

Further Final Decision on the Proposed Access Arrangement for the South West Interconnected Network

Submitted by Western Power

26 April 2007

Economic Regulation Authority



WESTERN AUSTRALIA

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DECISION

1. Western Power Corporation (Western Power) is the owner and operator of the South West Interconnected Network (SWIN). The SWIN is the largest and most significant interconnected electricity system in Western Australia in terms of its geographical span, the amount of electricity it transmits and distributes and the number of users and end consumers. It contains more than 140 major substations, 6,000 km of transmission lines (66 kV and greater) and over 64,000 km of high voltage distribution lines (less than 66 kV).
2. The Authority understands that the SWIN is interconnected with two other electricity systems to form the South West Interconnected System (SWIS):¹
 - a 132 kV transmission network owned by Southern Cross Energy, which runs between Boulder and Kambalda; and
 - a 900 metre transmission line owned by International Power Mitsui LLP at Kwinana.
3. The *Electricity Networks Access Code 2004* (Access Code) provides a framework for third party access to electricity transmission and distribution networks.
4. The objective of the Access Code is set out in section 2.1 of the Access Code:
 - 2.1 The objective of this Code (“Code objective”) is to promote the economically efficient:
 - 1) investment in; and
 - 2) operation of and use of, networks and services of networks in Western Australia in order to promote competition in markets upstream and downstream of the networks.
5. Under section 4.1 of the Access Code, a service provider of a covered network must submit a proposed access arrangement and access arrangement information to the Economic Regulation Authority (Authority) for the Authority’s assessment and approval. A service provider submitting a proposed access arrangement and access arrangement information must also submit proposed Technical Rules under Chapter 12 of the Access Code, to be processed in parallel with the proposed access arrangement.
6. On 24 August 2005, Western Power (then Western Power Corporation’s Networks Business Unit) submitted its proposed access arrangement and access arrangement information and Technical Rules for its regulated transmission and distribution networks in the SWIN to the Authority. Western Power’s proposed access arrangement, access arrangement information and Technical Rules were published on the Authority’s web site on 31 August 2005.²
7. The Authority has considered the proposed access arrangement under the principles set out in the Access Code.

¹ These other electricity systems satisfy the definition of “network infrastructure facilities” in the *Electricity Industry Act 2004*.

² www.era.wa.gov.au/electricity/proposedAccessArrangement.cfm

8. On 21 March 2006, the Authority issued a Draft Decision in accordance with the requirements of section 4.12 of the Access Code. The Draft Decision of the Authority was to not approve the proposed access arrangement on the grounds that it did not satisfy the requirements of the Access Code. The Authority set out 193 amendments that the Authority would require to be made to the proposed access arrangement before the proposed access arrangement would be approved.
9. Subsequent to the Draft Decision, Western Power submitted a revised proposed access arrangement, as provided for under section 4.16 of the Access Code. Western Power also submitted revised access arrangement information.
10. On 2 March 2007, the Authority issued a Final Decision on Western Power's revised proposed access arrangement. The Final Decision of the Authority was to not approve the revised proposed access arrangement, and the Authority provided details of 26 amendments required to be made to the revised proposed access arrangement before the Authority would approve it.
11. On 2 April 2007, and in accordance with the provisions of section 4.19 of the Access Code, Western Power submitted to the Authority an amended proposed access arrangement.
12. With Western Power having submitted an amended proposed access arrangement, the Authority is required by section 4.21 of the Access Code, and subject to section 4.23, to issue a further final decision that either approves or does not approve the amended proposed access arrangement.
13. The Further Final Decision of the Authority is to approve the amended proposed access arrangement on the grounds that the amended proposed access arrangement either implements the amendments required under the Final Decision or the Authority is satisfied that the amended proposed access arrangement adequately addresses the matters that prompted the Authority to require the amendments.
14. The Authority's reasons for the Further Final Decision are provided in the following sections of this document. These reasons are set out in order of the elements of the revised proposed access arrangement that the Authority required to be amended under the Final Decision. The reasons also address a number of revisions incorporated in the amended proposed access arrangement that are unrelated to amendments required under the Final Decision.
15. Under section 4.26 of the Access Code, the Authority is required to specify the day on which the access arrangement takes effect (access arrangement start date). The access arrangement start date is required to be consistent with the Code objective and be at least 20 business days after this Further Final Decision, that is, not before 24 May 2007.
16. Western Power has made a submission to the Authority requesting, for reasons of practicality, that the Authority determine an access arrangement start date of 1 July 2007. In support of this submission, Western Power has submitted that a start date earlier than 1 July 2007 would cause the 2006/07 tariffs under the access arrangement to apply only for a short period until 30 June 2007, after which the 2007/08 tariffs would apply. Western Power submits that this would create significant operational difficulties in billing activities for both Western Power and electricity retailers, and cause significant costs to be incurred that otherwise could be avoided.

17. Western Power has also indicated that there are some adverse effects of delaying the access arrangement start date until 1 July 2007, in particular:
 - there would be an under-recovery of revenue in the last five weeks of 2006/07 that would be carried over to reference tariffs to be determined for the 2007/08 year; and
 - some retailers, generators and/or electricity customers may benefit from the introduction of the 2006/07 tariffs.
18. An unsolicited submission has also been made to the Authority by Synergy in support of an access arrangement start date of 1 July 2007, citing administrative costs that would be incurred if two changes to network tariffs occurred within a short period of time.
19. Taking into account the submissions made to the Authority from Western Power and Synergy, the Authority considers it likely that an access arrangement start date prior to 1 July 2007 will give rise to costs to Western Power and users of the SWIN (and ultimately to electricity customers) that are unlikely, in aggregate, to be offset by any potential benefits. In coming to this view, the Authority has taken into account the following matters:
 - While the introduction of reference tariffs from 1 July 2007 will result in an under-recovery of revenue for the remainder of 2006/07, the price control under the access arrangement will, in any case, bring to account an under-recovery of revenue for the whole of 2006/07 in the reference tariffs for 2007/08.
 - The Authority considers that individual parties are generally more concerned about the costs of an access arrangement start date prior to 1 July 2007 than about any potential benefits from the 2006/07 tariffs applying for a short period.
20. The Authority therefore considers that the Code objective of efficiency in the investment in, and operation and use of, the SWIN is best served by the access arrangement coming into effect at the commencement of the 2007/08 year. The Authority accordingly determines the access arrangement start date to be 1 July 2007.

REASONS

Reference Services and Service Standards

Reference Services

Final Decision

21. In the Final Decision, the Authority determined that clause 3.4 of the revised proposed access arrangement might be interpreted as indicating that the terms and conditions on which a user may obtain a reference service are to be determined by negotiation between the user and Western Power, rather than the user being able to obtain a reference service on the terms and conditions of the relevant standard access contract.
22. Clause 3.4 of the revised proposed access arrangement stated:

- 3.4 Reference services are provided to users in accordance with the terms and conditions of their respective access contracts.
23. The Access Code requires that the access arrangement include a standard access contract for each reference service. Through the provisions for resolution of access disputes under chapter 10 of the Access Code, an applicant may insist on obtaining a reference service on the terms and conditions set out in the standard access contract for that service.
24. Section 3.4 of the revised proposed access arrangement may be interpreted as implying that reference services are to be provided under access contracts that are peculiar to particular users rather than a user being able to enter into an access contract for a reference service on the terms and conditions set out in the relevant standard access contract. There is nothing in the Access Code that prevents a user and Western Power from negotiating terms and conditions for services that differ to the terms and conditions for reference services as set out in a standard access contract under an access arrangement. However, the Authority considered that the access arrangement should not state or imply that a user must necessarily negotiate terms and conditions for reference services rather than apply the terms and conditions of the relevant standard access contract.
25. The Authority therefore required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 1

The revised proposed access arrangement should be amended to delete clause 3.4 or to amend this clause to indicate that a user or applicant may obtain a reference service on the terms and conditions of the electricity transfer access contract.

Amended Proposed Access Arrangement

26. Western Power has incorporated revisions in clause 3.4 of the amended proposed access arrangement as follows.
- 3.4 Reference services are provided to users in accordance with the terms and conditions ~~of their respective access contracts~~ of the [Electricity Transfer Access Contract](#).

Further Final Decision

27. Clause 3.4 of the amended proposed access arrangement has been revised to state clearly that the reference services are provided on the terms and conditions of the electricity transfer access contract and to remove any implication that the terms and conditions for reference services are determined by negotiation with individual users. The Authority is satisfied that this revision implements Final Decision Amendment 1.

Service Standard Benchmarks

Final Decision

28. In both its Draft Decision and Final Decision, the Authority addressed the specification of service standard benchmarks for the distribution network.

29. In its Draft Decision, the Authority required that the access arrangement specify service standard benchmarks for distribution feeder types as defined in the guidelines “National Regulatory Reporting for Electricity Distribution and Retailing Businesses”, and including CBD, urban, rural-short and rural-long feeder types (Draft Decision Amendment 11).
30. In its revised proposed access arrangement submitted to the Authority subsequent to the Draft Decision, Western Power included CBD feeders as a feeder type to which performance standards are applied, but did not differentiate between rural-short and rural long feeders.
31. Western Power indicated that it had not differentiated between rural-short and rural-long feeders due to the necessary costs (approximately \$200,000) and time requirements (several months) for implementation. Western Power made a further verbal submission to the Authority that service standard benchmarks should be established in accordance with requirements for reporting of service standards under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*. This Code (at section 13) sets out system average interruption duration index (SAIDI) service standards based on geographical categories of customers (Perth CBD, urban other than Perth CBD and any other area of the state) rather than the feeder types. Requirements for reporting in accordance with this Code are part of Western Power’s licence conditions.
32. In the Final Decision, the Authority determined that the reasons put forward by Western Power were not sufficient to justify not distinguishing between rural-short and rural-long feeders in the specification of service standard benchmarks. The Authority considered that separate reporting of performance measures for the two categories of feeders would be likely to improve the relevance and usefulness of performance measures for both feeder categories. In particular, distinguishing between the short and long feeders would limit potential for relatively poor performance on long feeders to be masked by better performance on short feeders.
33. The Authority did not accept Western Power’s submission that the specification of service standard benchmarks for a single geographical category of customers in rural areas better meets the requirements of the Access Code than the specification of service standard benchmarks for the two categories of rural-short and rural long feeders.
34. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 2

The revised proposed access arrangement should be amended to distinguish between rural-short and rural-long feeders in specification of service standard benchmarks for SAIDI and SAIFI for distribution network.

Amended Proposed Access Arrangement

35. Western Power has incorporated revisions in clauses 3.18 to 3.20 of the amended proposed access arrangement as follows.

- 3.18 The service standard benchmarks expressed in terms of SAIDI for the reference services A1 to A10 and B1 for each year of the first access arrangement period are shown in the following table:

SAIDI	SWIN total	CBD	Urban	Rural	Rural Short	Rural Long
June 2007	277	21.4	222 244	509	425	741
June 2008	259	20.0	208 229	476	398	693
June 2009	224	17.3	179 197	410	343	598

- 3.19 The service standard benchmarks expressed in terms of SAIFI for the reference services A1 to A10 and B1 for each year of the first access arrangement period are shown in the following table:

SAIFI	SWIN total	CBD	Urban	Rural	Rural Short	Rural Long
June 2007	3.44	0.32	3.12 3.38	4.12	4.89	5.58
June 2008	3.22	0.30	2.91 3.16	3.85	4.58	5.22
June 2009	2.78	0.26	2.51 2.72	3.32	3.95	4.50

- 3.20 For the purpose of this Access Arrangement, [the definitions of the definition of CBD, Urban, Rural Short and Rural Long feeder classification are consistent with those applied by the Steering Committee on National Regulatory Reporting Requirements \(SCNRRR\)](#). ~~CBD and urban feeder classifications is consistent with those applied in the National Regulatory Reporting for Electricity Distribution and Retailing Businesses. The rural feeder classification follows similar principles but represents an amalgamation of what is defined as Rural Short and Rural Long in the guidelines.~~

36. In the amended access arrangement information (Part D section 3.5), Western Power has provided the following explanation of the revisions made to the access arrangement.

It should be noted that all feeder classification definitions are now identical to those adopted by the Steering Committee on National Regulatory Reporting Requirements (SCNRRR). Western Power's previous feeder classifications were based on geographical areas, whereas the SCNRRR definitions relate to load density and high voltage carrier length. As a result, Western Power has made consequential changes to the Urban performance benchmarks in the access arrangement. There is no change to the proposed CBD service standard benchmarks.

Collectively, the revised service standard benchmarks are statistically equivalent to those previously submitted to the Authority, and equate to the same overall service standard benchmark for the SWIN. This is illustrated in the following table which provides a breakdown of the redistribution of the customer minutes interrupted as a result of the change in feeder classifications, calculated for the 12 months to January 2007.

CUSTOMER MINUTES INTERRUPTED	Previous	New
CBD	154,465	154,465
Urban	169,266,872	111,091,048
Rural	55,423,039	-
Rural Short	-	45,684,696
Rural Long	-	67,914,168
SWIN (Total)	224,844,376	224,844,376

37. Western Power has incorporated consequential revisions in clauses 5.23 and 5.24 of the amended proposed access arrangement, relating to services standards for a service standard adjustment mechanism. These revisions are shown as follows.

- 5.23 The table below establishes the normal performance range for distribution performance as measured by SAIDI.

Distribution service standard as measured by SAIDI – normal performance

		Low Limit	High Limit
SAIDI - SWIN (Minutes)	2006/07	249	305
	2007/08	233	285
	2008/09	202	246
SAIDI - CBD (Minutes)	2006/07	19	24
	2007/08	18	22
	2008/09	16	19
SAIDI - Urban (Minutes)	2006/07	200 220	244 268
	2007/08	188 206	228 252
	2008/09	162 177	196 217
SAIDI - Rural	2006/07	458	560
	2007/08	428	524
	2008/09	369	451
SAIDI - Rural Short (Minutes)	<u>2006/07</u>	<u>383</u>	<u>467</u>
	<u>2007/08</u>	<u>359</u>	<u>437</u>
	<u>2008/09</u>	<u>309</u>	<u>377</u>
SAIDI - Rural Long (Minutes)	<u>2006/07</u>	<u>667</u>	<u>815</u>
	<u>2007/08</u>	<u>624</u>	<u>762</u>
	<u>2008/09</u>	<u>539</u>	<u>657</u>

5.24 The table below establishes the normal performance range for distribution performance as measured by SAIFI.

Distribution service standard as measured by SAIFI – normal performance

		Low Limit	High Limit
SAIFI - SWIN (Average interruptions per annum)	2006/07	3.10	3.78
	2007/08	2.90	3.54
	2008/09	2.50	3.06
SAIFI - CBD (Average interruptions per annum)	2006/07	0.29	0.35
	2007/08	0.27	0.33
	2008/09	0.23	0.29
SAIFI - Urban (Average interruptions per annum)	2006/07	2.81 3.04	3.43 3.72
	2007/08	2.62 2.84	3.20 3.48
	2008/09	2.26 2.45	2.76 2.99
SAIFI - Rural (Average interruptions per annum)	2006/07	3.71	4.53
	2007/08	3.47	4.24
	2008/09	2.99	3.65
SAIFI - Rural Short (Average interruptions per annum)	<u>2006/07</u>	<u>4.40</u>	<u>5.37</u>
	<u>2007/08</u>	<u>4.13</u>	<u>5.03</u>
	<u>2008/09</u>	<u>3.56</u>	<u>4.34</u>
SAIFI - Rural Long (Average interruptions per annum)	<u>2006/07</u>	<u>5.03</u>	<u>6.13</u>
	<u>2007/08</u>	<u>4.70</u>	<u>5.74</u>
	<u>2008/09</u>	<u>4.05</u>	<u>4.95</u>

Further Final Decision

38. Western Power has incorporated revisions in the amended proposed access arrangement to specify SAIDI and SAIFI service standards separately for rural-short and rural-long feeders, and to specify service standard benchmarks for all feeder categories in a manner consistent with the definitions of feeder categories by the Steering Committee on National Regulatory Reporting Requirements.
39. These revisions have included changes to the values of the service standard benchmarks specified for both rural and urban feeders, the latter indicated to be a result of the revisions to the definitions of urban and rural feeders.
40. Western Power has presented information to indicate that the service standard benchmarks set out in the amended proposed access arrangement are “equivalent” to the service standard benchmarks previously set out in the revised proposed access arrangement, indicating that both sets of service standards correspond to the same total values of system minutes off supply across all feeder categories. The Authority notes that the directions of change in the service standard benchmarks with the introduction of the distinction between rural long and rural short feeders are as expected – with the service standard benchmarks for the urban

category becoming more stringent, standards for rural short feeders becoming more stringent, and standards for the rural long feeders becoming less stringent.

