

## **WHEATBELT DEVELOPMENT COMMISSION**

### **SUBMITS TO:**

#### **ECONOMIC REGULATION AUTHORITY**

#### **COMMENTS ON MATTERS RELATING TO WESTERN POWER'S REVISED PROPOSED ACCESS ARRANGEMENT FOR THE SOUTH WEST INTERCONNECTED NETWORK**

### **PURPOSE**

To contribute regional Wheatbelt context and comments in relation to the proposed policy change by Western Power.

### **INTRODUCTION**

The Wheatbelt Development Commission welcomes the opportunity to comment on Matters Relating to Western Power's Revised Proposed Access Arrangement for the South West Interconnected Network.

The Commission is a statutory authority of the State Government concerned with promoting self-sustained regional development of the Wheatbelt region. The Commission represents interests of the Wheatbelt communities in formulating or adjusting strategic policies of Government and other agencies that affect 44 shires (of 144 in the WA) comprising our region.

Many areas of the Wheatbelt experience growth, including those of the peri-urban arc extending from Brookton to Lancelin and along the coast i.e. Jurien Bay. Electricity is an important factor that underpins continuing growth of those areas. Parts of the Wheatbelt where growth occurs at a lower rate often face different challenges, including inadequate electricity supply i.e. outages, disruptions and fluctuations.

Adequately planned, developed and maintained electricity supply system determines the wellbeing and prosperity of over 72,000 residents of the Wheatbelt region, a significant proportion of whom live in proximity of the capital of Western Australia.

The Commission is keen to assist any relevant agencies, including Western Power, with developing policies that would support the growth of the Wheatbelt, enhance living standards of the residents, and make our region an attractive option for businesses and individuals relocating or migrating, often due increasing pressures of the metropolitan area.

## **SUMMARY STATEMENT**

The Commission applauds the State Government for the initiative of bringing the proposed policy change of Western Power to the public domain. We are concerned, however, that while the inquiry considers specific points of the policy, the main issues causing concerns throughout our region, related to the social obligations of the State Government as the Regulator, are not being addressed.

It is our belief that the proposed policy change will lead to further erosion of social conscience of the Regulator.

Numerous locations in the Wheatbelt do not have access to adequate power supply due to the lack of the SWIN capacity, and are faced with multimillion dollar Western Power cost estimates for essential upgrades. This is unacceptable and the proposed policy change will further deepen the crisis and inability of remote, often fringe-of-grid Wheatbelt localities, to enjoy adequate electricity supply.

The Commission understands that the main drive of the proposed policy change is to better enable Western Power to seek capital contributions from developers to augment the cost of increased capacity in areas where demand is likely to exceed supply. Whilst it may be appropriate to emphasise on capital contributions in areas of growth, in other areas mechanisms related to community service obligations i.e. headworks charges, should be considered above commercial interests.

The Commission also takes this opportunity to remind Western Power and the Regulator about the need to consider the Western Wheatbelt i.e. the Chittering, Lancelin and Jurien Bay areas in the light of the inevitable expansion of Perth. Adequate power supply to support the growth in the Western Wheatbelt has to be ensured to sustain the expansion of the metropolitan area. The Commission feels that essential planning in this respect is lacking at present.

## **SPECIFIC COMMENTS**

### **Reductions in contracted capacity**

The Commission believes that Western Power, as the sole WA capacity provider, should have the right of final say – having exhausted all other options – in enabling new eligible users to access the available pool of electricity of a certain area. The term “reduction of capacity” poses obvious concerns about removing lines and transformers, and the Commission recommends to clarify the matter or choose a term that better reflects the issue.

Many remote Wheatbelt localities and industrial areas depend on capacity that they have financially contributed to. The right of managing excess capacity in those areas needs to be exercised with care. Essential consultation should take place before the option to reduce capacity is followed. The issue of potential hardware removal i.e. lines and transformers, and the financial ramifications of it,

needs to be clarified. The aspect of rebuilding the previous capacity once it is required again also needs to be spelled out.

Regardless of Western Power's decisions with respect to capacity reductions, it should remain the Regulator's role to ensure their fairness.

### **Treatment of capital contributions**

The Commission believes that regional development benefits more from the capital contributions being directed to "capital base" rather than to "revenue". Treating them as part of the capital base will enable Western Power to pass on more tariff reductions to their customers, thus reducing to overall costs to current and proposed project.

As revenue, the contributions are redistributed via the Treasury on the SWIN extension and expansion projects according to decisions of the Government of the time.

We also believe that in the spirit of the electricity reform a healthy balance sheet should guide Western Power in their decision making process, and the best interest of disadvantaged communities should guide the Regulator in spending taxpayers funds on essential upgrades of the SWIN.

The Regulator, therefore, has an obligation to put mechanisms in place to ensure disadvantaged, remote communities have access to adequate, affordable electricity supply, provided in a timely fashion.

### **Headworks charges**

The Commission supports the objection of the Office of Energy with respect to headworks charges.

The use of headworks charges in favour of capital contributions, as pointed out by the ERA in the inquiry paper, is not precluded by any relevant documents i.e. the Access Code. The Commission encourages the Regulator to consider other mechanisms e.g. an electricity headworks fund that would encourage Western Power to engage in less commercially attractive but socially important projects.

The Commission feels that the headworks charges option has not been used to its potential in the past, because it is less attractive to Western Power than capital contributions through partnerships with major proponents. A large payment is always the preferred choice for a corporatised entity over a long-term repayment option through headworks charges from a regional, community oriented project.

We believe that the role of the Regulator is to counterbalance profit-driven tendencies of the sole network provider such as Western Power by mechanisms related to social conscience and community service obligations.