

Our ref: 61203552
Contact: Ryan Dawson

15 November 2022

Steve Edwell
Chair
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

Dear Mr Edwell

Access Arrangement Five: Revised Proposal

I am pleased to provide you Western Power's revised proposal for the fifth Access Arrangement (**revised proposal**) in response to the draft decision published by the Economic Regulation Authority (**Authority**) on 9 September 2022 (**draft decision**).

Since taking on the role of Chair of Western Power I have valued our interactions on this important matter which have helped me to gain a greater understanding of the Authority's draft decision. I would like to thank the staff of the Authority for their ongoing professionalism throughout this process, and the open and productive way they have engaged with the Western Power team.

Delivering for our customers

Our initial proposal outlined how Western Power is addressing the rapidly changing energy landscape driven by the decarbonisation demands of government, industry, the business community more broadly, and customers.

Our customers and the community told us they expect electricity to be there when they need it. They expect safe, reliable and increasingly renewable energy, delivered at an affordable price. Accordingly, our initial proposal included investments aligned with our customers' priorities of safety, reliability, renewable energy generation, investing in new technologies and supporting future demand.

It is very pleasing to see the Authority, through its draft decision, provides its support to Western Power's 10 year modular grid strategy to move from a purely traditional network towards one which incorporates a mix of new energy solutions, such as standalone power systems, microgrids and battery energy storage systems. We consider this will place Western Power in a strong position to capitalise on the opportunities facing the electricity sector as we respond to the evolving needs of our customers.

Addressing new challenges

Our initial proposal outlined the growing challenges Western Power is facing in response to the rapidly changing energy landscape. In recent times, we have seen new challenges emerge which Western Power must address, including:



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- the release of the Independent Review of Christmas 2021 Power Outages Final Report in March 2022 which has further highlighted performance and reliability as integral to customer's expectations;
- an increased focus on the threat of cyber security risks to our network following major high-profile cyber security issues experienced by a number of other major Australian organisations;
- supporting the Western Australian government in its decarbonisation goals to 2030; and
- changing economic and financial conditions, in particular the significant increases in inflation and interest rates, which are outside the control of both Western Power and the ERA.

In preparing this revised proposal we have continued to engage with our customers and stakeholders on how Western Power can best support the community as it continues to transition to greater uptakes of electric vehicles, batteries; and as the supply mix of the industry moves to greater and more varied forms of renewable energy.

Revised proposal

This revised proposal accepts the majority of the Authority's draft decision and includes some additional investment to account for the external factors I note above. Through careful planning and prudent management across the entire Western Power portfolio, we propose a package of work through the revised proposal that has kept the required total revenue under the Authority's draft decision levels and represents average price increases under 3.5% across the access period.

I feel the various elements of the revised proposal have struck a fair balance in meeting the needs of our various stakeholders, while producing a fair and reasonable set of reference services and prices for our community.

I note that, in accordance with the Authority's draft decision, some areas remain uncertain for the industry and, where possible, will be addressed in the Authority's final decision or through existing regulatory mechanisms during the AA5 period. In particular:

- the evolving economic landscape, in particular interest rates and inflation forecasts, which will be adjusted for in the final decision; and
- potential further transmission investment during AA5 to facilitate more renewable generation and new loads to support decarbonisation and electrification of the economy, which, if significant, may warrant re-opening the access arrangement in-period to request an increase in revenue to fund such investment.

The submission of our revised proposal today marks another milestone in the formal determination process for the AA5 period. Together we have a shared responsibility to support, enable and deliver on our community needs now and into a prosperous future.

I look forward to continuing to work collaboratively with the Authority throughout the determination process to ensure the final decision for the AA5 period enables Western Power to maintain our commitment to the community expectations both now and for the long term.

Yours sincerely



Denise Goldsworthy
Chair