power's access arrangement revisions will not be made until 31 March 2023, any changes to customer prices will come into effect in the second pricing year of AA5, 2023/24. Consequently, the smoothed target revenue for 2022/23 is based on forecast revenue. The forecast revenue will be updated in the final decision to reflect the most recent forecast available.

Western Power has proposed an increase in overall prices in 2023/24 and then no change in overall prices for the remainder of the AA5 period. The effect of this proposal on individual tariffs will vary and is considered in Attachment 11 of this draft decision.

As noted above, the TEC is included as a separate variable in the pricing formula. Consequently, the target revenue amounts set out in Table 39 of the proposed revised access arrangement exclude the TEC as shown in Table 5 below.

Table 5: Western Power proposed target revenue amounts in Table 39 of its proposal (\$ million real at June 2022)

	2022/23	2023/24	2024/25	2025/26	2026/27
Total smoothed target revenue	1,545.1	1,538.8	1,500.2	1,462.6	1,425.9
Less: Tariff Equalisation Contribution	(185.2)	(180.6)	(180.8)	(177.2)	(173.6)
Target revenue specified in the access arrangement	1,359.9	1,358.2	1,319.4	1,285.4	1,252.3

Source: Derived from Western Power AA5 Regulatory Revenue Model

3.2 Submissions

A submission on the price path over the access arrangement period was made by WACOSS. WACOSS considers that a smoother price path over the AA5 period would be preferable to a one-off increase in 2023/24. WACOSS submits that it is typically easier for consumers to respond to price movements that are introduced gradually. WACOSS notes that a step-change risks creating price shock for consumers. For a low-income household, this can increase the challenges of managing their already stretched income.

3.3 Considerations of the ERA

The ERA has determined the total amount of target revenue taking into account determinations and required amendments of individual elements of target revenue as set out in this draft decision.

The amount of target revenue determined by the ERA is set out in Table 6 below. The relevant attachment that contains the ERA's consideration and determination of each building block component of target revenue is included in the table.

Table 6 Draft decision total target revenue for AA5 (\$ million real at June 2022)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total	Attachment number
Operating costs	411.7	414.4	403.9	400.6	401.3	2,032.0	6
Depreciation	446.9	464.1	494.8	522.5	543.2	2,471.5	4
Return on regulated asset base	437.1	449.1	461.4	472.8	480.5	2,300.9	5
Return on working capital	11.3	10.7	11.1	11.6	12.2	56.9	7
Taxation	37.6	27.6	29.1	29.8	31.9	156.1	7
Investment adjustment mechanism	(41.3)					(41.3)	7
Service standard adjustment mechanism	(46.1)					(46.1)	9
D-factor	43.9					43.9	7
Gain sharing mechanism	52.3					52.3	7
Deferred revenue recovery	45.9	45.9	45.9	45.9	45.9	229.5	7
Tariff Equalisation Contribution	183.6	177.3	175.9	170.9	165.9	873.6	7
Demand management innovation allowance	1.2	1.3	1.3	1.3	1.3	6.4	7
Advanced meter infrastructure recovery	14.2	14.2	14.2	14.2	14.2	71.2	7
Regulatory reform costs	2.7					2.7	7
Target revenue unsmoothed	1,601.1	1,604.6	1,637.6	1,669.7	1,696.5	8,209.6	

Source: ERA target revenue model

The ERA has updated the profile of smoothed target revenue to reflect the changes to the building block components of unsmoothed target revenue as set out in Table 7 below. The net present value of the smoothed target revenue over the AA5 period is equal to the unsmoothed target revenue. Section 6.4(c) of the Access Code requires the price control in an access arrangement to have the objective of, among other things, minimising, as far as reasonably possible, the variance between expected revenue for the last pricing year in the

access arrangement period and the target revenue for that last pricing year. The ERA considers that the smoothed target revenue meets the objective in section 6.4(c) of the Access Code.

Table 7: Draft decision smoothed target revenue for AA5

		2022/23	2023/24	2024/25	2025/26	2026/27
Nominal prices:						
Unsmoothed target revenue	\$ million	1,648.4	1,701.0	1,787.4	1,876.4	1,962.9
Smoothed target revenue	\$ million	1,576.4	1,678.8	1,790.1	1,911.5	2,044.2
Change in average prices based on forecast demand	%	0%	7.5%	7.7%	7.8%	7.9%
Based on forecast CPI		2.96%	2.96%	2.96%	2.96%	2.96%

Source: ERA target revenue model

The change in average prices shown in Table 7 is indicative only and based on Western Power's proposed forecast demand. The forecast demand will be updated in the final decision. The nominal change in prices is also subject to actual CPI at the time the annual price list is updated.

The corresponding target revenue amounts for Table 39 of the proposed access arrangement are shown in Table 8 below.

