



Western Power

REASONS FOR MODIFYING THE MODEL APPLICATION AND QUEUING POLICY

Western Power Corporation

ABN 38 362 983 875

CONTENTS PAGE

1	Introduction	3
2	Interpretation	3
3	The application process	3
4	Classes of Application	4
5	Capacity increase notice	4
6	Informal Communications	5
7	Preliminary Assessment	5
8	Confidentiality	5
9	Lead times for applications	5
10	Application Form	5
11	The Queue	6
12	Conditions precedent	7
13	Dormant applications	7
14	Security	7
15	Terms of access offer	8
16	Dormant Offer	8
17	Concluding comments	8

1 INTRODUCTION

This appendix explains in detail each of the principal modifications that Western Power has made to the model applications and queuing policy. Each modification has been considered with reference to the requirements of section 5.10(a) of the Code. This appendix should also be read in conjunction with appendix 10, which deals with the Standard Access Contract (SAC) to which this policy strongly relates.

Western Power's applications and queuing policy is set out in Appendix 1 of the access arrangement.

In broad terms, the policy deals with the circumstances and conditions under which an application is made for reference or non-reference services, together with the associated queuing process that culminates in the signing of an access contract and the delivery of services.

In developing this policy, Western Power has sought to create an equitable, transparent and efficient process that deals effectively with current applicants and users whilst avoiding unfairly disadvantaging future applicants. Consequently, Western Power believes that the proposed policy best meets the Code objective.

2 INTERPRETATION

The policy is applicable to applications for new connections, increased capacity and a change of the technical characteristics of facilities at an existing contracted point, all of which potentially affect network quality, reliability and security and which therefore require a consistent application and queuing process.

The maintenance of an orderly queue is central to the policy and this is underpinned by three key elements:

- An effective transition until the access arrangement is in place, through the concept of a "continuous" queue, such that any prior applications still current after the access arrangement comes into effect are held to have been made on the date of its coming into effect, such that prior and subsequent applications can be dealt with on a consistent basis;
- A general requirement for all applicants to make application believing in good faith that their project will proceed (by for example, not making multiple applications for the same point) so as not to frustrate or disadvantage other applicants in the queue;
- A general requirement for applicants to only apply for the capacity they need, so as not to tie up existing capacity unnecessarily and avoid over investment in the network;
- Adopting the first come, first served principle except in specified circumstances when bypass is permitted.

The policy also contains a general provision that the principles of this policy should be followed in circumstances where an arrangement is sought that is not expressly envisaged in this policy.

3 THE APPLICATION PROCESS

The model policy assumes that a single application would address both connection services and electricity transfer services. In order to maintain consistency with the proposed SAC structure and to best meet the Code objectives, Western Power's applications and queuing policy contains a new section which recognises that the application for a connection service may be a separate process to an application for the electricity transfer service. Flow charts describing particular examples of types of application processes are provided in a schedule to the policy, for information. The policy clarifies that a connection service and an electricity transfer service must be applied for at each point and since these may be provided in accordance with two separate contracts, the policy allows for more than one application in such circumstances.

Western Power has also included a provision that requires all applicants seeking a right to transfer electricity (that is, an exit or entry service) to demonstrate that they are market participants (or demonstrate that they

intend to become market participants, for example, by lodging an application to the Independent Market Operator). The introduction of this provision follows advice from the Independent Market Operator that this provision will assist in market settlement and thereby facilitate an orderly, non-discriminatory market.

Further modifications to the model applications and queuing policy also clarify that every exit and entry point must be listed in an electricity transfer contract with Western Power before any new connection can be energised.

The policy also clarifies that any contracted point can only exist in one electricity transfer contract for any period. This does not preclude an electricity transfer contract containing many contracted points, but the clarification allows for an orderly market that can be accurately recorded within market systems.

4 CLASSES OF APPLICATION

The only operative provisions of the policy related to the classes of application are those to do with cost and time to process.

Therefore, three refinements have been made to the classification definitions as follows:

- Class 1 has been further defined to clarify:
 - that it only includes applications by an existing user seeking to modify an existing contract (rather than seeking a new contract);
 - that a reference service includes the standard tariff, service level and contract; and
 - that no detailed studies are required, as this is more relevant to the application process than whether an augmentation is required.
- A note is made to the effect that a class 1 application might include an increase in capacity
- Class 3 is defined as applications for which detailed studies are expected to be required to determine the appropriate level of augmentation (and therefore allowing applications involving routine or standard augmentation to fall within class 1 or class 2)

Western Power believes that these refinements uphold the intent of the model policy whilst providing greater understanding to applicants.

