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Draft Access Arrangement Information Guidelines
Electricity Access
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Sir,

Submission on Draft Access Arrangement Information Guidelines

Synergy appreciates this opportunity to provide comments on the draft access arrangement information guideline (**Guideline**) proposed to be published under section 4.5 of the Electricity Networks Access Code 2004 (**Code**).

Synergy supports the Authority's initiative to establish and seek public comment on the Guidelines because:

- a) The minimum information specified under section 4.3 of the Code to be included within the access arrangement information is not sufficiently detailed to ensure that a service provider includes sufficient information to enable a User to form the understanding and opinion, as required by section 4.2 of the Code.
- b) The Guideline goes a long way to ensure the access arrangement information will enable a User to do this but Synergy has the following comments.

Synergy notes that the upcoming revision and review of the Access Arrangement will have significant User and ultimately electricity end use customer, ramifications, especially since it is proposed to be in place for at least 5 years.

Synergy acknowledges that section 4.3 of the Code already specifies minimum mandatory requirements for the provision of information. Consequently, Synergy has focused its comments on the additional level of detail that is required so that Users can reasonably understand and assess the matters required in Section 4.2 of the Code, including how the proposed revised Access Arrangement is going to work and its impact on their business and customers.

Synergy's submissions on the Guideline can be divided into five key areas where additional detailed information is required to demonstrate:

1. A working Access Arrangement.
2. A framework focused on meeting the Code objectives.
3. Transparent substantiation of transport charges.
4. Process efficiency and impact on overhead costs.
5. Capability to deliver the stated quality and benefits.

1. A Working Access Arrangement

Synergy's primary submission in this area is that there needs to be adequate and appropriate detail in the access arrangement information to ensure that the market can test whether the Access Arrangement meets the Code requirements, whether, as a whole, it works and in particular, does not encourage disputes.

Our experience and challenges with the current Access Arrangement have highlighted six key issues which indicate that, in addition to the economic dialog envisaged by the Guideline, it is also important for the access arrangement information to provide detailed, transparent and clear information in order for Users to assess:

1. How the proposed Access Arrangement policies are going to work in order to meet the Code Objectives and to show the Access Arrangement is fit for purpose.
2. Whether all parties are able to execute the policies to be implemented under the Access Arrangement, eg the Applications and Queuing Policy.
3. Whether all parties are exposed to inappropriate risks and liabilities.
4. Whether it does not encourage disputes; for example, because the policies to be implemented under the Access Arrangement are inconsistent or unclear.
5. Whether it contains policies that are consistent with the spirit and intent of the regulatory regime, including the Code and the Customer Transfer Code.
6. Whether it is transparently cost effective and delivers the stated benefits.

Synergy submits that these six fundamental outcomes and principals listed above should also be reflected in the Guidelines and be used as one of the tests to ensure that sufficient detail and adequacy of information has been included in the Access Arrangement Information. The access arrangement information should describe how the proposed revisions meet these six criteria.

Synergy submits that the detail and clarity in the previous access arrangement information was not sufficient to comply with section 4.2 of the Code, which has had an adverse effect in the current Access Arrangement. Consequently, it is important that sufficient detail is provided in the Access Arrangement Information so that the proposed revisions to the Access Arrangement can be effectively assessed against the principals stated above.

This transparency and detail is also fundamentally important to market participants because it ensures that the framework will meet, integrate and work with the other elements of the regulatory regime. It is important to note that subsequent or retrospective changes to the regulatory regime to address weaknesses in a poorly designed Access Arrangement are likely to be detrimental to the market including all users and the end customer.

2. Focused on Meeting Code Objectives

Delivery of the Code objectives is fundamental to the market's effectiveness, including User's ability to manage their cost to serve.

Consequently, it is critical to efficient market operation for Users such as Synergy to have access to transparent and detailed information associated with the proposed revisions to the Access Arrangement; so that they can understand and evaluate how the service provider:

- Derived the elements of its proposed revisions to the Access Arrangement.
- Plans to meet its service and quality benchmarks (including an assessment of past performance).
- Plans to ensure that key Access Arrangement functions are consistent with the West Australian Electricity Market's regulatory regime.
- Proposes that its revisions to the Access Arrangement will promote economically efficient investment, operation and use of the network.
- Proposes that its revisions to the Access Arrangement will promote competition upstream and downstream of the network.

Synergy submits that the various parts of the Access Arrangement information need to substantiate how the revisions to the Access Arrangement will achieve the objectives associated with service quality, regulatory consistency, efficiency and competition. These substantiations also need to include sufficient information to demonstrate that the;

1. Service provider is fully aware of the current state of their systems; and
2. Service provider's regulatory, financial and operational systems are of a suitable standard to deliver the Code objectives.

It is important for the Access Arrangement Information to provide this capability statement so that the approval process of the proposed revised Access Arrangement includes a capability assessment of the service provider's systems and resources to reliably deliver the stated benefits specified within the proposed revised Access Arrangement.