41. Taking the above matters in to account, the Authority is satisfied that the revisions incorporated into the amended proposed access arrangement implement Final Decision Amendment 2.

Demand Forecasts

Final Decision

42. In its revised access arrangement information, Western Power presented forecasts of transmission energy (energy sent out) and energy sales from the distribution system that are either directly taken from the Independent Market Operator's 2005 Statement of Opportunities report (transmission energy) or calculated based on growth rates assumed in this report (energy sales from the distribution system).
43. The revised access arrangement information did not, however, include forecasts of maximum demand. However, the Authority considered that requiring the access arrangement information to include a forecast of maximum demand would inform consideration of other elements of the access arrangement, including forecasts of new facilities investment. Accordingly, the Authority considered that the demand forecasts should be included in the access arrangement information.
44. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 3

The access arrangement information should be amended to include substantiated forecasts of forecast maximum demand.

Amended Proposed Access Arrangement

45. Western Power has incorporated revisions in the amended access arrangement information (Part B Section 2) to include a table showing a forecast of maximum demand for the transmission system reflecting the forecasts published by the Independent Market Operator in that agency's *Statement of Opportunities* for 2006.
46. Western Power has also provided to the Authority (on a confidential basis) copies of reports of forecast maximum demand by substations: *Substation Summer Load Trends (System Peak) 2007-2026* and *Substation Summer Load Trends (Substation Peak) 2007-2026*.

Further Final Decision

47. The Authority is satisfied that the incorporation of the updated demand forecasts into the amended access arrangement information, and the provision of supporting information on forecast demand at substations, implements Final Decision Amendment 3.

Reference Tariffs and Price Control

Introduction

48. For each reference service specified in the access arrangement, there must be a reference tariff established under the access arrangement.
49. The Access Code requires that reference tariffs are established or constrained by a mechanism termed a “price control”, which specifies the level of tariffs either directly, or indirectly through constraints on the level of overall revenue able to be earned by the service provider.

Target Revenue

Final Decision

50. During the process of assessment of the proposed access arrangement a series of different cost forecasts and target revenue calculations were presented to the Authority, including:
 - in the initially proposed access arrangement on 24 August 2005;
 - in the revised proposed access arrangement submitted on 19 May 2006;
 - revised forecasts of non-capital costs and new facilities investment submitted on 26 September 2006;
 - a revised value of the capital base submitted on 4 December 2006 that incorporated actual values of new facilities investment up to 30 June 2006; and
 - a revised calculation of target revenue submitted to the Authority on 4 December 2006, incorporating the revised value of the capital base as at 30 June 2006 and the revised forecasts of non-capital costs and new facilities investment submitted to the Authority on 26 September 2006.
51. In the Final Decision, the Authority approved Western Power’s proposed target revenue as submitted to the Authority on 4 December 2006.

Amended Proposed Access Arrangement

52. Clauses 6.1 to 6.3 of the amended proposed access arrangement incorporate changes to the value of the initial capital base for the transmission and distribution systems, as follows.

6.1 The table below shows the derivation of the capital base value as at 30 June 2006.

Derivation of Transmission Initial Capital Base (net)
(\$ million real as at 30 June 2006)

Financial year ending:	30 June 2004	30 June 2005	30 June 2006
Opening capital base value		1,205.91,193.4	1,274.61,261.5
less Depreciation		43.442.9	45.745.2
plus Capital Expenditure (net)		112.2411.0	149.5480.3
less Redundant Assets		0.0	0.0
plus Corporate Assets allocated to Western Power		0.0	8.18.0
Closing capital base value	1,205.91,193.4	1,274.61,261.5	1,386.61,404.5

Derivation of Distribution Initial Capital Base (net)
(\$ million real as at 30 June 2006)

Financial year ending:	30 June 2004	30 June 2005	30 June 2006
Opening capital base value		1,401.51,387.0	1,470.01,452.9
less Depreciation		86.585.6	91.089.9
plus Capital Expenditure (net)		158.2456.6	209.1460.5
less Redundant Assets		3.25.1	1.82.9
plus Corporate Assets allocated to Western Power		0.0	8.18.0
Closing capital base value	1,401.51,387.0	1,470.01,452.9	1,594.51,528.6

6.2 ~~For the avoidance of doubt, the capital base value as at 30 June 2006 reflects a forecast of the actual capital expenditure for the year ending 30 June 2006 ("2005/06"). To ensure that Western Power is remunerated only for actual capital investment that is undertaken in the year ending 30 June 2006:~~

- ~~(a) the capital base value at the commencement of the next access arrangement period will be adjusted (in real terms) for any difference between the actual capital expenditure and the forecast of capital expenditure for the 2005/06 year that was used to establish the opening capital base value at 30 June 2006 (the "2005/06 capital expenditure forecast error"); and~~
- ~~(b) an adjustment to the target revenue in the next access arrangement period will be made to compensate Western Power (or users) for the return-on-assets revenue foregone (or additional return-on-assets revenue recovered) by Western Power over the first access arrangement period in respect of the 2005/06 capital expenditure forecast error.~~

6.3 ~~[Deleted]~~ For the avoidance of doubt:

- ~~(a) under the arrangements set out in section 6.2 of this Access Arrangement the target revenue for the first access arrangement period will not be adjusted for any 2005/06 capital expenditure forecast errors;~~
- ~~(b) the intended effect of the arrangements set out in section 6.2 of this Access Arrangement is to hold Western Power and users economically neutral in the event that there are any 2005/06 capital expenditure forecast errors; and~~
- ~~(c) adjustments made at the next access arrangement review pursuant to section 6.2 of this Access Arrangement will have the effect of ensuring that the total~~

revenue recovered by Western Power over the first access arrangement period and subsequent access arrangement periods will be equivalent in present value terms to the amount that would be recovered if there were no 2005/06 capital expenditure forecast errors.

53. Clauses 5.35 and 5.46 of the amended proposed access arrangement incorporate changes to the target revenues for the transmission and distribution systems, as follows.

**Transmission revenues to be used for calculating TR_t
(\$ million real as at 30 June 06)**

2006/07	2007/08	2008/09
223.5 ^{211.8}	230.6 ^{230.5}	227.1 ^{224.1}

**Distribution revenues to be used for calculating DR_t
(\$ million real as at 30 June 06)**

2006/07	2007/08	2008/09
352.4 ^{387.1}	437.7 ^{409.7}	475.3 ^{434.3}

54. Western Power has provided details of the calculation of its target revenue in Appendix 11 of its amended access arrangement information.

Further Final Decision

55. The Authority has assessed the values of the initial capital base and target revenue indicated in the revised proposed access arrangement and is satisfied that these values are in accordance with the Authority's Final Decision. In particular, the Authority notes the following matters.

- The values of the initial capital base for the transmission and distribution systems are the same as submitted by Western Power to the Authority on 4 December 2006 and accepted by the Authority in the Final Decision.
- The values of revenues for the transmission and distribution systems are equivalent, in present value terms, to the values of revenues determined under the financial calculations submitted to the Authority on 4 December 2006 and accepted by the Authority in the Final Decision. The values of revenues have been changed to allow a "smoothing" of changes to reference tariffs over the course of the access arrangement period, in accordance with Required Amendment 7 of the Final Decision [paragraph 80 and following].

Price Control

Final Decision

56. In its revised proposed access arrangement, Western Power set out a revenue cap form of price control. The Authority was satisfied that the general specification of the revenue cap set out in section 5 of the revised proposed access arrangement is generally consistent with this form of price control as it has been implemented in other circumstances

57. The revised proposed access arrangement did not include a definitive specification of the price control in the form of the formulas for application of the revenue-cap in each year of the access arrangement period. The Authority was satisfied, however, that the description of the price control in chapter 5 of the revised proposed access arrangement is sufficiently detailed to enable these formulas to be specified when the access arrangement comes into effect.
58. While the Authority was satisfied that the revenue cap set out in the revised proposed access arrangement is generally consistent with this form of price control as it has been implemented in other circumstances, the Authority considered that one particular feature of the revenue cap proposed by Western Power, and related matters of the access arrangement, did not comply with the requirements of the Access Code. This feature is the exclusion of certain revenues from the price control.
59. At clauses 5.30, 5.33 and 5.41 and 5.44 of the revised proposed access arrangement, Western Power sought to exclude certain revenues from the revenue cap, including:
- revenues from capital contributions made in respect of works that have been provided on a competitive basis or where the terms and conditions have been negotiated in accordance with section 2.5 of the Access Code; and
 - revenue received by Western Power for excluded services or in respect of services that are not provided by Western Power in accordance with the access arrangement.
60. The Authority considered that the Access Code does not allow for revenues to be excluded from a revenue-cap price control except where the revenue is earned from provision of services that are not covered services; that is, “excluded services” under the Access Code.
61. Accordingly, the Authority determined that the provisions of clauses 5.30, 5.33 and 5.41 and 5.44 of the revised proposed access arrangement are inconsistent with the requirements of the Access Code except to the extent that they relate to excluded services. The Authority noted that Western Power indicated in its revised proposed access arrangement that, for the purposes of the access arrangement, there are no excluded services.
62. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 4

The revised proposed access arrangement should be amended to remove provision under sections 5.30, 5.33 and 5.41 and 5.44 for exclusion of revenues from consideration under the revenue cap, other than revenues earned from services that are excluded services or that are otherwise not covered services. Corresponding amendments should be made to remove explanatory notes on this element of the proposed price control from Appendix 8 of the revised proposed access arrangement.

Amended Proposed Access Arrangement

63. Western Power has incorporated revisions in the amended proposed access arrangement as follows.

5.30 ~~[Deleted] For the purposes of determining actual capital contributions as applied in section 5.32 of this Access Arrangement, Western Power will exclude any capital contributions where the relevant works have been provided on a competitive basis or where the terms and conditions have been negotiated in accordance with section 2.5 of the Code. The purpose of this provision is to provide Western Power and prospective connecting parties with the option to negotiate connection contributions on a basis other than that contemplated by this Access Arrangement.~~

...

5.33 For the avoidance of doubt, revenue received by Western Power for excluded services ~~or in respect of services that are not provided by Western Power in accordance with this Access Arrangement~~ must not be treated as actual regulated revenue for the purposes of this Transmission Network Revenue Cap.

...

5.41 ~~[Deleted] For the purposes of determining actual capital contributions as applied in section 5.43 of this Access Arrangement, Western Power will exclude any capital contributions where the relevant works have been provided on a competitive basis or where the terms and conditions have been negotiated in accordance with section 2.5 of the Code. The purpose of this provision is to provide Western Power and prospective connecting parties with the option to negotiate connection contributions on a basis other than that contemplated by this Access Arrangement.~~

...

5.44 For the avoidance of doubt, revenue received by Western Power for excluded services or in respect of services that are not provided by Western Power in accordance with this Access Arrangement must not to be treated as actual regulated revenue for the purposes of this Distribution Network Revenue Cap.

Further Final Decision

64. Western Power has incorporated revisions in the amended proposed access arrangement that have the effect of limiting any exclusion of revenues from consideration under the revenue cap to revenues earned from services that are excluded services or that are otherwise not covered services. The Authority also notes that revisions have been incorporated in Appendix 8 of the amended proposed access arrangement that remove reference to an exclusion of capital contributions from consideration under the price control.

65. The Authority is satisfied that the incorporation of these revisions in the amended proposed access arrangement implements Final Decision Amendment 4.

Price List Information

Final Decision

66. Western Power included information in its revised proposed access arrangement and revised access arrangement information to demonstrate compliance with the requirements of the Access Code for price list information.

67. In Appendix 6 of the revised proposed access arrangement, Western Power indicated, as part of its price list information, the amounts of revenue forecast to be generated from reference tariffs given forecasts of demand for reference services, and indicated that the total forecast revenue is equal to the required reference-service revenue. In the Final Decision, the Authority did not verify that the reference tariffs proposed by Western Power are forecast to return an amount of revenue equal to the required reference service revenue but rather indicated that this verification would be undertaken prior to final approval of the access arrangement. In this regard, the Authority noted in the Final Decision that the information provided by Western Power in Appendix 6 of the revised proposed access arrangement supports, but does not definitively verify, that the relevant charges of reference tariffs are forecast to return the revenue requirement for the 2006/07 year. Verification would require full details of forecast demand for each reference tariff charge and details of the calculation of forecast revenue from each charge.
68. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 5

The revised proposed access arrangement should be amended to include, as part of the price list information, full details of calculations to verify that the component charges of reference tariffs are forecast to return the required reference service revenue for the 2006/07 year.

69. The Authority noted that the verifying calculations contemplated by Required Amendment 5 would appropriately be provided in the form of spreadsheet calculations. The Authority further noted that some elements of these calculations may necessarily be held to be commercially sensitive and required to be kept confidential, and that the Authority would be willing to accommodate any reasonable requirements for confidentiality in the submission of the price list information.

Amended Proposed Access Arrangement

70. Western Power has provided the Authority, on a confidential basis, with two spreadsheets that show the calculation of a forecast of revenue for 2006/07. These spreadsheets form part of Appendix 6 of the amended proposed access arrangement (the “price list information”).
71. Also in the price list information of the amended proposed access arrangement, Western Power has incorporated revised information for the purposes of demonstrating that the reference tariffs for distribution services are forecast to return, in aggregate for each service, revenue that is between the incremental cost of each service and the stand-alone cost. These revisions are shown as follows.

- 9.12 The incremental and stand-alone cost of service for each of the reference services A5, A6, A7, A8, and B1 are determined by calculation at a customer level. The following table gives the sum of the incremental costs, the sum of the stand-alone costs, and the sum of the forecast revenue recovered from the customers for each of these reference tariffs.

Reference Service	Reference Tariff	Incremental Cost Of Service (\$000 per annum)	Stand-Alone Cost of Service Provision (\$000 per annum)	Forecast Revenue Recovered from Reference Tariff (\$000 per annum)
A5	RT5	<u>4,965</u> 4,846	<u>57,967</u> 55,694	<u>6,825</u> 5,682
A6	RT6	<u>20,281</u> 17,495	<u>79,329</u> 70,877	<u>27,839</u> 21,177
A7	RT7	<u>41,537</u> 35,339	<u>58,652</u> 52,274	<u>51,809</u> 44,929
A8	RT8	<u>4,697</u> 5,583	<u>8,582</u> 10,169	<u>7,298</u> 8,734
B1	RT11	555	<u>58,652</u> 52,274	555

- 9.13 The incremental cost of service for reference services A1, A2, A3, A4, A9, and A10 are determined by allocation of incremental costs for the network to each tariff. The following table gives the sum of the incremental costs, the sum of the stand-alone costs, and the sum of the forecast revenue recovered from the customers for each of these reference tariffs.