Finally, misclassification has been refined to apply only when moving from a class 1 or 2 to a class 3 application. This refinement enables Western Power to recover costs and time spent initially processing a class 1 or 2 application as a class 3 application.

5 CAPACITY INCREASE NOTICE

Applications for increase in capacity are dealt with as class 1 applications and therefore the concept of a capacity increase notice has been removed from the applications and queuing policy, in line with Western Power's SAC to avoid the risk of an applicant's position in the queue being otherwise prejudiced by having to comply with an additional procedure.

Given that a customer transfer request is not an application, the class 1 application definition is most relevant to a capacity increase. However, the model policy described a capacity increase notice, which was intended to provide a simpler mechanism of gaining a capacity increase than submitting a normal access application. The timeframes for processing a capacity increase notice in the model clashed with the timeframes for processing a class 1 application. Either the class 1 application or the capacity increase notice would appear to be redundant.

For practical reasons, Western Power will provide a suite of forms to suit different types of application, and a simpler form for a capacity increase will be made available. But to ensure that a clear process is outlined for capacity increases, existing users will be required to apply under the applications and queuing policy like any other applicant.

6 INFORMAL COMMUNICATIONS

Consistent with the application process a “good faith” clause is used to facilitate informal discussion between an applicant and Western Power to determine such matters as what classification the application would fall under.

In the event that work is required to be done to determine such matters, a clause has also been inserted, enabling Western Power to recover costs, should it be requested by the applicant to assist with matters relevant to the future application, such as providing input to feasibility studies.

Applicants will be encouraged to discuss their application with Western Power prior to submitting an application, to ensure that their needs regarding, for example, feasibility studies can be assessed. This, in turn will enable the correct classification to be applied, which will facilitate an orderly progression through the queuing process.

7 PRELIMINARY ASSESSMENT

The informal communications processes laid down in the proposed policy, together with the initial response and progressive reporting laid down in the policy remove the need for preliminary assessments. These arrangements reflect established industry practices, so the relevant clause in the model policy has not been adopted in Western Power’s policy.

8 CONFIDENTIALITY

The model policy places obligations on the service provider in relation to confidential information, which Western Power acknowledges as appropriate. In order to further mitigate the risk that information is used inappropriately, the proposed policy extends this obligation to be a mutual obligation on the service provider and the applicant.

9 LEAD TIMES FOR APPLICATIONS

It is recognised that lead times will vary with a number of factors, including use of non-standard terms, or whether augmentation studies are required.

Nevertheless it is considered good practice to set some realistic expectations among applicants and the policy has included clauses setting minimum lead times for class 1 and class 2 applications.

The clause on lead times for applications has been designed to encourage applicants to consider their access needs in a timely fashion within their overall project.

10 APPLICATION FORM

A refinement of the model policy includes a requirement to include a forecast annual consumption of electricity (if applicable). This is consistent with A2.24 of the model Policy.

The proposed policy also requires any applicant who becomes aware of errors or omissions in the application to amend the application within 5 business days otherwise the application will be deemed to have been withdrawn. This is consistent with a more general statement in the model policy to make the

amendment “as soon as practicable” but the additional specificity serves as a protection to other applicants not to be unreasonably or unnecessarily held up or otherwise inconvenienced by relevant applications.

The application forms will be web based, and reasonably specific to the type of applicant to reduce each party’s administrative workload.

Several changes have been made to the information required on the application forms to enable Western Power to be flexible to meet different needs:

- Rather than expecting the applicant to determine the classification of an application and risk being misclassified, Western Power will request relevant information to make the determination, such as details of the applicant’s existing access contracts.
- The section of the requested reference service has been modified to accommodate non-standard requests.
- Applicants will be encouraged to understand their obligations under the technical rules prior to lodging their applications, in order to assist users in planning and determining specifications. This is intended to avoid delays caused by late requests for derogations or alterations.
- The section on capacity has been changed to recognise for example that generators can be installed at exit points.
- Forecast consumption has been specified as a requirement so that for example contestability can be determined. This requirement also provides Western Power with information to enable it to confirm the appropriateness of a particular requested reference service.
- The clause on terms regarding augmentation has been changed for consistency with the capital contributions policy and the Interconnection Works Agreement (IWA).
- The reference to being able to later change works terms has been removed because the applicant has this right regardless of reason. The concept is also set out in the section on amendments.