Furthermore, the proposed revisions to the Access Arrangement should also demonstrate how the arrangements will promote competition in markets upstream and downstream of the networks. Examples of Access Arrangement matters which can have material impacts on upstream and downstream competition include:

- Access contract prudential requirements and liability for damage;
- Network operator interfaces with market participant systems; and
- Capital contributions for network augmentation.

3. Transparent Substantiation of Proposed Network Transport Charges

Synergy notes that the costs of network and standard metering services have been increasing. However there has not been the same demonstrated proportional increase in service reliability and quality.

Network charges and the associated network transactions specified by the Access Arrangement are a fundamental and significant element of a retailer's cost to serve and consequently, impact all end customers significantly.

In addition, the charges for standard metering services have also been incorporated into the network transport charges and it is a challenge to calculate and communicate the delineation of metering and transport charges to end customers. Therefore, it is essential that there is a high degree of granularity in terms of access charge pricing disclosure.

Therefore, it is important that all cost information, modelling and associated assumptions and sensitivity analysis is made available for independent review and assessment. Without this information, the Authority, Users and Applicants cannot form the understanding or the opinion required in section 4.2 of the Code. Therefore, given the Code requirements, it is difficult to see how a claim for confidentiality could be accepted under the Code.

Furthermore, to effectively benchmark the proposed Access Arrangement, the level of information disclosure in Western Australia should be generally consistent with the level of network determination information disclosed by other jurisdictional regulators. In this respect, Synergy notes the requirements in other jurisdictions for network operators to provide the regulator with independently verifiable financial information (e.g. auditable financial accounts). Synergy submits that the access arrangement information must also require the service provider to give such financial information.

Economic efficiency is a fundamental objective of the Code. A key element associated with understanding cost effectiveness involves understanding whether appropriate and adequate systems have been established by the service provider, in order to ensure that charges can be correctly substantiated and allocated. Therefore, it is also important that the Guideline requires a verifiable statement on the adequacy of the service provider's financial systems to report a true and accurate record of all transactions.

4. Process and Transaction Impact on Overhead Costs

It is important to point out that the cost associated with network services to a retailer's customers include:

- Network charges for reference services;
- Charges for non-reference services; and
- Overhead and processing costs.

The Access Arrangement is not just about operating and maintaining the network. There is also a large overhead cost element that is associated with providing effective and efficient services and transactions to Users. These include the costs to Users associated with maintaining in-house systems and teams to execute, process and follow-up the specified transactions within the Access Arrangement.

These overhead costs to the customer increase significantly when the Access Arrangement process design is weak or ambiguous. This makes it difficult for Users to monitor and ensure transactions have been executed and implemented correctly by the service provider.

Users need to clearly understand the process model and transactions within the proposed revisions to the Access Arrangement. This information needs to clearly outline what is required and how these processes will be executed so that Users can determine the impact to their overhead costs, operations and customers.

Therefore, it is important that the Guidelines specify a requirement for the Access Arrangement Information to contain sufficient information to clearly highlight whether the process model in the proposed revisions to the Access Arrangement will create an additional impact on the Users' cost to serve the customer.

This is necessary so that an assessment can be made on the economic efficiency and effectiveness of the proposed revisions to the Access Arrangement processes and whether there is a need to rationalise or re-design the process model to reflect best practice. In addition, Synergy believes that it is also important that a workshop is conducted on all the processes and transaction requirements in the proposed revisions to the Access Arrangement and that this should also be a requirement under the Guideline.

5. Ability to Deliver Service Standards and Benefits

Quality, reliability and efficiency in network services and transactions are important objectives for Users and their customers, especially in an environment of aggressively increasing costs. Therefore, in addition to "what" the service provider is proposing Users also need to understand "how" these services will be delivered and how they will comply with the specified requirements and obligations.

Users need to understand and be able to test whether the service provider has adequate and compliant systems in place to deliver the proposed outcomes and fulfil its obligations under the proposed Access Arrangement. Synergy and its customers have experienced significant and wide spread reliability issues with the network services under the current Access Regime.

Therefore, the Guidelines need to specify a requirement for the service provider to define, in detail, the extent to which it can comply or deliver the standards specified in the proposed Access Arrangement for all services and transactions.

I trust these comments on the Guidelines are constructive. In providing these comments Synergy also recognises that the Authority may waive the requirement for the service provider to comply with one or more of the access arrangement requirements. However, Synergy submits that any such waiver of the Guideline and the additional suggested requirements in this submission would not promote the objectives of the code and would not result in a User being able to understand and form an opinion, in accordance with section 4.2 of the Code

We will organise to provide a mark-up of the draft guidelines that reflects our comments shortly and would be pleased for the opportunity to discuss this further if you need additional information or clarification.

**KARTHI MAHALINGHAM
NETWORKS MANAGER
SYNERGY**