Reference Service	Reference Tariff	Incremental Cost Of Service (\$000 per annum)	Stand-Alone Cost of Service Provision (\$000 per annum)	Forecast Revenue Recovered from Reference Tariff (\$000 per annum)
A1	RT1	<u>206,221</u> 204,897	<u>269,840</u> 264,392	<u>251,122</u> 247,929
A2	RT2	<u>78,822</u> 81,208	<u>136,771</u> 135,024	<u>86,939</u> 89,645
A3	RT3	<u>6,322</u> 6,329	<u>63,646</u> 59,525	<u>7,002</u> 7,198
A4	RT4	<u>72,266</u> 67,687	<u>129,734</u> 121,028	<u>72,641</u> 68,639
A9	RT9	<u>12,632</u> 12,300	<u>68,642</u> 64,475	<u>13,098</u> 12,914
A10	RT10	<u>800</u> 563	<u>67,975</u> 53,640	<u>1,507</u> 1,062

Further Final Decision

72. Final Decision Amendment 5 required the revised proposed access arrangement to be amended to include, as part of the price list information, full details of calculations to verify that the component charges of reference tariffs are forecast to return the required reference service revenue for the 2006/07 year.
73. In the spreadsheets provided to the Authority as part of Appendix 6 of the amended proposed access arrangement, Western Power has provided the calculations of revenue forecasts from transmission and distribution tariffs for 2006/07. It is clear in these spreadsheets, however, that the revenue forecasts are forecasts of revenue to be obtained from the transmission and distribution tariffs that have applied in 2006/07. These tariffs are not the reference tariffs that would have applied in 2006/07 if the access arrangement had been in effect. Accordingly, the spreadsheets provided to the Authority do not verify that the component charges of reference tariffs are forecast to return the required reference service revenue for the

- 2006/07 year and, hence, the provision of these spreadsheets does not implement Final Decision Amendment 5.
74. In its submission made with the amended proposed access arrangement and in subsequent discussions, Western Power has explained its reasons for providing the Authority with calculations of forecast revenue for 2006/07 rather than calculations showing that the reference tariffs set for 2006/07 would return the target revenue for the same year.
75. Western Power has indicated that, as a result of delays in the access arrangement coming into effect, the transmission and distribution tariffs that have applied in 2006/07 are not the reference tariffs that would have applied under the access arrangement. The transmission tariffs that have applied in 2006/07 are significantly higher, on average, than the reference tariffs that would have applied under the access arrangement had the access arrangement been in effect. The distribution tariffs that have applied in 2006/07 are significantly lower than would have been applied under the access arrangement. As a result, the price control established under the access arrangement will be applied to carry-forward the relevant over-recovery or under-recovery of revenue from 2006/07 to 2007/08 and 2008/09.
76. Western Power has established values of reference tariffs for 2006/07 that comprise a set of base reference tariffs that, when escalated in accordance with the price control, enable the over-recovery or under-recovery of revenue in 2006/07 to be corrected by the 2007/08 and 2008/09 reference tariffs.
77. In accordance with this reasoning and process, the reference tariffs indicated in the price list of the amended proposed access arrangement have not been established to recover a particular amount of target revenue in 2006/07, but instead to enable the necessary reference tariffs to be established in 2007/08.
78. Taking into account the submission from Western Power, the Authority accepts that the requirements of Final Decision Amendment 7 are redundant, as the access arrangement will not come into effect in 2006/07. The Authority notes that Western Power has provided the Authority with an undertaking to submit a new proposed price list and price list information for 2007/08 soon after the access arrangement comes into effect (refer to paragraph 104 of this Further Final Decision). The Authority expects that the price list information will include calculations to verify that the component charges of reference tariffs are forecast to return the required reference service revenue.
79. The Authority has considered the revised information provided in the price list information to indicate that the reference tariffs have been set to satisfy the requirement of section 7.3(b) of the Access Code that tariff be set between levels of incremental cost and stand-alone cost of service provision. The Authority does not consider the changes in this information to be material and maintains the view expressed in the Final Decision that the reference tariffs in the price list for 2006/07 satisfy the requirements of section 7.3(b) of the Access Code.

Price List

Final Decision

80. In the Final Decision, the Authority required amendments to the revised proposed access arrangement in respect of two aspects of the specification of reference tariffs under the price list:

- the specification of connection charges as an element of reference tariffs; and
- the determination of reference tariffs in a manner that avoids “price shocks” for users over the access arrangement period.

Connection Charges

81. In both its Draft Decision and Final Decision, the Authority gave attention to the absence in the proposed price list of a specification of all connection charges that would be paid where a user holds an access contract for reference services. Draft Decision Amendment 55 required that Western Power amend its price list to specify prices for all reference services. The concern of the Authority that gave rise to Draft Decision Amendment 55 was the failure of the price list of the proposed access arrangement to indicate connection prices for all exit points of the Transmission Exit Service (reference service A11) and entry points of the Transmission Entry Service (reference service B2).
82. Western Power responded to the amendment required under the Draft Decision by having a single connection charge specified for the Distribution Entry Service (reference service B1 and reference tariff RT11) and a statement for the Transmission Exit Service (reference service A11 and reference tariff TRT1) and Transmission Entry Service (reference service B2 and reference tariff TRT2) that the reference tariffs for these reference services include “a User specific charge that is to be an amount per day which reflects the costs to Western Power of providing the Connection Assets under an Access Contract, which may consist of capital and non-capital costs”. Western Power did not include in its price list:
- the connection prices for the Transmission Exit Service that were indicated in the price list under the proposed access arrangement for generators connected either directly to the transmission network at less than 66 kV or to the distribution network;
 - the connection charges for the Transmission Entry Service that were indicated in the price list under the proposed access arrangement for generators connected to the transmission network at 66 kV or greater, except where the charge is determined subject to specific connection arrangements for a user; and
 - the connection prices for the Transmission Entry Service that were indicated in the price list under the proposed access arrangement for generators connected either directly to the transmission network at less than 66 kV or to the distribution network.
83. Western Power’s objection to publishing connection charges and prices for all entry and exit points was that the connection prices for some of these points are determined by individual negotiation with the user of the reference service and subject to confidentiality.
84. The Authority noted in the Final Decision that the costs of providing the connection element of the Transmission Entry Service and Transmission Exit Service are included in the required reference service revenue and, accordingly, the connection charges form part of the reference tariffs. The values of connection assets are included in the capital base for the SWIN and the associated capital-related costs, as well as the non-capital costs, incurred in provision of the “connection” element of these reference services are included in the target revenue. Western Power did not

indicate in the revised proposed access arrangement that the connection element of these services is provided as a non-reference service.

85. Taking these matters into account, the Authority took the view that it is preferable for the price list to state connection charges where these charges are determined at a standard rate or are not considered confidential. The Authority accepted that it may not be appropriate to state these charges in the price list in the relatively few cases where these charges have been determined by individual negotiation with users and are held to be confidential.
86. The Authority required the following amendment to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 6

The price list provided as Appendix 5 of the revised proposed access arrangement should be amended to include charges made in respect of the provision and operation of connection assets for reference services A11 (Transmission Exit Service) and B2 (Transmission Entry Service) except where the charges are determined by negotiation and subject to confidentiality.

Avoidance of Price Shocks

87. The Authority gave consideration in the Final Decision to whether, under the reference tariffs that will be established by the access arrangement, there will be “price shocks” from the level of existing tariffs and whether Western Power should be required to include a mechanism in the access arrangement to reduce or eliminate any price shock.
88. To enable consideration of changes in electricity transmission and distribution tariffs with the introduction of the access arrangement, the Authority obtained information from Western Power indicating changes to tariffs from the tariffs that applied in 2005/06 to those that would apply in 2006/07 under the revised proposed access arrangement as submitted by Western Power.
89. The information provided by Western Power indicated significant increases in tariffs would occur with commencement of the revised proposed access arrangement for reference services A1 to A4, with only relatively modest changes in tariffs forecast for 2007/08 and 2008/09.
90. The Authority indicated that, in principle, it would be possible for Western Power to determine transmission and distribution tariffs such that the increases in tariffs indicated by Western Power for 2006/07 would be spread more evenly across the access arrangement period, while maintaining the same value of revenue in present value terms. In practice, this would be complicated by the access arrangement coming into effect well after the start of the 2006/07 year. Nevertheless, the Authority considered that meeting the objective of section 7.4(d) of the Access Code (to avoid price shocks) would require the price control to be implemented in a manner such that, to the extent practically achievable, increases or decreases in tariffs over the access arrangement period are spread across all years of the period and tariff shocks are avoided.

91. The Authority required the following amendment to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 7

The price list provided as Appendix 5 of the revised proposed access arrangement should be amended to reflect an implementation of the price control that, as far as practical, smooths changes in reference tariffs across the access arrangement period.

Amended Proposed Access Arrangement

Connection Charges

92. In its submission to the Authority at the time of submitting the amended proposed access arrangement, Western Power provided the following response to the requirements under the Final Decision to specify connection charges in the price list (Final Decision Amendment 6).

This amendment requires Western Power to amend the price list “to include charges made in respect of the provision and operation of connection assets for reference services A11 (Transmission Exit Service) and B2 (Transmission Entry Service) except for the charges that are determined by negotiation and subject to confidentiality”.

The Authority’s concern, as articulated in Paragraphs [sic] 634 of the Final Decision, is that the price list should “state connection charges where these charges are determined at a standard rate or are not considered confidential”.

For transmission reference tariff TRT1 (A11 - transmission exit service) and TRT2 (B2 - transmission entry service) the connection charge is a user specific charge. In these circumstances, publishing existing connection charges may confuse prospective users, whose actual connection charges would reflect their particular connection asset requirements, and not any published price. Furthermore, publishing connection charges for specific users raises confidentiality issues.

The connection charge in reference tariff RT11 (distribution entry service) is determined at a standard rate and this is specified in the price list.

It is concluded that the definition in the price list of TRT1 and TRT2 does not require any amendment to include a flat rate connection charge as each connection charge is user specific and confidential to that user. Western Power therefore believes that no changes to the price list are required in order to address Required Amendment 6.³

Avoidance of Price Shocks

93. Western Power has included in its amended proposed access arrangement (at Appendix 5) a price list that specifies reference tariffs that would apply for the 2006/07 year. Western Power has also indicated in its access arrangement that the reference tariffs have been specified with the intent of smoothing tariff changes over the access arrangement period:

- 9.19 In accordance with section 7.4(d) of the Code, the structure of reference tariffs is designed to avoid price shock, principally by the imposition of side constraints on annual price movements. In addition the forecast tariff revenue has been smoothed

³ Western Power’s response to Required Amendments in the Authority’s Final Decision, section 3.1.

across the access arrangement period so that price movements will be smoothed across each year. The chosen rate of smoothing also ensures that the initial tariff movements in year 1 (compared with current published tariffs) are similar to tariff increases in the second and third years.

94. In its submission to the Authority at the time of submitting the amended proposed access arrangement, Western Power provided the following response to the requirements under the Final Decision to specify reference tariffs in a manner that would smooth tariff changes over the access arrangement period:

[Final Decision Amendment 7] ... requires Western Power to amend the price list “to reflect an implementation of the price control that, as far as practical, smooths changes in reference tariffs across the access arrangement period”.

The Authority’s concern, as articulated in Paragraphs 644 and 645 of the Final Decision, is that whilst tariffs have been smoothed in relation to expected increases in 2007/08 and 2008/09, the smoothing process has not been applied to 2006/07 with the result that some tariffs would be subject to significant increases.

Western Power wholeheartedly supports the Authority’s view in Paragraph 647 that in meeting the objective of section 7.4(d) of the Code (to avoid price shocks) the price control should be implemented in a manner such that, to the extent practically achievable, increases or decreases in tariffs over the access arrangement period are spread across all years of the period and tariff shocks are avoided.

Western Power believes that these desired outcomes are now effectively achieved in this amended proposed Access Arrangement, as explained below. (Note: For the sole purpose of this explanation, “services revenue” is defined as total target revenue minus capital contribution revenue.)

...

A comparison of the proposed 2006/07 tariffs and current published tariffs is provided in the following table. The outcomes are the calculated average bundled tariff movements for all customers on the respective tariffs (based on c/kWh or \$/kW, as appropriate).

Reference Service	Average Price Movement
A1	+7.4%
A2	+4.7%
A3	+7.5%
A4	+6.4%
A5 & A6	+3.9 to +6.8%
A7 & A8	-0.7% to +6.8%
A9	+1.1% 0% (asset)
A10	<1%
A11	-6.3% to +5.0%
B1	-7.9% to +7.9%
B2	-7.9% to +7.9%

It is concluded that the initial price movements are generally comparable with the projected average tariff increases of CPI+3% in the second and third years, thereby satisfying the required amendment.⁴

Further Final Decision

Connection Charges

95. Final Decision Amendment 6 required that the price list provided as Appendix 5 of the revised proposed access arrangement should be amended to include charges made in respect of the provision and operation of connection assets for reference services A11 (Transmission Exit Service) and B2 (Transmission Entry Service) except where the charges are determined by negotiation and subject to confidentiality.
96. Western Power has provided further information to the Authority on the specification of connection charges in the price list. The Authority has given consideration to this information and further considered the relevant parts of the amended proposed access arrangement and price list, and notes the following matters.
97. For transmission reference services TRT1 (transmission exit service) and TRT2 (transmission entry service), connection charges are determined for each user as a user-specific charge. Western Power's submission indicates that, in the price list under the proposed access arrangement as originally submitted on 24 August 2005, these charges were previously specified for reference tariff TRT2 for connection points of Western Power Generation, as it was when the proposed access arrangement was submitted, but not for other generators for which publication of the value of the charges was prevented by confidentiality constraints (at section 3.2.2 of the price list under the proposed access arrangement). Western Power's submission further indicates that, subsequent to the disaggregation of Western Power, the same confidentiality constraints apply to the (now) Verve generators and, hence, it is no longer possible to publish any of the connection charges for reference tariff TRT2.
98. For transmission service TRT1 (transmission exit service), Western Power included in the price list under the proposed access arrangement a connection price at a flat rate for all relevant connection points (at section 3.1.2 of the price list under the proposed access arrangement). Western Power's submission indicates that this connection price is no longer included in the price list under the revised proposed access arrangement as this previous element of the reference tariff is now regarded as redundant and no longer forms part of the reference tariff.
99. For transmission service TRT2 (transmission entry service), Western Power included in the price list of the proposed access arrangement a connection price at a flat rate for connection points to the transmission network at <66kV or to the distribution network. Under the amended proposed access arrangement (as under the revised proposed access arrangement), transmission service TRT2 no longer includes provision for connection to the transmission network at <66kV or to the distribution network, and that any such connection is instead provided under reference tariff RT11 (Distribution Entry Service), with the relevant connection price as specified in table 4 of the price list in the revised proposed access arrangement.

⁴ Western Power's response to Required Amendments in the Authority's Final Decision, section 3.1.

100. Taking the above information into account, the Authority is satisfied that Western Power has adequately addressed the reasons of the Authority for Final Decision Amendment 6 and that no further revisions to the amended proposed access arrangement are necessary in respect of the specification of connection charges.

Avoidance of Price Shocks

101. Western Power has re-specified tariffs in the price list for 2006/07 to be consistent with forecasts of a generally smooth path of increase in tariffs over the three years of the access arrangement period.
102. For the reference services applicable to small-use electricity customers (reference services RT1 to RT4 and reference tariffs A1, A2, A3 and A4), the introduction of the reference tariffs in 2006/07 would have the effect of increasing the prices paid for these services by between 4.7 and 7.5 per cent over the tariffs applying in 2005/06, with further annual increases of CPI + 3 per cent in 2007/08 and 2008/09. These increases are greater than earlier projected by Western Power and indicated by the Authority in the Final Decision. However, the greater projected increases are due in large part to the access arrangement not having commenced in the 2006/07 year, during which the lower service prices of the 2005/06 year were maintained resulting in a substantial under-recovery of revenue by Western Power that will carry forward to the 2007/08 and 2008/09 years.
103. Taking the above matters into account, the Authority is satisfied that revisions made to the price list of the amended proposed access arrangement implement Final Decision Amendment 7.
104. Under clause 3.10 of the amended proposed access arrangement, Western Power will be required to submit a new proposed price list, together with price list information, to the Authority for approval at least 45 business days before the start of each pricing year. Should the access arrangement have already taken effect, Western Power would have been required to submit a price list for the 2007/08 year by 27 April 2007. The relevant provisions of the Access Code do not contemplate the situation of an access arrangement coming into effect within 45 days of the commencement of a new pricing year and, hence, the time by which Western Power must submit a price list for the 2007/08 year are not clear from the provisions of the Access Code. Western Power has, however, provided the Authority with an undertaking to submit to the Authority a proposed price list and price list information for 2007/08 shortly after the Further Final Decision is issued. The Authority intends to consider and make a determination on this proposed price list under the provisions of Chapter 8 of the Access Code before 1 July 2008.

Adjustments to Target Revenue in the Next Access Arrangement Period – Force Majeure Events and changes to the Technical Rules

Final Decision

105. Clauses 5.4 to 5.6 of the revised proposed access arrangement provided for adjustments to target revenue in the next access arrangement period to allow Western Power to recover costs incurred as a result of unforeseen force majeure events. Clause 5.6 provided for the Authority to determine the amount to be added to target revenue in the next access arrangement period.

106. Clauses 5.7 to 5.10 of the revised proposed access arrangement provided a similar mechanism for adjustments to target revenue in the next access arrangement period to allow Western Power to recover costs incurred as a result of changes to the Technical Rules. These clauses also provided for the Authority, rather than Western Power, to determine the amount to be added to target revenue in the next access arrangement period.
107. The Authority considered that these provisions of the revised proposed access arrangement inappropriately place obligations on the Authority to determine the amounts to be added to Target Revenue in the next access arrangement period and to create roles for the Authority that are in addition to any roles of the Authority under the Access Code. The Authority determined that the access arrangement cannot create functions or obligations for the Authority in this way and that the relevant clauses of the revised proposed access arrangement should be drafted to set out methodologies to be applied by Western Power in determining amounts to be added to target revenue. Any such determinations would then be assessed by the Authority during the course of the Authority's assessment of proposed revisions to the access arrangement.
108. The Authority required the following amendments to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 8

Clause 5.6 of the revised proposed access arrangement should be amended to state the methodology to be applied by Western Power to determine the amount to be added to target revenue to reflect unforeseen force majeure events.