11 THE QUEUE

The policy has been amended to allow the first-come first-served principle to be bypassed to allow a Retailer of Last Resort to meet its obligations under part 5 of the Act, or to allow a default supplier to meet its obligations under part 59 of the Act or if directed by the Authority.

Bypass also deals with the special case of an obligation to comply with any direction from the Authority such as might arise from a reserve capacity auction. In such cases, Western Power would expect to liaise as necessary with the Authority and the IMO.

Competing applications will always be processed on a first-come first-served basis. Although non-competing applications will usually be processed on a first-come first-served basis, flexibility will be retained to make an access offer out of sequence to avoid unnecessary delays to the processing of routine applications. The definition of first-come first-served had to be modified slightly to reflect this.

A particular clause allows for Western Power, acting as a reasonable and prudent person, to treat two competing applications as having the same priority when it is practical to do so. There are as many actual examples where this is straight forward (eg technically similar competing bids under a tender for access at the same point for which there will be only one winner) as there are examples where this is extremely complex (eg competing applications at different points to provide generating capacity under a tender arrangement, but for which the losing tenderer might proceed with a development).

Consequently, whilst this aspect of the policy would give to Western Power considerable discretion, it is required to enable Western Power to make optimal decisions in the interests of all users.

With amendments, the challenge is in determining when an amended application is “materially different”. Notionally small differences might have a significant impact on the nature of any works, and otherwise might potentially prejudice other applicants. Consequently, rather than trying to be prescriptive, Western Power has provided scope to apply discretion in the interests of the generality of applicants by not adopting the clause in the model policy which seeks to define ways in which an amended application might not be materially different.

The timing of the provision of queue information has been changed to be the initial response rather than immediately on application. This change is intended to allow sufficient time to enable Western Power to determine whether there is a competing application (recognising that such a determination may require system studies to be completed).

For all applications, Western Power considers it would be reasonable to provide a fortnightly progress update rather than the monthly requirement suggested in the model policy.

Finally, the clause on compliance with processing timeframes has been modified to a reasonable endeavours obligation, in accordance with section 5.7(c) of the Code.

12 CONDITIONS PRECEDENT

The model policy created the possibility of Western Power facing significant contingent obligations to prospective users with regard to provision of capacity. In Western Power’s view, the model policy may create significant uncertainty for Western Power and applicants.

The amendments address this issue by restricting conditions precedent exceeding six months in duration. Any contract with conditions precedent not fulfilled after six months can be automatically renewed if there are no competing applications. However, if there are competing applications, then Western Power and the existing user must negotiate in good faith within 20 business days to accommodate both the user’s and the competing applicant’s requirements. Note that this might mean sharing the costs of augmentation, or agreeing to some form of constraint, or some other outcome.

13 DORMANT APPLICATIONS

Western Power’s recent experience is that many applicants are providing insufficient details to elicit an appropriate response and that some applicants have submitted applications for several different projects, as though all would proceed but in reality the applicant only intends to proceed with one. This cannot be accommodated in a queuing process that seeks to properly serve all users.

To rectify this, the policy has a key refinement relative to the model policy:

The definition of dormant applications has been changed to mean that the application may be considered dormant after 6 months, rather than 3 years. Applicants may extend this, but the onus is on them to demonstrate that it is not dormant after the 6-month period has expired

14 SECURITY

This section reflects the terms set out in the SAC.

15 TERMS OF ACCESS OFFER

In order to provide clarity to applicants, the proposed policy sets out explicitly what will be contained in the formal access offer. In summary, this will include one or more of the following:

- amendment(s) to an existing contract;
- a requirement for the applicant to enter into an electricity transfer contract;
- a requirement for the applicant, or the applicant's nominated controller to enter into a connection contract; and
- a requirement for the applicant to enter into an IWA.

16 DORMANT OFFER

The policy has introduced the concept of a dormant access offer, similar to a dormant application in order to mitigate the risk of offered capacity being unused but unavailable to other users. This is consistent with the Code objective.

17 CONCLUDING COMMENTS

This appendix has explained the purpose of the applications and queuing policy with reference to the relevant Code provisions, and Western Power's amendments to the model applications and queuing policy set out in the Code and in particular how each principal modification to the model applications and queuing policy is intended to deliver a more effective and manageable process for applicants. In this regard, Western Power believes that the amendments to the model applications and queuing policy are in accordance with the requirements of section 5.10(a) of the Code.

Western Power's applications and queuing policy is contained in Appendix 1 of the access arrangement.