Table 8: Draft decision target revenue amounts for Table 39 of the Access Arrangement (\$ million real at June 2022)

	2022/23	2023/24	2024/25	2025/26	2026/27
Total smoothed target revenue	1,531.1	1,583.7	1,640.1	1,701.0	1,766.8
Less: Tariff Equalisation Contribution	(183.6)	(177.3)	(175.9)	(170.9)	(165.9)
Target revenue specified in the access arrangement	1,347.5	1,406.4	1,464.2	1,530.1	1,600.9

Source: ERA target revenue model

Required Amendment 3

The target revenue amounts in Table 39 of the proposed access arrangement must be amended to reflect the ERA's draft decision.

Appendix 1 Code Extract – Price control

The specific requirements and objectives for the price control and determining target revenue are set out in sections 6.1 to 6.5 to the Access Code (these sections are reproduced below):

- Sections 6.1 and 6.2 of the Access Code provides that any form of price control may be adopted provided it meets the objectives in section 6.4 and otherwise complies with Chapter 6 of the Access Code. Section 6.3 of the Access Code constrains the choice of price control for the first access arrangement period, which is not relevant to the proposed revised access arrangement.
- Section 6.4 of the Access Code sets out objectives for price control in relation to the setting of an amount of target revenue for the access arrangement period.
- Section 6.5 of the Access Code clarifies that the target revenue amount determined to meet the forward-looking and efficient costs of providing covered services is a target amount only (and not a ceiling or a floor amount).

Form of Price control

- 6.1 Subject to section 6.3, an *access arrangement* may contain any form of *price control* provided it meets the objectives set out in section 6.4 and otherwise complies with this Chapter 6.
- 6.2 Without limiting the forms of *price control* that may be adopted, *price control* may set *target revenue*:
- (a) by reference to the *service provider's approved total costs*; or
 {Note: This includes “revenue cap” *price controls* based on controlling total revenue, average revenue or revenue yield and “price cap” *price controls* based on cost of service.}
 - (b) by setting *tariffs* with reference to:
 - (i) *tariffs* in previous *access arrangement periods*; and
 - (ii) changes to costs and productivity growth in the electricity industry;
 {Note: This includes “price cap” *price controls* based on controlling the weighted average of *tariffs* or individual *tariffs*.}
- or
- (c) using a combination of the methods described in sections 6.2(a) and 6.2(b).

Price control objectives

- 6.4 The *price control* in an *access arrangement* must have the objectives of:
- (a) giving the *service provider* an opportunity to earn revenue (“**target revenue**”) for the *access arrangement period* from the provision of *covered services* as follows:
 - (i) an amount that meets the forward-looking and efficient costs of providing *covered services*, including a return on investment commensurate with the commercial risks involved;
 plus
 - (ii) for *access arrangements* other than the *first access arrangement*, an amount in excess of the revenue referred to in section 6.4(a)(i), to the extent necessary to reward the *service provider* for efficiency gains and innovation beyond the *efficiency and innovation benchmarks* in a

previous *access arrangement* or to penalise the *service provider* for efficiency losses derived from a failure to meet the *efficiency and innovation benchmarks* in a previous *access arrangement*,

{Note: The presence of section 6.4(a)(ii) provides incentive to a *service provider* during an *access arrangement period* to pursue efficiency gains and innovation beyond the *efficiency and innovation benchmarks* in the *access arrangement*, because the *service provider* may be rewarded in the calculation of the *target revenue* for subsequent *access arrangement periods*.}

plus

- (iiA) an amount (if any) determined under sections 6.5A to 6.5E;⁹plus
- (iiB) an amount (if any) determined under sections 6.5F to 6.5J;¹⁰ plus
- (iii) an amount (if any) determined under section 6.6;¹¹plus
- (iv) an amount (if any) determined under section 6.9;¹²plus
- (v) an amount (if any) determined under an *investment adjustment mechanism* (see sections 6.13 to 6.18);

plus

- (vi) an amount (if any) determined under a *service standards adjustment mechanism* (see sections 6.29 to 6.32);

plus –

- (vii) an amount (if any) determined under section 6.37A;¹³

and

- (b) enabling a *user* to predict the likely annual changes in *target revenue* during the *access arrangement period*; and
- (c) minimising, as far as reasonably possible, variance between expected revenue for the last *pricing year* in the *access arrangement period* and the *target revenue* for that last *pricing year*.

6.5 The amount determined in seeking to achieve the objective specified in section 6.4(a)(i) is a target, not a ceiling or a floor.

⁹ Section 6.5A to 6.5E – Recovery of deferred revenue.

¹⁰ Section 6.5F to 6.5J – Recovery of advanced metering communications infrastructure expenditure.

¹¹ Section 6.6 – Target revenue may be adjusted for unforeseen events.

¹² Section 6.9 – Target revenue may be adjusted for technical rule changes.

¹³ Section 6.37A – Tariff equalisation contributions may be added to target revenue.