Final Decision Amendment 9

Clause 5.10 of the revised proposed access arrangement should be amended to state the methodology to be applied by Western Power to determine the amount to be added to target revenue to reflect changes in the Technical Rules.

Amended Proposed Access Arrangement

109. Western Power has incorporated revisions in the amended proposed access arrangement as follows.

Adjusting target revenue for unforeseen events

- 5.4 If a force majeure event occurs which results in Western Power incurring unrecovered costs during the first access arrangement period then Western Power will, as part of its proposed access arrangement for the next access arrangement period, provide a report to the Authority setting out:
 - (a) a description of the nature of the force majeure event;
 - (b) a description of the insurance cover that Western Power had in place at the time of the force majeure event; and
 - (c) a fair and reasonable estimate of the unrecovered costs borne by Western Power during the first access arrangement period as a result of the occurrence of the force majeure event.
- 5.5 Pursuant to ~~In accordance with~~ sections 6.6 to 6.8 of the Code, an amount will be added to the target revenue for the covered network for the next access arrangement period in respect of the unrecovered costs relating to a force majeure event which occurred in the first access arrangement period, calculated in accordance with the methodology described in section 3 of Appendix 8 of this access arrangement.

- 5.6 ~~[Deleted]~~ The determination by the Authority of any amounts under section 5.5 of this Access Arrangement must:
- ~~(a) be based on the Authority's reasonable assessment of the report or reports provided by Western Power pursuant to section 5.4 of this Access Arrangement; and~~
 - ~~(b) be conducted in accordance with the methodology described in section 3 of Appendix 8 of this Access Arrangement be in accordance with the principles contained in section 4.28 of the Code;~~
 - ~~(c) take account of the effects of inflation, both in this access arrangement period and the next access arrangement period; and~~
 - ~~(d) take account of the time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next access arrangement period.~~

Adjusting target revenue for technical rule changes

- 5.7 If the technical rules are amended during the first access arrangement period, Western Power will, as part of its proposed access arrangement for the next access arrangement period, provide a report to the Authority setting out:
- (a) a description of the nature and timing of the impact of the technical rule change on Western Power's operating and capital costs for the first access arrangement period; and
 - (b) a fair and reasonable estimate of the additional costs (or cost savings) accruing to Western Power as a result of that technical rule change.
- 5.8 Pursuant to ~~In accordance with sections 6.9 to 6.12 of the Code, the Authority will determine an amount to be added to the target revenue for the covered network for the next access arrangement period in respect of the costs arising from a technical rule change which occurred in the first access arrangement period,~~ calculated in accordance with the methodology described in section 4 of Appendix 8 of this access arrangement.
- 5.9 Pursuant to sections 6.9 to 6.12 of the Code, ~~if the technical rule change leads to a cost saving, then the Authority will determine an amount to~~ will be deducted from the target revenue for the covered network for the next access arrangement period calculated ~~in accordance with sections 4.9 to 4.12 of Appendix 8 of this Code.~~ in accordance with sections 4.9 to 4.12 of Appendix 8 of this access arrangement Code.
- 5.10 ~~[Deleted]~~ The determination by the Authority of any amounts under sections 5.8 and 5.9 of this Access Arrangement must:
- ~~(a) be based on the Authority's reasonable assessment of the report or reports provided by Western Power pursuant to section 5.7 of this Access Arrangement; and~~
 - ~~(b) be conducted in accordance with the methodology described in section 4 of Appendix 8 of this Access Arrangement in accordance with the principles contained in section 4.28 of the Code;~~
 - ~~(c) take account of the effects of inflation, both in this access arrangement period and the next access arrangement period; and~~
 - ~~(d) take account of the time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next access arrangement period.~~

110. Clauses 5.5, 5.8 and 5.9 of the amended proposed access arrangement refer to methodologies set out in Appendix 8 of the amendment proposed access arrangement. The relevant sections of this appendix include new provisions that set out the methodology for calculation the relevant adjustments to target revenue, as follows.

3. Revenue Adjustment for Unforeseen Events

In accordance with sections 5.4 and 5.5 of this Access Arrangement, the target revenue for the next access arrangement period may be adjusted for unforeseen events that occur in the first access arrangement period.

This section describes the process under which Western Power will determine this revenue adjustment amount. There is no provision in forecast expenditures to account for possible force majeure events although there is provision to cover reasonable insurance costs.

This provision for revenue adjustment covers those costs (termed “unrecovered costs” in section 6.6 of the Code) which are net of any insurance payment or other cost recovery, and which were incurred prudently.

It is proposed that the expenditure included in the adjustment to target revenue for unrecovered costs be treated as an addition to the forecast revenue entitlement submitted in the next access arrangement period. This amount is to be spread evenly over each year of the next access arrangement period.

To give effect to this purpose, the adjustment to the target revenue for the next access arrangement period must leave Western Power economically neutral by taking account of:

- (a) The effects of inflation, both in this access arrangement period and the next; and
- (b) The time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next.

4. Revenue Adjustment for Technical Rule Changes

In accordance with sections 5.7 to 5.10 of this Access Arrangement, the target revenue for the next access arrangement period may be adjusted for changes to the technical rules that occur during the first access arrangement period.

This section describes the process under which Western Power will determine this revenue adjustment amount.

It is proposed that the expenditure included in the adjustment to target revenue for changes to technical rules be treated as an addition or subtraction to the forecast revenue entitlement submitted in the next access arrangement period. This amount is to be spread evenly over each year of the next access arrangement period.

To give effect to this purpose, the adjustment to the target revenue for the next access arrangement period must leave Western Power economically neutral by taking account of:

- (a) The effects of inflation, both in this access arrangement period and the next; and
- (b) The time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next.

Further Final Decision

111. Western Power has incorporated revisions in the revised proposed access arrangement that:

- remove the role of the Authority in determining any adjustments to target revenue that would be made in respect of unforeseen events or changes to the technical rules; and
- set out the methodology for the calculation of adjustments in Appendix 8 of the access arrangement rather than in the main text of the access arrangement.

112. The Authority is satisfied that these revisions provide for the determination of the relevant adjustments to target revenue to be determined in accordance with the requirements of the Access Code. Accordingly, the Authority is satisfied that these revisions implement Final Decision Amendments 8 and 9.

Adjustments to Target Revenue in the Next Access Arrangement Period – Investment Adjustment Mechanism

Final Decision

113. Western Power incorporated an investment adjustment mechanism in its revised proposed access arrangement.
114. In the Final Decision, the Authority gave consideration to the extent to which new facilities investment in the SWIN should be subject to the investment adjustment mechanism. The Authority was not satisfied that application of the investment adjustment mechanism to new facilities investment in information technology assets is consistent with the requirements of the Access Code and the Code objective. The Authority considered that investment in information technology assets should be able to be planned by Western Power with reasonable certainty and that the Code objective is better met by determining target revenue in accordance with a forecast of new facilities investment in this category and not applying the investment adjustment mechanism to this investment.
115. The Authority further considered that the investment adjustment mechanism should be applied to investment associated with the rural power improvement program and State Underground Power Project, as the scope of investment under both of these programs is largely outside the control of Western Power.
116. The Authority required the following amendment to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 10

The revised proposed access arrangement or access arrangement information should be amended so that the investment adjustment mechanism is applied to new facilities investment undertaken for augmentation of the distribution system under the regional power improvement program and state underground power program. The investment adjustment mechanism should not be applied to investment in information technology assets.

117. Western Power also incorporated an additional provision in the investment adjustment mechanism of the revised proposed access arrangement that allows Western Power to exclude from the investment adjustment mechanism, certain new facilities investment that is financed by capital contributions. The exclusion of certain new facilities investment from the investment adjustment mechanism was part of the more general proposal by Western Power to exclude certain costs and revenues from consideration under the price control. The Authority determined that the Access Code did not allow for exclusion of costs and revenues from the price control in the manner proposed by Western Power.
118. The Authority required the following amendment to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 11

The revised proposed access arrangement should be amended to remove provision under clause 5.52 for exclusion of new facilities investment from consideration under the investment adjustment mechanism, other than where the relevant new facilities investment occurs for the provision of excluded services or other services that are not covered services.

Amended Proposed Access Arrangement

119. Western Power has incorporated revisions in the amended proposed access arrangement as follows.

5.51 Given the requirements of the investment adjustment mechanism as described in section 5.50 above, Western Power's preferred approach is to:

- (a) use the Authority's revenue model (as adopted in this access arrangement period) to calculate the difference in present value terms between:
 - i. The target revenue that would have been calculated for this access arrangement period if the investment difference had been zero (i.e. there was no forecasting error in relation to the capital expenditure categories that are subject to the investment adjustment mechanism); and
 - ii. The target revenue that actually applied in this access arrangement period.

The adjustment to target revenue in the next access arrangement period should be such that its present value is equal to the present value of the difference described in (a) above.

5.52 For the avoidance of doubt, the target revenue that actually applied in this access arrangement period includes the deemed capital contributions as set out in sections 5.29 and 5.40 of this Access Arrangement, and not the actual capital contributions received. ~~In assessing the target revenue for the purposes of 5.51(a)(i), Western Power may elect to exclude a particular capital contribution or contributions in accordance with sections 5.30 and 5.41 of this Access Arrangement, in order to give effect to section 2.5 of the Code. For an explanation of the rationale for this approach, please refer to Appendix 8 of this Access Arrangement.~~

5.53 For the purposes of calculating the investment adjustment mechanism, the categories of capital expenditure that are used in calculating the investment difference are:

- (a) ~~new facilities investment~~ Capital expenditure arising from the connection of new generation capacity to the transmission or distribution network from 1 July 2006;
- (b) ~~new facilities investment~~ Capital expenditure arising from the connection of new load to the transmission system or distribution network system from 1 July 2006; and
- (c) ~~new facilities investment~~ Capital expenditure in relation to the augmentation of the capacity of the transmission system or distribution networks system for the provision of covered services from 1 July 2006; and
- (d) new facilities investment undertaken for augmentation of the distribution system under the regional power improvement program and state underground power program.

120. Western Power has also incorporated revisions in the amended access arrangement information (section 4.5 of Part D) that describe the revisions incorporated in the amended proposed access arrangement.

Further Final Decision

121. The revisions incorporated by Western Power in clauses 5.52 and 5.53 of the amended proposed access arrangement and in the access arrangement information have the effect of limiting application of the capital contributions mechanism to new facilities investment undertaken for the augmentation of the capacity of the transmission and distribution systems, connection of new generation and augmentations of the distribution system under the regional power improvement program and state underground power program. The Authority is satisfied that these revisions implement Final Decision Amendment 10.
122. The revisions incorporated by Western Power in clause 5.51 of the amended proposed access arrangement remove the provision for Western Power to exclude new facilities investment from the investment adjustment mechanism. The Authority is satisfied that these revisions implement Final Decision Amendment 11.

Adjustments to Target Revenue in the Next Access Arrangement Period – Capital Contributions Adjustment Mechanism

Final Decision

123. In the Final Decision, the Authority gave attention to the treatment of capital contributions proposed by Western Power under its revised proposed access arrangement and the price control to apply for the first access arrangement period. The Authority determined that the treatment of capital contributions proposed by Western Power is consistent with the requirements of the Access Code. Notwithstanding this, the Authority described possible disadvantages of the proposed treatment of capital contributions.
124. Under the treatment of capital contributions proposed by Western Power, the value of any capital contributions received by Western Power (and hence the value of any new facilities investment financed by capital contributions) is added to the capital base for the SWIN. This will result in an increase in the value of reference tariffs through depreciation and rate-of-return allowances in Western Power's target revenue. However, this increase is offset in present value terms by the deduction of the value of capital contributions from the target revenue and the reduction in tariffs that results from this.
125. In the Final Decision, the Authority indicated that, in some circumstances, this treatment of capital contributions may affect Western Power's investment in expansions of the SWIN. An example of such a circumstance is where a large capital contribution is made as a single payment. In this situation, the deduction of this capital contribution from target revenue may significantly reduce Western Power's revenues in the year in which the capital contribution is made (or at least in the access arrangement period in which the capital contribution is made). However, Western Power is only compensated for this by a longer-term increase in revenues through depreciation and a return on the increment to the capital base. The reduction in revenues in the year in which the capital contribution is made may affect Western Power's financial capability to undertake the new facilities investment and, hence, Western Power's incentive to expand the SWIN in these circumstances.
126. The Authority noted in the Final Decision that the Access Code does not prevent alternative treatments of capital contributions, such as spreading the deduction of

the value of capital contributions from the approved total revenue over an extended period of time, rather than making the total contribution in the period in which the capital contribution is received.

127. During the course of preparing the Final Decision, the Authority invited submissions on Western Power's treatment of capital contributions. Several of these submissions correctly referred to potential outcomes of Western Power's treatment of capital contributions, in particular the outcome of reducing transmission and distribution tariffs in the short term while having higher tariffs in the longer term.

Amended Proposed Access Arrangement

128. Despite the Final Decision not requiring any amendments to the revised proposed access arrangement in respect of the treatment of capital contributions, Western Power has incorporated the following revisions in the amended proposed access arrangement.

5.31 No adjustments will be made to MTR in this access arrangement period to reflect any differences between the deemed capital contributions in respect of the transmission network and the actual capital contributions received during this access arrangement period.

5.32 An adjustment (positive or negative), termed the Capital Contributions Adjustment Mechanism, will be made to the target revenue for the next and, if appropriate, subsequent access arrangement periods to reflect any difference between the deemed capital contributions in respect of the transmission network and the actual capital contributions received during this access arrangement period. The purpose of this adjustment is to correct for any under- or over-recovery of actual capital contributions received compared to the forecast of capital contributions (the deemed capital contributions) in this access arrangement period. To give effect to this purpose, the adjustment (positive or negative) to the target revenue for the next and, if appropriate, subsequent access arrangement periods must leave Western Power economically neutral as a result of any difference between the deemed capital contributions in respect of the transmission network and the actual capital contributions received during this access arrangement period by taking account of:

- (a) The effects of inflation, both in this access arrangement period and the next and, if appropriate, subsequent access arrangement periods;
- (b) The time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next and, if appropriate, subsequent access arrangement periods; and
- (c) The difference in the timing of the deemed and actual capital contributions received in this access arrangement period, and the period over which any adjustment to target revenue is to be made.

Western Power will determine whether it is appropriate to apply the Capital Contributions Adjustment Mechanism across a number of access arrangement periods, having regard to the objectives of the Code. The number of regulatory periods over which an adjustment can be made will be no greater than the assumed regulatory-depreciation lives for the assets to which the capital contributions relate.

...

5.42 No adjustments will be made to MDR in this access arrangement period to reflect any differences between the deemed capital contributions in respect of the distribution network and the actual capital contributions received during this access arrangement period.

- 5.43 An adjustment (positive or negative), termed the Capital Contributions Adjustment Mechanism, will be made to the target revenue for the next [and, if appropriate, subsequent](#) access arrangement periods to reflect any difference between the deemed capital contributions in respect of the distribution network and the actual capital contributions received during this access arrangement period. The purpose of this adjustment is to correct for any under- or over-recovery of actual capital contributions received compared to the forecast of capital contributions (the deemed capital contributions) in this access arrangement period. To give effect to this purpose, the adjustment (positive or negative) to the target revenue for the next [and, if appropriate, subsequent](#) access arrangement periods must leave Western Power economically neutral as a result of any difference between the deemed capital contributions in respect of the distribution network and the actual capital contributions received during this access arrangement period by taking account of:
- (a) The effects of inflation, both in this access arrangement period and the next [and, if appropriate,](#) subsequent access arrangement periods;
 - (b) The time value of money as reflected by the real pre-tax WACC as applied in this access arrangement period and the next [and, if appropriate,](#) subsequent access arrangement periods; and
 - (c) The difference in the timing of the deemed and actual capital contributions received in this access arrangement period, and the period over which any adjustment to target revenue is to be made.

[Western Power will determine whether it is appropriate to apply the Capital Contributions Adjustment Mechanism across a number of access arrangement periods, having regard to the objectives of the Code. The number of regulatory periods over which an adjustment can be made will be no greater than the assumed regulatory-depreciation lives for the assets to which the capital contributions relate.](#)

129. Western Power has also incorporated revisions in Appendix 8 of its amendment proposed access arrangement describing the capital contributions adjustment mechanism as an element of the price control:

It is particularly difficult to forecast capital contributions accurately because they depend on the actions of third parties who are making decisions to connect to Western Power's network (and pay a capital contribution). This forecasting issue could have an impact on the stability of reference tariffs if Western Power's revenue cap required the company to ensure that each year the sum of actual revenue collected from the three sources listed above did not exceed the revenue cap. For example, if capital contributions in year 1 are much higher than forecast (and are expected to continue at this higher level in future years), Western Power would need to reduce revenue from tariff customers in order to remain within the revenue cap. Such an outcome would be undesirable because the costs of servicing tariff customers would not have changed in a manner that would justify such a reduction in tariffs.

