



Multi-function Asset Guideline



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Contact:

WALGA

ONE70, LV 1, 170 Railway Parade, West Leederville

Phone: (08) 9213 2000

Fax: (08) 9213 2077

Email: infrastructure@walga.asn.au

Website: www.walga.asn.au

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Multi-function Asset Guideline

The Western Australian Local Government Association (WALGA or 'the Association') is the peak organisation for Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of 137 mainland Local Governments in Western Australia, plus the Indian Ocean Territories of Christmas Island and Cocos (Keeling) Islands. The Association provides an essential voice for more than 1,200 Elected Members, more than 22,000 Local Government employees, and the 2.6 million constituents that they serve and represent. The Association also provides professional advice and offers services that provide financial benefits to Local Governments.

1 Introduction

Local Governments support regulatory arrangements that encourage electricity distributors to prudently and innovatively take advantage of emerging technologies and use assets to efficiently deliver regulated and unregulated services.

Developing technologies and emerging demands on the electricity distribution network means that a traditional approach to allocating revenues and costs to particular assets is increasingly less appropriate.

It is noted that the Electricity Networks Access Code 2004 was amended to support delivery of the State Government's Energy Transformation Strategy. This Strategy responds to technological changes and consumer preferences for decentralised, low or no greenhouse gas emission generating sources of electricity. Scope 2 greenhouse gas emissions from electricity consumed represents a significant proportion of total greenhouse gas emissions by Local Governments and many are actively investing to reduce and eliminate greenhouse gas emissions. Consequently regulatory measures that enable and encourage electricity distributors to deliver services in a way that reduces greenhouse gas emissions and electricity costs would be supported.

2 Multi-function Assets

Local Governments (and developers) pay for assets including street lighting columns, luminaires and associated wiring and control systems. These assets are gifted to Western Power to operate, maintain and renew.

The Consultation Paper prepared by the Economic Regulation Authority specifically identifies network connected batteries as an example of multi-function assets. The guidelines need to include and make it clear that a wide range of assets, including already existing assets such as street light columns (or poles) fall within the definition of multi-function assets.

A lighting column (Figure 1) can be, and in other jurisdictions are already, used to deliver numerous services that are not about providing light, including:

- Charging electric vehicles and electric bicycles;
- Public Wi-Fi;
- CCTV to improve public safety;
- Telecommunications, particularly 5G that requires large numbers of small antennae;
- Mesh communications networks to enable Internet of Things applications, remote meter reading etc;
- Pedestrian and vehicle traffic monitoring; and
- Noise and air quality monitoring.

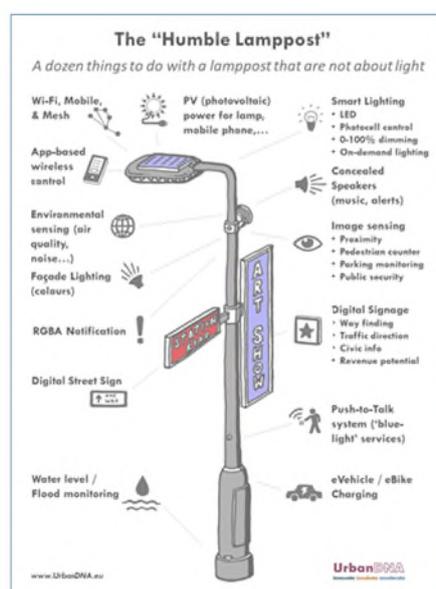


Figure 1: The humble street lamppost¹

Some of these services are regulated under other Acts and Codes while others are unregulated.

Street lights and poles are a unique class of multi-function asset that requires specific consideration in the guidelines in relation to the calculation of net incremental revenue and how an adjustment to target revenue is reflected in the approved price lists.

3 Net Incremental Revenue

The guidelines need to make clear how net incremental revenue is determined. For example, if a pole is being used to provide electric vehicle charging services there will be some additional (new) assets added to the existing asset. While the Access Code makes it clear that revenue is to be considered, not margin or contribution, there is still the requirement to provide guidance about how both new and existing assets are considered in implementing the net revenue calculation.

¹ [How the 'humble lamppost' means smarter streets — through London's big collaboration with fellow European cities | by Smart London | Medium](#)

The guidelines need to make clear how the Code applies to gifted assets that are added to the service providers' capital asset base, but not to the regulated asset base.

The guidelines also need to set out how internal services, such as remote meter reading and system control functions that could be based on existing assets will be considered (refer Section 4). In this case the remote meter reading service is a regulated service, but assets paid for and reflected in the tariff paid by a particular class of customer (Local Governments) could potentially be used to deliver this service in a more efficient and effective way.

4 Calculation of Reduction to Target Revenue

The Access Code requires the electricity distributor to share a proportion of any non-regulated revenue earned with the network users that paid for those assets. The approach proposed by the Economic Regulation Authority, to adjust the target revenue for the following access arrangement period, does not achieve this on two counts:

1. Assets such as street light poles are paid for by a small group of users, not all electricity consumers. The benefits from multiple uses of these assets to provide unregulated services should flow to those who paid and continue to pay for them. The impact of revenue derived from these assets to provide unregulated services should be reflected in the regulated pricing for the regulated services in a transparent way.
2. The consideration of the revenue from multifunction assets should be adjusted in pricing for future time periods within an Access Arrangement, as price lists are updated each year by the Economic Regulation Authority.

5 Materiality

The definition included in the Code at 6.87 sets the threshold at \$1 million of net incremental revenue from the use of all multi-function assets. While the use of a single light pole to provide any or all of these unregulated services will not generate net incremental revenue exceeding the \$1 million threshold, given that there are nearly 786,000 poles in Western Power's distribution network (not including transmission network poles) even a relatively small income per pole across a small proportion of the total fleet of poles has the potential to generate significant revenue. Therefore the materiality test should be applied across the asset class.