To address this problem, Western Power applies a capital contributions adjustment mechanism which temporarily puts to one side any difference between the forecast and actual capital contributions received in each year of this access arrangement period. However, any such differences are recognised at [during](#) the next [and, if appropriate, subsequent](#) access arrangement periods through the capital contributions adjustment mechanism. ~~This approach means that the K factor (which adjusts the maximum allowed revenue in each year of this access arrangement period) does not apply to capital contributions.~~ [The role of the capital contributions adjustment mechanism means that the K factor \(which adjusts the maximum allowed revenue in each year of this access arrangement period\) does not apply to capital contributions.](#)

[Western Power has the flexibility to spread the capital contributions adjustment mechanism over a number of regulatory periods. This flexibility is subject to the constraint that the adjustments to target revenue in respect of any capital contribution](#)

will occur over a period not greater than the assumed regulatory-depreciation lives for the assets to which the capital contributions related.

130. In section 4.5 of Part D of its amended access arrangement information, Western Power indicates that these revisions have been incorporated in the amended proposed access arrangement pursuant to a notice issued by the Authority on 17 January 2007 in which the Authority invited interested parties to make submissions on Western Power's proposed treatment of capital contributions. Western Power indicates in this section of the amended access arrangement information:

Following the publication of that notice and during informal discussions between Western Power and the Authority, the Authority suggested that Western Power may wish to consider amending its proposed access arrangement to enable the adjustment of revenues for any differences between forecast and actual capital contributions to be applied over a number of future access arrangement periods, rather than concentrating any required revenue adjustment in the next access arrangement period. Accordingly, Western Power has made minor amendments to sections 5.32 and 5.43, and Appendix 8 of its access arrangement to give effect to the Authority's suggestion.

Further details of the operation of the investment adjustment mechanism and the capital contributions adjustment mechanism are provided in section 5 and Appendix 8 of the access arrangement. For the purposes of this access arrangement information, however, Western Power believes that the information presented above is sufficient to explain that Western Power has adopted an approach that is consistent with the Code and the Authority's Draft and Final Decisions.

Further Final Decision

131. Western Power has incorporated revisions in the amended proposed access arrangement to change the capital contributions adjustment mechanism to enable any difference in forecast and actual capital contributions in an access arrangement period to be offset by adjustment to target revenue in one or more subsequent access arrangement periods, rather than just in the immediately subsequent access arrangement period.
132. While these revisions do not address any required amendments under the Final Decision, the revisions address a potential problem with Western Power's previously proposed capital contribution mechanism.
133. The Authority considers that the revisions made to the capital contributions adjustment mechanism are consistent with the requirements of the Access Code and, in present value terms, have no impact on reference tariffs. The Authority further notes that the potential problem that these revisions address was described in the Final Decision and that interested parties had the opportunity to make submissions on the issue. The submissions received by the Authority acknowledged the potential problem with the treatment of capital contributions previously proposed by Western Power.
134. Taking the above matters into account, the Authority is satisfied that the revisions made to the capital contributions adjustment mechanism and incorporated in the amended proposed access arrangement are consistent with the requirements of the Access Code, and that incorporating these revisions in the amended proposed access arrangement does not give rise to a breach of the requirements of procedural fairness.

Supplementary Matters and Interim Arrangements

Final Decision

135. In the Final Decision, the Authority considered elements of the revised proposed access arrangement that deal with “supplementary matters” under section 5.1(k) of the Access Code. Supplementary matters include balancing, line losses, metering, ancillary services, stand-by generation, trading of electricity in the wholesale electricity market, and settlement of transactions in the wholesale electricity market.
136. Most of these matters are the subject of other instruments under the *Electricity Industry Act*, including the *Wholesale Electricity Market Rules* and the *Electricity Industry Metering Code 2005*. In its proposed and revised proposed access arrangements, Western Power contemplated that these instruments may not be in place at the time the access arrangement came into effect, and hence made provisions in the access arrangement for interim arrangements to apply (under sections 10.8 and 10.9 of the revised proposed access arrangement).
137. The Authority did not require any amendments to the revised proposed access arrangement in respect of any provisions dealing with the supplementary matters.

Amended Proposed Access Arrangement

138. Western Power has incorporated revisions in the amended proposed access arrangement that remove provisions for interim arrangements to apply in relation to supplementary matters in the event that the access arrangement were to come into effect before the *Wholesale Electricity Market Rules* and the *Electricity Industry Metering Code 2005*. These revisions are shown as follows.

Balancing

- 10.1 Balancing requirements under the Access Arrangement shall be in accordance with the Wholesale Electricity Market Rules, ~~subject to section 10.8 of this Access Arrangement.~~

Line Losses

- 10.2 Requirements for the treatment of line losses under the Access Arrangement shall be in accordance with the Wholesale Electricity Market Rules, ~~subject to section 10.8 of this Access Arrangement.~~

Metering

- 10.3 Metering requirements under the Access Arrangement shall be in accordance with the Electricity Industry Metering Code 2005, ~~subject to section 10.8 of this Access Arrangement.~~ In relation to meter upgrades, Schedule 3 of the Metering Code Model Service Level Agreement provides for no additional charge to be levied.

Ancillary Services

- 10.4 Requirements for the treatment of ancillary services under the Access Arrangement shall be in accordance with the Wholesale Electricity Market Rules, ~~subject to section 10.8 of this Access Arrangement.~~

Stand-by

- 10.5 Under the Wholesale Electricity Market Rules there is no requirement for stand-by generation.

Trading

- 10.6 Trading requirements under the Access Arrangement shall be in accordance with the Wholesale Electricity Market Rules, ~~subject to section 10.8 of this Access Arrangement.~~

Settlement

- 10.7 Settlement requirements under the Access Arrangement shall be in accordance with the Wholesale Electricity Market Rules, ~~subject to section 10.8 of this Access Arrangement.~~

Possible Interim Arrangements

- 10.8 ~~[Deleted] Interim arrangements may be required in the event that the Wholesale Electricity Market Rules or the Electricity Industry Metering Code 2005 is not operational at the commencement of this Access Arrangement.~~
- 10.9 ~~[Deleted] The interim arrangements referred to in section 10.8 of this Access Arrangement will reflect working practices immediately prior to the commencement of this Access Arrangement or as otherwise reasonably directed by the Authority.~~

Further Final Decision

139. The *Wholesale Electricity Market Rules* and the *Electricity Industry Metering Code 2005* are both now in force. The Authority accepts that the revisions incorporated in the amended proposed access arrangement and relating to supplementary matters have the effect of removing provisions that are now redundant. Accordingly, the Authority is satisfied that these revisions are consistent with the requirements of the Access Code, are of a minor nature and do not compromise the interests of any party.

Revision of the Access Arrangement

Final Decision

140. In the Final Decision, the Authority gave consideration to the specification of “trigger events”, the occurrence of which would give rise to a requirement for Western Power to submit proposed revisions to the access arrangement.
141. Section 8.1(a)(iii) of the revised proposed access arrangement contemplated a role of the Authority in determining whether the “impact” of an event is sufficiently “substantial” that the trigger event should operate. The Authority considered that this provision inappropriately created a role for the Authority that is not otherwise a statutory role or function. Under section 4.37(c) of the Access Code, it is for the service provider to determine whether a trigger event has occurred and to advise the Authority accordingly.
142. The Authority required the following amendment to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 12

Clause 8.1(a)(iii) of the revised proposed access arrangement should be amended to remove the role of the Authority in determining whether a trigger event has occurred.

Amended Proposed Access Arrangement

143. Western Power has incorporated revisions in the amended proposed access arrangement as follows.

- 8.1 Pursuant to section 4.37 of the Code the following event is a trigger event:
- (a) Any significant unforeseen development which has a materially adverse impact on the service provider and which is:
 - (i) outside the control of the service provider; and
 - (ii) not something that the service provider, acting in accordance with good electricity industry practice, should have been able to prevent or overcome; and
 - (iii) an event the impact of which is so substantial that the Authority ~~considers that the~~ advantages of making the variation before the end of the access arrangement period outweigh the disadvantages, having regard to the impact of the variation on regulatory certainty.

8.2 The designated date by which Western Power must submit proposed revisions to the Authority is 30 business days after a trigger event has occurred. If the costs associated with the trigger event are uncertain at the time of the designated date, Western Power's proposed revision to the Authority under section 4.37 of the Code must incorporate an appropriate mechanism for cost recovery having regard to the Code Objective.

Further Final Decision

144. Western Power has incorporated a revision in clause 8.1(a)(iii) of the amended proposed access arrangement that has the effect of removing the role of the Authority in an initial determination of whether a trigger event has occurred. The Authority is satisfied that this revision implements Final Decision Amendment 12.
145. Western Power has also incorporated a new clause 8.2 in the amended proposed access arrangement to specify a “designated date”, which is the date by which Western Power must submit proposed revisions to the Authority after a trigger event has occurred. The specification of a designated date in accordance with the requirement of section 4.37 and 1.3 of the Access Code for the access arrangement to specify either a designated date or a methodology to be applied to determine the designated date after the trigger event has occurred. The omission of either of these elements in the proposed access arrangement and revised proposed access arrangement was an oversight by both Western Power and the Authority. The Authority is satisfied that the new clause 8.2 of the amended proposed access arrangement corrects this omission and is otherwise consistent with the requirements of the Access Code.

Standard Access Contract

Introduction

146. Western Power included a standard access contract for the provision of reference services as Appendix 4 of the revised proposed access arrangement (**revised electricity transfer access contract**) and also as Appendix 4 of its amended proposed access arrangement (**amended electricity transfer access contract**).

147. In the Final Decision, the Authority indicated several amendments to the revised electricity transfer access contract that would be necessary for the Authority to approve the revised proposed access arrangement. The Authority's required amendments and Western Power's consequent revisions incorporated in the amended electricity transfer access contract are addressed below. Also addressed are revisions that Western Power has incorporated in the amended electricity transfer access contract other than in response to amendments required under the Final Decision.

User Must Reasonably Require Contracted Capacity

Final Decision

148. Clause 3.2 of the revised electricity transfer access contract provided for Western Power to unilaterally determine to reduce a user's contracted capacity where Western Power is reasonably of the opinion that the contracted capacity is not reasonably necessary to satisfy the user's requirements and that contracted capacity is subject to an application from another user.
149. In the Final Decision, the Authority determined that the provisions under the revised electricity transfer access contract for Western Power to be able to unilaterally reduce a user's contracted capacity are inconsistent with the requirements of section 5.3 of the Access Code and with the Code objective.
150. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 13

The revised proposed access arrangement should be amended to either delete clause 3.2 of the electricity transfer access contract, relating to the ability of Western Power to unilaterally determine to reduce a user's contracted capacity, or to amend clause 3.2 to make any such determination subject to agreement with the affected user.

Amended Proposed Access Arrangement

151. Western Power has incorporated amendments in the amended electricity transfer access contract that deletes the previous clause 3.2 of the revised electricity transfer access contract.

Further Final Decision

152. Western Power has incorporated a revision in the amended electricity transfer access contract that deletes the previous clause 3.2 of the revised electricity transfer access contract. The Authority is satisfied that this revision implements Final Decision Amendment 13.

Decreases in Contracted Capacity

Final Decision

153. In clause 3.5 of the revised electricity transfer access contract, Western Power set out a range of circumstances in which decreases of contracted capacity will be

accepted or rejected should a user submit a second or further notice to Western Power in a 12 month period. These circumstances were intended to provide for a user to reduce its contracted capacity in response to a reduction in demand for services, but prevent a user from exploiting the ability to vary contracted capacity according to seasonality in demand for services.

154. The Authority considered that consistency between the electricity transfer access contract and transfer and relocation policy requires that the circumstances in which a user may obtain a decrease in contracted capacity include a user's relocation of the contracted capacity to another connection point. In the absence of such provision, the Authority considered that clause 3.5 of the revised electricity transfer access contract would be unreasonable and contrary to requirements of section 5.3 of the Access Code.
155. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 14

The revised proposed access arrangement should be amended so that clause 3.5(c)(i) of the electricity transfer access contract includes the circumstance of a user relocating contracted capacity between connection points in accordance with clause 6 of the transfer and relocation policy.

Amended Proposed Access Arrangement

156. Western Power has incorporated revisions into clause 3.4 of the amended electricity transfer access contract (previously clause 3.5 of the revised electricity transfer access contract), as follows.

~~3.5~~3.4 Decrease of Contracted Capacity

- (a) The User may give notice to Western Power seeking to reduce the Contracted Capacity of a Service at a Connection Point under this Contract.
- (b) If Western Power receives a notice from the User under clause 3.4(a), then, subject to clause 1.1 and clause 3.4(c), it must notify the User within 10 Business Days that it accepts the reduction in Contracted Capacity, and the date that the reduction takes effect.
- (c) If Western Power receives more than 1 notice seeking to reduce Contracted Capacity with respect to a single Connection Point in any rolling period of 12 months, then in relation to each additional notice Western Power:
 - (i) may notify the User that it accepts the reduction in Contracted Capacity and the date that the reduction takes effect, where Western Power is satisfied, as a Reasonable and Prudent Person, that the reduced Contracted Capacity will be sufficient to meet the actual requirements of the User, and that the reduction in Contracted Capacity is required by reason of one or more of the following circumstances:
 - (A) a reduction in the actual Consumption or Generation by the User in the respect of that Connection Point over the 12 month period prior to the User giving notice under clause 3.4(a), as recorded by the Metering Equipment; or
 - (B) a change in the nature of the business or operation conducted at the Connection Point; or

- (C) a shutdown of the business or operation conducted at the Connection Point (including a shutdown for maintenance purposes) for longer than 1 continuous month; or
 - (D) a rapid increase or decline in the business at the Connection Point; or
 - (E) a decrease in the number of capacity credits (as defined in the Market Rules) allocated to any Generating Plant at the Connection Point under the Market Rules; or
 - [\(F\) as part of a Relocation; or](#)
 - ~~(F)~~[\(G\)](#) some other special circumstance,
- and
- (ii) is entitled to refuse the reduction in Contracted Capacity where Western Power is satisfied, as a Reasonable and Prudent Person, that the reduction is sought by reason of the seasonal nature of the business or operation at the Connection Point.

157. A definition of “relocation” has been introduced to into the access arrangement:

[“Relocation” has the meaning given to it in the Transfer and Relocation Policy.](#)

Further Final Decision

- 158. Western Power has incorporated revisions into clause 3.4 of the amended electricity transfer access contract to make provision for a user to decrease its contracted capacity more than once in a 12 month period if the decrease is in the circumstance of a user relocating contracted capacity between connection points in accordance with clause 6 of the transfer and relocation policy.
- 159. The definition of the term “relocation” has been introduced as a consequential revision to the changes incorporated in the amended electricity transfer access contract.
- 160. The Authority is satisfied that this revision implements Final Decision Amendment 14.

Reduced Demand Payment

Final Decision

- 161. Clause 3.7 of the revised electricity transfer access contract made provision for payment of outstanding charges or an additional capital contribution by a user before the user is able to reduce capacity at, or delete, a connection point from the user’s access contract, or terminate the access contract.
- 162. In the Final Decision, the Authority determined that clause 3.7 of the revised electricity transfer access contract is unreasonable and inconsistent with the requirements of section 5.3(a) of the Access Code.
- 163. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 15

The revised proposed access arrangement should be amended to delete clause 3.7 of the electricity transfer access contract, relating to reduced demand payments.

Amended Proposed Access Arrangement

164. Western Power has incorporated an amendment in the amended electricity transfer access contract that deletes the previous clause 3.7 of the revised electricity transfer access contract.

Further Final Decision

165. Western Power has incorporated a revision in the amended electricity transfer access contract that deletes the previous clause 3.7 of the revised electricity transfer access contract. The Authority is satisfied that this revision implements Final Decision Amendment 15.

User must Nominate Controller

Final Decision

166. Clause 6 of the revised electricity transfer access contract provided for Western Power to obtain details (including the identity) of the controller at each connection point where the user is not the controller.
167. In the Final Decision, the Authority determined that there is no demonstrated reason for the electricity transfer access contract to include a requirement for users to provide Western Power with information on controllers for all connection points. The Authority determined that the electricity transfer access contract should only require users to provide information on controllers to Western Power where the use of that connection point has the potential to disturb operation of the network. The Authority further determined that the thresholds proposed by Western Power under clause 6.2 of the revised electricity transfer access contract (for Western Power to object to a nominated controller) also constitute inappropriate thresholds for Western Power to be able to require a user to provide information on controllers.
168. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 16

Section 6.1(a) of the revised electricity transfer access contract should be amended so that the obligation on a user to nominate a person as the controller of a connection point applies only where:

- 1) generating plant with installed capacity exceeding 30 kVA is connected at the connection point;
- 2) connection assets for the connection point are operated at 66 kV or greater; or
- 3) the rating of the largest motor connected at the connection point is greater than 0.4 per cent of the three phase short circuit fault level at the attachment point.

Amended Proposed Access Arrangement

169. Western Power has incorporated revisions in the amended electricity transfer access contract as follows.

- 6.1 User must nominate person as Controller where Connection Point exceeds threshold
- (a) If the User is not the Controller of a Connection Point then the User must, by notice to Western Power before the Start Date of the relevant Services, nominate a person as the Controller for a Connection Point where:
- ~~(i) by notice to Western Power before the Start Date of the relevant Services, nominate a person as the Controller for each Connection Point; and~~
 - (i) the Generating Plant with installed capacity exceeding 30 kVA is Connected at the Connection Point; or
 - (ii) the Connection Assets for the Connection Point are operated at 66 kV or greater; or
 - (iii) the rating of the largest motor Connected at the Connection Point is greater than 0.4% of the three phase short circuit fault level at the Attachment Point.
- ~~(ii) comply with the relevant provisions of the Metering Code in regard to the provision of controller information (where all references to a 'customer' under the relevant provisions of the Metering Code are to be read as references to the Controller for the purposes of this clause 6.1).~~
- (b) The User may, from time to time, by notice to Western Power, change the person the User nominates as the Controller of a Connection Point.
- (c) The Parties must amend Schedule 3 following any variation made under this clause 6.1.

~~6.2 Where Connection Point exceeds threshold~~

- ~~(a) This clause 6.2 applies in respect of a Connection Point where:~~
- ~~(i) the Generating Plant with installed capacity exceeding 30 kVA is Connected at the Connection Point; or~~
 - ~~(ii) the Connection Assets for the Connection Point is operated at 66 kV or greater; or~~
 - ~~(iii) the rating of the largest motor Connected at the Connection Point is greater than 0.4% of the three phase short circuit fault level at the Attachment Point.~~
- ~~(b)~~(d) Western Power, acting as a Reasonable and Prudent Person, may at any time on reasonable technical or commercial grounds object to a person Controller-nominated by the User as a Controller under clause 6.1, in which case the User must either:
- (i) Dispute Western Power's objection; or
 - (ii) nominate a different person as a Controller.
- ~~(c)~~(e) If Western Power requires, the User must procure that the person nominated by the User as a Controller enters into a Connection Contract with Western Power in respect of the Connection Point.

Further Final Decision

170. Western Power has incorporated revisions in the amended electricity transfer access contract so that the obligation on a user to nominate a person as the controller of a connection point applies only where certain thresholds of characteristics of the connection point are met. These thresholds are consistent with those determined to be appropriate by the Authority in the Final Decision.

171. The Authority is satisfied that these revisions implement Final Decision Amendment 16.

Other Revisions to the Electricity Transfer Access Contract

Amended Proposed Access Arrangement

172. Western Power has incorporated revisions in clause 1.1 of the amended electricity transfer access contract that alter the definition of “prescribed rate” and include a new definition of “relocation”:

“Prescribed Rate” means, at any point in time, the interest rate (expressed as a rate per cent per annum) equal to the aggregate of 3 annual percentage points and the interest rate (expressed as a rate per cent per annum) then published by the Reserve Bank of Australia as the [large](#) ~~small~~-business variable [overdraft](#) indicator lending rate.

[“Relocation” has the meaning given to it in the Transfer and Relocation Policy.](#)

Further Final Decision

173. The “prescribed rate” is the rate of interest to be applied under the electricity transfer access contract in respect of unpaid amounts of invoices (clauses 8.3, 8.4, 8.5) and refunds of over-payments (clause 8.5). Western Power has not indicated to the Authority the reasons for changing the interest-rate indicator to be used as a basis for determining the prescribed rate. The Authority notes, however, that the “large business variable overdraft indicator lending rate” is typically significantly less than the “small business variable indicator lending rate”. To the extent that it is more likely that the prescribed rate would be applied to payments from users to Western Power (such as on overdue payments), the change in definition is in the interests of users.
174. Accordingly, the Authority is satisfied that these revisions are minor, consistent with the requirements of the Access Code and do not compromise the interests of any party.

Applications and Queuing Policy

Introduction

175. Western Power included its applications and queuing policy as Appendix 1 of the revised proposed access arrangement (**revised applications and queuing policy**) and also as Appendix 1 of its amended proposed access arrangement (**amended applications and queuing policy**).
176. In the Final Decision, the Authority indicated several amendments to the revised applications and queuing policy that would be necessary for the Authority to approve the revised proposed access arrangement. The Authority’s required amendments and Western Power’s consequential revisions incorporated in the amended applications and queuing policy are addressed below. Also addressed are revisions that Western Power has incorporated in the amended applications and queuing policy other than in response to amendments required under the Final Decision.

Final Decision

177. In its revised proposed access arrangement, Western Power included requirements in the revised electricity transfer access contract for a user to make applications under the applications and queuing policy for increases in capacity at existing connection points or to materially modify equipment and facilities at existing connection points. The Authority determined that these provisions are reasonable and consistent with the Access Code. However, the Authority also determined that the applications and queuing policy should set out the circumstances in which an application for an increase in capacity will be almost always be automatically accepted.
178. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 17

The revised proposed access arrangement should be amended so that the applications and queuing policy indicates that Western Power must accept an electricity transfer application to increase contracted capacity if it forms the view as a reasonable and prudent person that:

- 1) accepting the capacity increase would not be likely to impede the ability of Western Power to provide a covered service sought in an access application lodged by another applicant; and
- 2) it is not likely that an augmentation would be required to provide the capacity increase.

Amended Proposed Access Arrangement

179. Western Power has incorporated the following revisions in the amended applications and queuing policy.

10.2 Increase in contracted capacity

- (a) An electricity transfer application to increase contracted capacity with respect to an existing covered service under the applicant's access contract may be made by notice to Western Power.
- (b) The lodgement fee for an access contract modification applies to the applicant's application, plus any costs for any associated connection application.
- (c) Western Power must ~~determine~~, notify the applicant whether or not it accepts an increase in contracted capacity under clause 10.2(a) as a reasonable and prudent person, within 5 business days of receipt by Western Power of the applicant's notice under clause 10.2(a), ~~whether it accepts the increase in contracted capacity~~.
- (d) Western Power must accept an increase in contracted capacity under clause 10.2(a) if it forms the view as a reasonable and prudent person that:
 - (i) accepting the increase in contracted capacity would not be likely to impede the ability of Western Power to provide a covered service sought in an application lodged by another applicant; and
 - (ii) it is not likely that an augmentation would be required to provide the increase in contracted capacity.
- ~~(d)~~(e) If Western Power determines that it cannot automatically form the view required for acceptance of the increase in contracted capacity under clause

~~10.2(d) accept the request for an increase in contracted capacity under clause 10.2(e), then:~~

- (i) Western Power must notify the applicant that it must submit, or procure that its controller submits, a connection application; and
- (ii) the priority of such connection application shall be determined from the date Western Power received the notice given under clause 10.2(a).

Further Final Decision

180. Western Power has incorporated revisions in clause 10.2 of the amended applications and queuing policy that provide an obligation on Western Power to provide an increase in capacity for a user if Western Power forms the view as a reasonable and prudent person that accepting the user's application does not impede Western Power's ability to provide a covered service sought in an application by another user, and an augmentation of the network is not required to provide the increase in contracted capacity.
181. The Authority is satisfied that these revisions implement Final Decision Amendment 17.

Timelines for Negotiation of Access Contracts

Final Decision

182. The revised applications and queuing policy established time periods for elements of the applications process:
 - lead times for applications;
 - time periods for correction of errors or omissions in an application;
 - a requirement for Western Power to process applications expeditiously and diligently;
 - the issue by Western Power of an initial response (for connection applications);
 - the making of an access offer; and
 - the applicant responding to the access offer.
183. In the Final Decision, the Authority noted that the time periods under the revised applications and queuing policy for the making of access offers, where the application is for a reference service and no connection application would be likely to be required, were different from the time periods for corresponding applications under the model applications and queuing policy. Western Power had not made any submissions to explain the difference and, having regard to the maximum periods contemplated by the model applications and queuing policy, the Authority determined that the time periods proposed by Western Power are unreasonable and inconsistent with the Access Code and the Code objective.

184. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 18

The revised applications and queuing policy should be amended so that:

- 1) clause 7.1(e) requires Western Power to use reasonable endeavours to make an access offer within the later of 5 business days of receiving the electricity transfer application or within 5 business days of an access offer being signed for any associated connection contract; and
- 2) clause 7.1(f) requires Western Power to use reasonable endeavours to make an access offer within the later of 10 business days of receiving the electricity transfer application or within 5 business days of an access offer being signed for any associated connection contract.

Amended Proposed Access Arrangement

185. Western Power has incorporated amendments in clauses 7.1(e) and (f) of the amended applications and queuing policy as follows.

7.1 Where applicant seeks a reference service

...

- (e) Subject to Western Power performing a security assessment under clause 4.9, if the applicant is an existing user and selects a reference service, then Western Power must use reasonable endeavours to make an access offer, by notice to the applicant, to modify the applicant's access contract:
 - (i) within ~~40~~5 business days of receiving the [electricity transfer application](#); or
 - (ii) within 5 business days of an access offer being signed [by an applicant](#) for any associated connection application,

whichever is later.

- (f) Subject to Western Power performing a security assessments under clause 4.9, if the applicant is not an existing user, and selects a reference service, Western Power must use reasonable endeavours to make an access offer:
 - (i) within ~~20~~10 business days of receiving the [electricity transfer application](#) ~~notice under clause 11.2(a)~~; or
 - (ii) within 5 business days of an access offer being signed [by an applicant](#) for any associated connection application,

whichever is later.

Further Final Decision

186. Western Power has incorporated revisions in clauses 7.1(e) and (f) of the amended proposed access arrangement that establish time frames for the making of access offers that are consistent with relevant provisions of the model applications and queuing policy. The Authority is satisfied that these revisions implement Final Decision Amendment 18.

Queuing Rules

Final Decision

187. In clause 24 of the revised applications and queuing policy, Western Power proposed queuing rules generally consistent with a “first come first served” principle. The Authority determined that this principle was consistent with the requirements of the Access Code.
188. The Authority determined, however, that one provision of clause 24 potentially created ambiguity in the queuing rules. In clause 24.4 of the revised applications and queuing policy, Western Power appeared to have maintained the first come first served principle as the underlying principle for queues, but indicated that this principle applied to spare capacity that becomes available as a result of an existing user reducing contracted capacity at one connection point and that reduction increases spare capacity. This provision could possibly be interpreted as indicating that the queue applies only to spare capacity that becomes available as a result of an existing user reducing contracted capacity and not spare capacity that may become available by other mechanisms.
189. The Authority determined that clause 24.4 of the revised applications and queuing policy potentially creates ambiguity as to whether the applications and queuing policy applies to spare capacity generally on the network or only spare capacity that arises as a result of an existing user reducing contracted capacity at one connection point and that reduction increases spare capacity.
190. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 19

The revised applications and queuing policy should be amended to clearly indicate that the queuing provisions of the policy apply generally to access to spare capacity at locations on the network more generally.

Amended Proposed Access Arrangement

191. Western Power has incorporated revisions in the amended proposed access arrangement to delete the previous clause 24.4 and insert a new clause 23, as follows.

23. Release of contracted capacity

Without limiting the circumstances by which spare capacity becomes available on the network, when an existing user reduces contracted capacity at one connection point, and that reduction increases spare capacity, then any application for that spare capacity must be processed by Western Power in accordance with clause 22, regardless of whether the user makes a concurrent connection application at that or another connection point.

...

~~24.4 Release of contracted capacity~~

~~When an existing user reduces contracted capacity at one connection point, and that reduction increases spare capacity, then that spare capacity is made available to applicants in accordance with the first come, first served principle, regardless of whether the user makes a concurrent connection application at that or another connection point.~~

Further Final Decision

192. Western Power has incorporated a new clause 23 in the amended proposed access arrangement that clearly establishes that the application of the queuing policy to spare capacity that becomes available as a result of a user reducing capacity at a connection point is one case of application of the queuing policy and does not limit the more general application. The Authority is satisfied that these revisions implement Final Decision Amendment 19.

Requested Capacity Must Match Actual Requirement

Final Decision

193. Clause 3.8 of the revised applications and queuing policy required that an applicant not apply for greater capacity than is reasonably required by the facilities and equipment connected, or to be connected within a reasonable period, at the connection point.
194. In the Final Decision, the Authority determined that, under the regulatory scheme established by the Access Code, the decision on the amount of capacity contracted for by a user should rest with the user, subject to the user paying the relevant tariffs and any capital contribution for the capacity. The Authority also determined that where capacity is created as a result of a capital contribution of a user, the user should be able to secure contractual rights to that capacity even though the amount of capacity may be in excess of the user's foreseeable requirements. The inability of a user to do so would potentially engender inefficient decisions for capital contributions for investment in the network by not allowing the user to benefit from capacity created by the capital contribution, but in excess of the user's own requirement.
195. The Authority accordingly determined that clause 3.8 of the revised applications and queuing policy is inconsistent with the Access Code and Code objective.
196. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 20

The revised proposed access arrangement should be amended to delete clause 3.8 of the applications and queuing policy, relating to the requirement that an applicant must not apply for a greater capacity than is reasonably required by the facilities and equipment connected or to be connected at the connection point.

Amended Proposed Access Arrangement

197. Western Power has incorporated amendments in the amended applications and queuing policy that deletes the previous clause 3.8 of the revised applications and queuing policy.

Further Final Decision

198. Western Power has incorporated a revision in the amended applications and queuing policy that deletes the previous clause 3.8 of the revised applications and queuing policy. The Authority is satisfied that this revision implements Final Decision Amendment 20.

Amendment of Applications

Final Decision

199. In the Final Decision, the Authority noted that provisions of the revised applications and queuing policy for amendment or withdrawal of applications did not explicitly allow for a change in the identity of the applicant under an electricity transfer application; or for changes to, or refunds of, lodgement fees where an electricity transfer application is amended or withdrawn. The Authority determined that the absence of such provisions does not accommodate the interests of the applicant and is inconsistent with the requirements of section 5.7(a) of the Access Code.
200. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 21

The revised applications and queuing policy should be amended to provide for a change in the identity of the applicant, for electricity transfer applications to be amended or withdrawn and for appropriate changes to, or refunds of, lodgement fees where an electricity transfer application is amended or withdrawn.

Amended Proposed Access Arrangement

201. Western Power has incorporated revisions in the applications and queuing policy that include new clauses in the policy that provide for the amendment and withdrawal of applications, and that relate to both electricity transfer applications and connection applications. The new clauses are as follows.

3.13 Amendment and withdrawal of application

- (a) An applicant may at any time, by notice in writing to Western Power, amend an application.
- (b) If an amendment to an application results in a change to the original lodgement fee, Western Power may charge the applicant the new lodgement fee or refund part of the original lodgement fee, having regard for the work already completed in processing the application.
- (c) An applicant may at any time before it enters into an access contract, by notice in writing to Western Power, withdraw an application.
- (d) If an application is withdrawn, Western Power must refund part or all of the applicable lodgement fee, having regard for the work already completed in processing the application.
- (e) Without limiting clause 3.13, an amendment to an application may include a change to the identity of the applicant in which case the other information in the application must also be amended.

3.14 Applications do not expire

Subject to clause 24.13, an application does not expire due to the passage of time.

202. There has been a corresponding deletion of clause 21 of the revised applications and queuing policy that related only to connection applications:

~~21. Amendment and withdrawal of connection application~~

~~21.1 Amendment to connection application~~

~~(a) An applicant may at any time by notice to Western Power amend a connection application.~~

~~21.2 Withdrawal of connection application~~

~~An applicant may at any time before it enters into an access contract, by notice in writing to Western Power withdraw a connection application.~~

~~21.3 Connection applications do not expire~~

~~Subject to clause 24.14, a connection application does not expire due to the passage of time.~~

Further Final Decision

203. Western Power has incorporated revisions in the applications and queuing policy that provide for amendment and withdrawal of applications, and relevant changes to or refunds of fees and charges, for both electricity transfer applications and connection applications.
204. The Authority is satisfied that these revisions implement Final Decision Amendment 21

Other Changes to the Applications and Queuing Policy

Amended Proposed Access Arrangement

205. Western Power has incorporated an additional revision into the amended proposed access arrangement that is unrelated to any required amendments under the Final Decision. This amendment is shown as follows.

19.3 Preliminary assessment

A preliminary assessment with regards to a connection application may consist of:

- (a) whether it is likely that there is sufficient spare capacity to provide the requested covered services or whether any works might be required to provide the covered services, including whether it is likely that any new connection assets will be required to provide the covered services requested in the application; and
- (b) if it is likely that works will be required — operational and technical details of the works; and
- (c) if it is likely that works will be required — whether or not a contribution will likely be required from the applicant under the capital contributions policy and a good faith estimate of the approximate amount of the contribution; and
- (d) if it is likely that ~~an augmentation~~ works will be required — a good faith estimate of the likely time required for the planning, designing, approving, financing, construction and commissioning, as applicable, of any necessary augmentation; and
- (e) Western Power's proposal for processing the application, if applicable under clause 20.2.

Further Final Decision

206. The additional revision incorporated in the amended proposed access arrangement is a change in use of the term “works” rather than “an augmentation” in clause 19.3(d).

207. “Works” is a defined term in the amended applications and queuing policy and includes activities undertaken associated with augmentations. The Authority considers that the use of this term in clause 19.8 is minor and appropriate and consistent with other provisions of clause 19.8 and the applications and queuing policy more generally.

Capital Contributions Policy

Introduction

208. Western Power included an applications and queuing policy as Appendix 1 of the revised proposed access arrangement (**revised capital contributions policy**) and also as Appendix 1 of its amended proposed access arrangement (**amended capital contributions policy**).
209. In the Final Decision, the Authority indicated several amendments to the revised applications and queuing policy that would be necessary for the Authority to approve the revised proposed access arrangement. The Authority’s required amendments and Western Power’s consequent revisions incorporated in the amended applications and queuing policy are addressed below. Also addressed are revisions that Western Power has incorporated in the amended applications and queuing policy other than in response to amendments required under the Final Decision.

Capital Contributions in Respect of Particular Types of Works

Final Decision

210. The revised capital contributions policy (clauses 7 and 8) included provisions for Western Power to require payment of capital contributions for certain classes of works or costs. For classes of works set out in clause 7 (rural supply extensions, residential pole to pillar connections, public road street lighting and subdivisions) capital contributions were proposed to be required even though the costs of those works may, either in full or in part, meet the new facilities investment test, and to allow Western Power to add the value of the relevant works to the capital base for the SWIN. These new provisions were intended to be consistent with Western Power’s proposed treatment of new facilities investment financed by capital contributions.
211. At the time that Western Power submitted its proposed access arrangement to the Authority, section 6.56 of the Access Code (as it was) prevented any amount being added to the capital base in respect of any new facilities investment for which a capital contribution has been, or is to be, provided to the service provider. This section of the Access Code would have had effect to require that the value of any new facilities investment that is financed by capital contributions not be added to the capital base and, accordingly, for this value not to be reflected in the target revenue and reference tariffs for reference services.
212. In its covering letter to the Authority at the time of submitting its proposed access arrangement and access arrangement information, Western Power foreshadowed an amendment of the Access Code. Western Power advised that it wished to adopt a methodology for the treatment of capital contributions from commencement of the initial access arrangement period whereby (i) capital contributions could be added

to the capital base, and (ii) the amount of any capital contribution would be deducted from the approved total revenue in the year (or years) in which the capital contribution is made. Amendments to the Access Code occurred in November 2005 comprising, *inter alia*, deletion of section 6.56.

213. During the course of assessing Western Power's revised proposed access arrangement and prior to the Final Decision, it became apparent that the amendments to the Access Code in November 2005 were not sufficient to allow the treatment of capital contributions proposed by Western Power, despite this being the intent of the amendments.
214. Under the regulatory scheme established by the Access Code and persisting until amendments to the Access Code in 2006, new facilities investment could only be rolled into the capital base if that new facilities investment passes a number of tests under section 6.52 of the Code (the "new facilities investment test"). Sections 2.9 and 5.14 of the Code (relating to capital contributions and the capital contributions policy) prevented a service provider from charging a capital contribution in respect of any new facilities investment that passes the new facilities investment test. As a consequence, a service provider could not charge a capital contribution for any new facilities investment that is to be rolled into the capital base, nor roll into the capital base any new facilities investment financed by capital contributions, effectively preventing the treatment of capital contributions that has been proposed by Western Power.
215. In its revised capital contributions policy, Western Power sought to remove this barrier to the desired treatment of capital contributions by reference to a modified test under section 6.53 of the Access Code. A modified test under section 6.53 would have the effect of allowing certain specified classes of new facilities investment that are financed by capital contributions to be rolled into the capital base, despite some of that new facilities investment potentially not meeting the new facilities investment test.
216. In the Final Decision, the Authority indicated difficulties with the approach taken by Western Power in utilising the modified test provisions of section 6.53 of the Access Code, including the following.
- While Western Power referred to a modified test in the revised capital contributions policy, no modified test was included as part of the revised proposed access arrangement.
 - For some of the classes of works set out in clause 7 of the revised capital contributions policy, some or all of the cost would meet the new facilities investment test. Provisions of sections 5.14 and 2.9 of the Access Code would, to the extent to which this is the case, have effect to prevent Western Power from charging a capital contribution in respect of the works.
217. Amendments to the Access Code subsequent to Western Power submitting the revised proposed access arrangement addressed the barriers to implementing Western Power's desired treatment of capital contributions. These amendments provided for:
- a service provider to require payment of capital contributions for certain classes of new facilities investment that may otherwise meet the new facilities investment test, this is allowed under an approved extension and expansion policy under section 62 of the *Electricity Industry Act 2004*

(sections 2.9, 2.9A, 5.14 and 5.14A of the Access Code as amended on 8 December 2006); and

- new facilities investment that is financed by capital contributions to be added to the capital base of a network, despite some or all of that new facilities investment not meeting the new facilities investment test under section 6.52 of the Access Code (section 6.56 of the Access Code as amended on 1 September 2006).
218. These amendments to the Access Code resulted in redundancy of the provisions included in the revised capital contributions policy for calculation of a capital contribution where a modified test applies. As the determination of capital contributions for the types of works set out in clause 7 of the revised capital contributions policy became subject to an approved extension and expansion policy under section 62 of the Access Code, the determination of capital contributions for these works needed to be described in this context in order for the revised capital contributions policy to be consistent with the requirements of the Access Code.
219. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 22

The revised capital contributions policy should be amended so that the capital contributions policy is applied in accordance with the requirements of sections 5.14 and 5.14A of the Access Code for works associated with supply extension schemes, residential pole to pillar connections, public-road street lighting and subdivisions.

Amended Proposed Access Arrangement

220. Western Power has incorporated the following revisions in the amended capital contributions policy, relating to the general application of the capital contributions policy and determination of amounts of capital contributions.

~~1.2 Where new facilities investment meets modified test~~

~~Where Western Power is required to make a new facilities investment in response to an access application:~~

~~(a) for a new streetlight; or~~

~~(b) for an unmetered connection; or~~

~~(c) for a pole to pillar connection; or~~

~~(d) by, or on behalf of, a primary producer or residential customer seeking to connect to a scheme; or~~

~~(e) by, or on behalf of, a developer in relation to the distribution system;~~

~~then the new facilities investment meets the modified test under section 6.53 of the Code.~~

...

2. Application of this capital contributions policy

~~(a) This capital contributions policy applies if it is necessary for Western Power to perform works to provide covered services. Subject to (b) and (c) below, this capital contributions policy applies if it is necessary for Western Power to perform works to provide covered services.~~

~~(b) If the approved extensions and expansions policy applies to works, then the contribution for those works is the amount determined under the approved~~

extensions and expansions policy. Where a contribution is determined under the approved extensions and expansions policy, the provisions of this capital contributions policy do not apply.

(c) In accordance with sections 5.14 and 5.14A of the Code, an applicant is only required to pay a contribution for works which:

(i) do not satisfy the new facilities investment test; or

(ii) are works for which an approved extensions and expansions policy requires an applicant to pay such a contribution.

5. Amount of Contribution

5.1. Interpretation

(a) For the avoidance of doubt, this clause 5 is to be read subject to the provisions of clause 2 of this capital contributions policy.

(b) For the purposes of this clause 5: -

(i) the definition of 'new facilities investment test' is that set out in section 6.52 of the Code, but without having regard to subsection 6.52(b)(i) thereof; and

(ii) the definition of 'alternative option test' is that set out in section 6.41 of the Code, but without having regard to subsection 6.41(b)(i) thereof.

5.2. Calculation of contribution

~~(a) Where the modified test does not apply in respect of the forecast costs of any works, the contribution for that part of the forecast costs of the works which does not meet the new facilities investment test or the alternative option test, as applicable, in part or in whole, is calculated by: under clause 6 and clause 8.~~

~~(b) Where the modified test applies in respect of the forecast costs of any works, the contribution is calculated under clause 7 and clause 8.~~

~~6. Where modified test does not apply~~

~~6.1. Calculation of contribution~~

~~The contribution is calculated by:~~

~~(a) determining the appropriate portion of the forecast costs of the works to allocate to the applicant under clause 5.46.3; and~~

~~(b) deducting the amount likely to be recovered in the form of new revenue gained from providing covered services to the applicant, or, if the applicant is a customer, to the customer's retailer, as calculated over the reasonable time, at the contributions rate of return; and~~

~~(c) adding any applicable amount calculated under clause 6.~~

~~6.2.5.3. Reasonable time~~

~~For the purposes of this clause 5.2(b) 6, the reasonable time is to be determined by Western Power, as a reasonable and prudent person, having regard to:~~

~~(a) the anticipated commercial life of the works, up to a maximum of 15 years; and~~

~~(b) the purpose for which the applicant requires the covered services.~~

~~{Note: For example, if the applicant is proposing to build a plant with an expected 5 year operating life, then the reasonable time might be 5 years.}~~

~~6.3.5.4. Amount of forecast costs~~

~~(a) Western Power may, acting as a reasonable and prudent person, determine that the amount of the forecast costs to be allocated to the applicant for the purposes of clause 5.2 (a) 6.1(a) is:~~

- (i) the full amount of the forecast costs; or
 - (ii) an amount determined under clauses ~~5.3(b) 6.3(b)~~ to ~~5.3(e) 6.3(e)~~.
- (b) If Western Power chooses to undertake works in excess of the minimum practical works to provide covered services sought by an applicant, then Western Power will determine that the amount of costs allocated to the applicant are the forecast costs of the minimum practical works.
- (c) If:
- (i) ~~Western Power reasonably expects to receive tariff income from future applicants, because of works to provide covered services sought by an applicant, within a period of 5–10 years of the original applicant's connection application; or~~
 - (ii) an applicant seeks a covered service that will make use of works undertaken to provide covered services to a previous applicant, within a period of 10 years of the original applicant's connection application, and for which the original applicant paid a contribution calculated under clause 5.4(c)(i).

then Western Power will apportion the forecast costs (as forecast at the time of the original applicant's connection application) based on the relative use of the works by the applicant compared to the relative use of the works expected to be sought by those future applicants, or the relative use of the works sought by previous applicants, or both, as applicable.

- (d) If Western Power has received more than one connection application requiring the same works, then Western Power may negotiate with the applicants under the applications and queuing policy to apportion the forecast costs of the works between the applicants, based on the relative use of the works sought by each applicant.
- (e) If works to provide covered services to an applicant provide specific savings to Western Power in performing its legal obligations, then Western Power will determine that the costs to be allocated to the applicant are the forecast costs less the amount saved.

~~7. Calculation of contribution where modified test applies~~

~~7.1 Supply extension scheme applicants~~

~~The contribution to be paid by an applicant who is, or acts on behalf of, a primary producer or residential customer seeking to establish a new exit point within a scheme is an amount calculated under section 61 of the Energy Operators (Powers) Act 1979 plus any rebate due to previous applicants who have paid a contribution in respect of the scheme.~~

~~7.2 Residential customers qualifying for a pole to pillar connection~~

~~The contribution to be paid by an applicant who is, or acts on behalf of, an individual residential customer qualifying for a pole to pillar connection is the amount published by Western Power on its website for a pole to pillar connection.~~

~~7.3 Public road street lighting~~

~~The contribution to be paid by an applicant who seeks a modified or new streetlight is an amount equal to the full forecast costs of the required works, including the provision of the streetlight asset.~~

~~7.4 Subdivisions~~

~~A developer who seeks to augment the distribution system to service a subdivision, and who does not qualify for a pole to pillar connection, may, at the developer's election:~~

- (a) ~~if the subdivision is a greenfield development, procure the augmentation itself, in which case the developer shall vest the network assets comprised in that~~

~~augmentation in Western Power upon commissioning of the network assets;
or~~

- ~~(a) request Western Power to build the augmentation, in which case the contribution to be paid is an amount equal to the full forecast costs of any works required to provide the augmentation, to be paid as an upfront payment, and~~
- ~~(c) clauses 9 and 10 of this capital contributions policy do not apply.~~

Further Final Decision

221. Western Power has incorporated revisions in the amended capital contributions policy to facilitate its proposed determination and treatment of capital contributions in accordance with the requirements of sections 5.14 and 5.14A of the Access Code. In general terms, these revisions comprise:
- deletion of provisions relating to a modified test under section 6.53 of the Access Code and specifying the determination of capital contributions in circumstances now dealt with by the extensions and expansions policy (clauses 1.2, 6.1 and 7 of the revised capital contributions policy);
 - inclusion of general and overarching provisions indicating that, for works to which the extensions and expansions policy applies, capital contributions are determined in accordance with the extensions and expansions policy and not by provisions of the capital contributions policy (clauses 2(b) and 5.1(a) of the amended capital contributions policy);
 - inclusion of general and overarching provisions indicating that capital contributions are determined in accordance with sections 5.14 and 5.14A of the Access Code (clauses 2(c) and 5.1(a) of the amended capital contributions policy); and
 - specification of a methodology for the determination of amounts of capital contributions, with this methodology determining an amount of the cost of an augmentation that does not meet the new facilities investment test under section 6.52 of the Access Code (clause 5).
222. The Authority is satisfied that these revisions implement Final Decision Amendment 22.
223. In relation to the second point under paragraph 221, above, the Authority notes that the extensions and expansions policy is approved by the Coordinator of Energy under section 62 of the *Electricity Industry Act 2004* and independently of the Access Code. However, while the extensions and expansions policy may set out the determination of certain capital contributions to be paid in respect of augmentations of the SWIN, it is the capital contributions policy under the access arrangement that actually enables Western Power to charge the capital contributions.
224. In approving the amended proposed access arrangement, the Authority is approving the provisions of the capital contributions policy that allow Western Power to charge capital contributions in accordance with the extensions and expansions policy. In doing so, the Authority is making a determination that the capital contributions provided for under the extensions and expansions policy comply with the requirements of the Code and the Code objective. In doing so, the Authority is unable to foresee changes to the extensions and expansions policy that could potentially be made during the course of the access arrangement period – as

the extensions and expansions policy may be amended independently of the access arrangement. As such, the Authority's approval of the amended proposed access arrangement, and the capital contributions policy therein, is on the basis of the extensions and expansions policy as approved by the Coordinator of Energy on 28 February 2007.

Capital Contributions for Particular Types of Works

Final Decision

225. Western Power included provisions in clause 8 of the revised capital contributions policy to provide for capital contributions to be made in respect of costs associated with works undertaken by Western Power to comply with the Technical Rules, establishing temporary electricity supplies, or relocating or "undergrounding" network assets.
226. In the Final Decision, the Authority noted that these classes of works, as well as the other classes or works described in clause 8, would generally not meet the new facilities investment test and, as such, would generally need to be financed by capital contributions. However, the Authority also noted that this may not invariably be the case and, in such cases, requiring payment of capital contributions may be inconsistent with the requirements of section 5.14 and 5.14A of the Access Code.
227. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 23

The revised capital contributions policy should be amended to clearly indicate that capital contributions under the terms of clause 8 of the revised capital contributions policy will only be required to the extent consistent with sections 5.14 and 5.14A of the Access Code.

Amended Proposed Access Arrangement

228. Western Power has incorporated the following revisions in the amended capital contributions policy.
- ~~8-6.~~ General provisions
- [For the avoidance of doubt, this clause 6 is to be read subject to the provisions of clause 2 of this capital contributions policy.](#)
- ~~8-1-6.1.~~ Connection assets
- The applicant must pay the full forecast costs of any works to provide connection assets.
- ~~8-2-6.2.~~ Non-capital costs
- The applicant must pay to Western Power the full amount of any non-capital costs that Western Power incurs in performing works, which in any case must not exceed such costs that would be incurred by a prudent service provider acting efficiently in accordance with good electricity industry practice.
- {Note: these costs might include, for example, adjusting protection settings, reprogramming computer equipment and so on.}
- ~~8-3-6.3.~~ Works over and above standard works

If an applicant seeks a covered service that is better or different in some respect than an equivalent service in the technical rules or an equivalent reference service in the access arrangement, then the applicant must pay to Western Power:

- (a) a contribution calculated under this capital contributions policy for the equivalent service; and
- (b) the difference between the forecast costs of the works required to provide the equivalent service and the forecast costs of the works required to provide the better or different service, to the extent that the better or different service does not otherwise meet those parts of the new facilities investment test dealing with net benefit, safety or reliability.

{Note: this could be, for example, a design philosophy delivering increased security of supply}

8.4.6.4. Costs related to technical rules compliance

- (a) The applicant must pay a contribution calculated under this capital contributions policy in respect of any works required to upgrade the fault level ratings of network assets, or any other works required to ensure that Western Power complies with the technical rules with respect to the network assets.
- (b) The applicant must pay all of its own costs in relation to ensuring that its facilities and equipment comply with the technical rules.

6.5.6.5. Temporary supplies

The contribution to be paid by an applicant who seeks a temporary supply is, if no applicable amount is published on Western Power's website, an amount equal to the full forecast costs of the required works.

8.6 — Relocation or underground of network assets

~~Subject to clause 7.2 the contribution to be paid by an applicant who seeks to have existing network assets relocated, including the undergrounding of overhead network assets, is an amount equal to the full forecast costs of the required works.~~

Further Final Decision

- 229. Western Power has incorporated a general provision at the commencement of the now clause 6 of the amended capital contributions policy (previously clause 8 of the revised capital contributions policy) that indicates that the determination of capital contributions for the particular works addressed by this clause is subject to clause 2, indicating in turn that the determination is subject to sections 5.14 and 5.14A of the Access Code.
- 230. The Authority is satisfied that this revision implements Final Decision Amendment 24.
- 231. Western Power has also incorporated a revision in clause 6 of the amended capital contributions to delete the previous clause 8.6 of the revised capital contributions policy, relating to the determination of capital contributions for the relocation or "undergrounding" of network assets.
- 232. The Authority notes that the determination of capital contributions for the relocation or undergrounding of network assets is addressed by the extensions and expansions policy and, accordingly, the determination of capital contributions in respect of the works would be undertaken under clause 2(b) of the amended capital contributions policy. As such, the Authority considers that the deletion of clause 8.6 of the revised capital contributions policy is an appropriate consequential revision to

the revisions made in response to Final Decision Amendment 22, as addressed above.

Payment of Capital Contributions by Provision In Kind

Final Decision

233. The revised applications and queuing policy did not include a general provision for the payment of capital contributions by in-kind contributions of assets, but rather limited the use of in-kind contributions to capital contributions made in respect of extensions to the distribution system to service new land subdivisions.
234. In the Final Decision, the Authority determined that the scope for augmentations of the network to be efficiently achieved by in-kind contributions may extend beyond augmentations relating to subdivisions and may include, for example, other discrete additions to the transmission or distribution networks. The Authority determined that the absence of provision for negotiation and agreement for in-kind contributions is contrary to the requirements of the Access Code.
235. The Authority required the following amendment to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 24

The revised capital contributions policy should be amended to include a general provision for capital contributions to be made by provision in-kind, subject to agreement by Western Power.

Amended Proposed Access Arrangement

236. Western Power has incorporated the following revisions in the amended capital contributions policy.

~~9.7.~~ Manner of contribution

~~9.1.7.1.~~ Options for payment

A contribution may be made:

- (a) by the applicant by way of a financial payment comprising either:
- (i) periodic financial payments, subject to clause 7.2; or
 - (ii) an upfront financial payment;

or

- (b) by the Western Australian Government under any appropriate government policy;

or

~~(c)(a)~~ by the applicant undertaking the augmentation and transferring ownership of the augmentation, subject to clause 7.4.

~~9.2.7.2.~~ When applicant may choose periodic payment

The applicant may not elect under clause 7.1(a)(i) to make the contribution by way of a periodic financial payment unless the total amount of the contribution exceeds \$30,000.

~~9.3.7.3~~ Terms and amount of periodic payment

- (a) If the applicant elects to make a contribution by way of periodic financial payment under clause 7.2, then:
 - (i) the maximum term over which the periodic payments may be made is 5 years; and
 - (ii) interest will be payable on each periodic payment, at a reasonable commercial rate to be negotiated between Western Power and the applicant.

7.4 Augmentations undertaken by applicants

(a) An applicant may, with Western Power's approval, construct an augmentation of the network.

(b) Where an applicant, in accordance with (a) above, constructs an augmentation of the network, the applicant shall agree to transfer the ownership of the augmentation to Western Power on such reasonable terms and conditions as may be stipulated by Western Power (after Western Power has tested the augmentation and certified that it meets the applicable technical standards) but in no circumstance will Western Power become obliged to make any payment to the applicant or any other person with respect to the augmentation.

{Note: An applicant is required to pay to Western Power the fees set by Western Power from time to time associated with Western Power testing the augmentation to establish that it meets the applicable technical standards for the augmentation to connect to the network.}

Further Final Decision

- 237. Western Power has incorporated revisions into the now clause 7 of the amended capital contributions policy (previously clause 9 of the revised capital contributions policy) that provides for an applicant to construct an augmentation of the network, subject to Western Power's approval, and for ownership of the augmentation to be transferred to Western Power.
- 238. Western Power's approval is required for an applicant to construct an augmentation of the network, and that transfer of ownership to Western Power is to be on terms and conditions stipulated by Western Power. The Authority considers that these provisions are consistent with relevant provisions of the model capital contributions policy (in particular clauses A4.11 and A4.13) that provide for any contribution of assets to be subject to the agreement of Western Power.
- 239. The Authority also notes that "network" is defined in the amended capital contributions policy to be those parts of the SWIS that are owned and operated by Western Power rather than the SWIS generally. As such, the Authority considers that there is nothing in the revisions incorporated in clause 7 of the amended capital contributions policy that would limit the ability of a person to construct transmission or distribution or assets that will form part of the SWIS but will remain the property of a party other than Western Power.
- 240. Taking the above matters into account, the Authority is satisfied that these revisions implement Final Decision Amendment 24.

Rebates

Final Decision

241. The provisions of the revised capital contributions policy relating to rebates of capital contribution payments limited the payment of rebates to circumstances where a subsequent applicant associated with a different connection point benefits from the works or a part of the works within five years of the date that the contribution was paid in respect of the original connection point.
242. In the Final Decision, the Authority determined that the five-year limit on the payment of rebates was inconsistent with the efficient investment in the network (and hence the Code objective) where capital contributions are of a large value.
243. The Authority also noted in the Final Decision that the revised capital contributions policy did not contemplate payment of rebates in respect of contributions made in respect of a supply extension scheme despite the approved extensions and expansions policy requiring Western Power to provide rebates for up to 10 years after an initial capital contribution was made in respect of a supply extension scheme. The Authority considered that, by virtue of these inconsistencies with the approved extensions and expansions policy, the revised capital contributions policy did not meet the requirements of the Access Code.
244. The Authority required the following amendments to be made to the revised proposed access arrangement before it would be approved.

Final Decision Amendment 25

The revised capital contributions policy should be amended so that rebate provisions applying to capital contributions made in respect of a supply extension scheme are consistent with the extension and expansion policy for the SWIN.

Final Decision Amendment 26

The revised capital contributions policy should be amended to provide for the period over which rebate provisions to be consistent with any relevant provisions of the extension and expansion policy, or otherwise to be negotiated between Western Power and the contributing applicant or user where the value of the contribution is in excess of \$100,000.

Amended Proposed Access Arrangement

245. Western Power has incorporated the following revisions in the amended capital contributions policy.

~~40.8.~~ Rebates and recoupment

~~40.1.8.1.~~ Parties may negotiate a rebate

- (a) ~~Subject to clause 8.1(c), w~~ Where:
- (i) an applicant has paid a contribution, or is paying a contribution in the form of periodic payments, for works with respect to a connection point for which the full forecast costs of the works were allocated to the applicant under clause ~~5.46.3~~; and
 - (ii) the value of the contribution is in excess of \$100,000,
 - ~~(ii) a subsequent applicant associated with a different connection point benefits from the works or a part of the works within 5 years of the date~~

~~that the contribution was paid in respect of the original connection point,~~

then Western Power and the applicant may negotiate to require Western Power to provide a rebate in circumstances where a subsequent applicant associated with a different connection point benefits from the works or a part of the works in respect of the original connection point.

(b) Where:

(i) an applicant has paid a contribution, or is paying a contribution in the form of periodic payments, for works with respect to a connection point for which the full forecast costs of the works were allocated to the applicant under clause 6.3; and

(ii) the value of the contribution is less than or equal to \$100,000,

then Western Power and the applicant may negotiate to require Western Power to provide a rebate in circumstances where a subsequent applicant associated with a different connection point benefits from the works or a part of the works within 10 years of the date that the contribution was paid, or periodic payments of the contribution began, in respect of the original connection point.

~~(b)(c)~~ Any negotiated rebate will be payable to the customer or the user associated with that connection point at the time of the rebate being payable.

~~(c) A rebate under clause 8.1(a) will not be payable to a developer.~~

(d) The amount of a rebate given to a user or customer under clause ~~8.1(a)~~8.1(b) is determined by apportioning the amortised contribution paid in respect of the original connection point between the user or customer associated with the original connection point and each subsequent applicant based on the relative contracted capacity of each party, where the contribution is amortised completely in a straight line over ~~5~~10 years.

~~(e) Where:~~

~~(i) an applicant paid an contribution in respect of an exit point within a scheme; and~~

~~(ii) a person who is, or acts on behalf of, a primary producer or a residential customer, associated with a different exit point within the scheme, subsequently benefits from the works,~~

~~then Western Power must provide a rebate to the customer associated with the original exit point calculated under section 61 of the Energy Operators (Powers) Act 1979.~~

~~(f)(e)~~ Western Power is not under any obligation to pay any rebate for a contribution to any user or customer under any circumstance other than that expressly provided for under clauses 8.1(a) and (b) ~~and 8.1(e)~~.

~~40.2-8.2.~~ New applicants must pay rebate

Where Western Power must pay a rebate to a user or a customer in respect of a connection point under clause 8.1, each subsequent applicant that triggers such a rebate must pay to Western Power an upfront amount equivalent to the rebate.

8.3. Scheme rebates under approved extensions and expansions policy

Nothing in this clause 8 affects the obligations of Western Power to pay a member of a scheme a rebate in accordance with an approved extensions and expansions policy.

Further Final Decision

246. Western Power has incorporated revisions into the now clause 8.1 of the amended capital contributions policy (previously clause 10.1 of the revised capital contributions policy) that provide for:
- the terms of any rebates, including the period over which rebates may be determined, to be determined by negotiation between Western Power and an applicant where the value of the capital contribution paid by the applicant is in excess of \$100,000 (clause 8.1(a));
 - the terms of any rebates where the value of the capital contribution paid by the applicant to be determined by negotiation between Western Power and an applicant where the value of the capital contribution paid by the applicant is in equal to or less than \$100,000, however the period over which rebates may be determined is limited to 10 years and the methodology for the determination of rebates is specified (clauses 8.1(b) and (d)).
247. The Authority is satisfied that these revisions implement Final Decision Amendment 26.
248. Western Power has incorporated a new clause 8.3 into the amended capital contributions policy to indicate that rebates payable in respect of a “supply extension scheme” are determined under the extensions and expansions rather than under provisions of the capital contributions policy.
249. The Authority is satisfied that this revision implements Final Decision Amendment 25.

Other Changes to the Capital Contributions Policy

Amended Proposed Access Arrangement

250. Western Power has incorporated revisions in clause 1.1 of the amended capital contributions policy to include definitions for terms not previously defined in the policy or to alter definitions of terms.
251. The following terms have been introduced as defined terms, or re-defined, in the amended capital contributions policy, with the terms indicated to have the same meaning as under the Access Code.
- access contract
 - additional revenue
 - alternative options
 - anticipated incremental revenue
 - applications and queuing policy
 - approved extensions and expansions policy
 - augmentation
 - capital contributions policy
 - connection assets
 - consume
 - facilities and equipment

forecast new facilities investment
good electricity industry practice
network assets
shared assets
SWIS
user.

252. Other revisions made to definitions of terms are as follows.

“applicant” means a person (who may be a user, a customer or a developer) who has lodged, or intends to lodge, a connection application, and includes a person who does so on behalf of another person.

~~“Code of Conduct” means the Code of Conduct for the Supply of Electricity to Small Use Customers 2004, made under section 79 of the Act.~~

“cpi” means the “all capitals consumer price index” as defined by the Australian Bureau of Statistics.

~~“developer” means a person who has applied to the Western Australian Planning Commission for approval to subdivide a property.~~

~~“greenfield development” means a new installation of network assets without the requirement of significant integration with the existing network.~~

~~“Metering Code” means the code made under Section 39(1) of the Act in respect of a matter referred to in Section 39(2)(a) of the Act, and includes any service level agreement, metering data agency agreement, communications rules, metrology procedure, mandatory link criteria and registration process developed under that code.~~

~~“modified test” means the modified test (as defined in the Code) approved in respect of the access arrangement.~~

~~“network” means those parts of the SWIS that are owned; and operated or owned and operated by Western Power in respect of which access is given or sought under Western Power’s access arrangement.~~

~~“pole to pillar connection” means the provision of an underground 415 V or 240 V supply to a residential customer in an area otherwise serviced by an overhead network.~~

~~“primary producer” means a person assessed as a primary producer under the Income Tax Assessment Act 1997 or equivalent enactment, and includes a person who carries out or is engaged in the business of farming or grazing on land that is~~

~~(a) — zoned for rural purposes under a town planning scheme; and~~

~~(b) — used solely or principally for agricultural or grazing purposes or for a combination of these purposes.~~

~~“residential customer” has the meaning given to it in the Code of Conduct.~~

“scheme” means an arrangement with respect to the undertaking of works developed under a Supply Extension Scheme as set out under clause 4 of the approved extensions and expansions policy an extension of the network beyond the normal range of the network under section 61 or 58 of the Energy Operators (Powers) Act 1979.

~~“unmetered connection”, with respect to a connection point, has the same meaning as the term “type 7 connection point” when that term is used in the Metering Code.~~

253. Definitions of the following terms were included in the revised capital contributions policy but have been deleted from the amended capital contributions policy:

Code of Conduct
developer
greenfield development
metering code
modified test
pole to pillar connection
primary producer
residential customer
unmetered connection

254. Western Power has introduced new provisions into the amended capital contributions to indicate that goods and services tax is payable in respect of any capital contribution:

4.1. Applicant must make contribution

If the application of this capital contributions policy in relation to the works produces a contribution amount that is greater than zero, Western Power is not required to undertake works in respect of an [connection](#) application for a covered service until the applicant enters into a contract with Western Power under which the applicant agrees to provide the contribution, [including any GST liability](#), to Western Power in accordance with this capital contributions policy:

4.2. [Payment of GST](#)

[The payment of a contribution will be subject to GST and Western Power will request a customer to pay an additional amount equal to Western Power's GST liability. Western Power may request payment of this additional amount at the time Western Power's GST liability arises.](#)

Further Final Decision

255. The Authority has considered the revisions made to the definitions of terms in the amended capital contributions policy and is satisfied that these revisions are minor, or assist in understanding of the capital contributions policy without materially changing the policy, or are consequential to other revisions incorporated in the amended capital contributions policy and addressed elsewhere in this Further Final Decision, or remove definitions of terms that are not used in the policy.
256. Western Power has indicated that introduction into the amended capital contributions policy of provisions dealing with the payment of goods and services tax corrects an earlier oversight of Western Power.
257. A liability for goods and services tax affects the interests of users. The Authority notes that users have not had an opportunity to make submissions on this issue. However, the Authority considers that payment of goods and services tax on capital contributions is a legal obligation imposed on Western Power and one which a reasonable party would assume would be passed to users. Accordingly, in the Authority's view, there is no prejudice to parties as any submissions of interested parties would not have influenced a determination of the Authority that an explicit statement of the liability for goods and services tax is a reasonable and appropriate provision of the capital contributions policy.