

~~Capital~~ Contributions Policy

ELECTRICITY NETWORKS ~~CORPORATION~~CORPORATION
("WESTERN POWER")

ABN 18 540 492 861

{Outline: This ~~capital contribution~~contributions policy is included in Western Power's access arrangement in accordance with section 5.1(h) of the Code.}

{Note: This policy has been prepared in accordance with the requirements of the Electricity Networks Access Code 2004, including proposed Electricity Networks Access Code Amendments (No 2) 2008.}

CONTENTS

1.	Introduction	4
1.1.	Definitions	4
1.2.	Interpretation	10
2.	Application of this capital contributions policy	10
3.	Lowest sustainable cost	11
4.	Applicant must make contribution	11
4.1.	<i>Applicant must make contribution</i>	11
4.2.	<i>Payment of GST</i>	12
4.3.	<i>Applicant must provide security for new revenue</i>	12
5.	Amount of Contribution	13
5.1.	Interpretation	13
5.2.	Calculation of <i>contribution</i>	13
5.3.	<i>Reasonable time</i>	13
5.4.	Amount of <i>forecast costs</i>	14
6.	Distribution headworks scheme	15
6.1.	Application	15
	This <i>headworks scheme</i> applies to:	15
6.2.	Headworks contribution	15
6.3.	Calculation of the <i>headworks contribution</i>	16
6.4.	Adjusted capacity requirement	16
6.5.	Relevant connection point	16
6.6.	Determination of the distance to the relevant connection point from the relevant zone substation	17
<u>6.7.</u>	Relevant voltage	17
6.8.	Price components for calculation of headworks contribution	17
7.	General provisions	17
7.1.	<i>Connection assets</i>	17
7.2.	<i>Non-capital costs</i>	18
7.3.	<i>Works over and above standard works</i>	18
7.4.	Costs related to <i>technical rules</i> compliance	18
7.5.	Temporary supplies	18
8.	Manner of contribution	18
8.1.	Options for payment	18
8.2.	When <i>applicant</i> may choose periodic payment	19
8.3.	Terms and amount of periodic payment	19
8.4.	<i>Augmentations</i> undertaken by <i>applicants</i>	19

9.	Rebates and recoupment	20
9.1.	This clause 9 does not apply to <i>contributions</i> made under clause 6 (Distribution headworks scheme)	20
9.2.	Parties may negotiate a rebate	20
9.3.	New <i>applicants</i> must pay rebate	21
9.4.	<i>Scheme</i> rebates determined under appendix 8 of the <i>Code</i>	21

1. Introduction

1.1. Definitions

In this ~~capital~~ *contributions policy*, unless the contrary intention is apparent:

“access contract” has the same meaning given to "access agreement" in the *Code*.

{Note: Under the *Code* "access agreement" has the meaning given to it in part 8 of the *Act*, and under section 13.4 (d) of the *Code* includes a "*deemed access contract*". The definition of **“access agreement”** under the *Act* is "an agreement under the *Code* between a network service provider and another person (a "network user") for that person to have access to services".}

“access arrangement” means the current *access arrangement* approved in respect of the *network* under the *Code*.

“Act” means the *Electricity Industry Act 2004*.

“additional revenue” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "additional revenue" has the meaning given to it in section 6.42 of the *Code* when used in section 6.41 of the *Code*.}

“adjusted capacity requirement” means the capacity requirement determined in accordance with clause 6.3(a) with respect to a connection application.

“alternative options” ~~has the same meaning given to it in the *Code*.~~

~~{Note: Under the *Code* "alternative options" in relation to a major augmentation, means "alternatives to part or all of the major augmentation a network enhancement, including demand-side management and generation solutions (such as distributed generation) either instead of or in combination with a network augmentation".}~~enhancement.

“alternative option contribution” means a contribution made, or to be made, by an *applicant* in respect of an *alternative option*.

“alternative option test”, in respect of the *network*, means the test set out in section 6.41 of the *Code*.

“anticipated incremental revenue” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "anticipated incremental revenue" for a new facility means "the present value (calculated at the *rate of return* over a reasonable period) of the increased *tariff* income reasonably anticipated to arise from the increased sale of *covered services* on the network to one or more users (where "increased sale of *covered services*" means sale of *covered services* which would not have occurred had the *new facility* not been commissioned),

minus

the present value (calculated at the *rate of return* over the same period) of the best reasonable forecast of the increase in *non-capital* costs directly attributable to the increased sale of the covered services (being the covered services referred to in the expression "increased sale of *covered services*" in paragraph (a) of this definition").}

"Appendix 8 work" has the same meaning given to it in the *Code*.

~~{Note: Under the *Code* "appendix 8 work" means "work in connection with the *Western Power Network* of a type specified in clause 8.2 of appendix 8".}~~

"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.

"applications and queuing policy" means the applications and queuing policy (as defined in the *Code*) in the *access arrangement*.

~~**"approved extensions and expansions policy"** has the same meaning given to it in the *Code*.~~

~~{Note: Under the *Code* "approved extensions and expansions policy" in relation to a *covered network*, "has the meaning given to "approved policy" in section 60 of the *Act*".}~~

"augmentation" has the same meaning as given to it in the *Code*.

~~{Note: Under the *Code* "augmentation" in relation to a *covered network*, means "an increase in the capability of the *covered network* to provide *covered services*, including by the development, construction, acquisition or commissioning of new *network assets*".}~~

~~**"capital contributions policy"**~~ **Authority** has the same meaning as given to it in the *Code*.

~~{Note: Under the *Code* "capital contributions policy" in relation to a *covered network*, means "a policy in an access arrangement under section 5.1(h) dealing with capital contributions by users in respect of augmentations".}~~

~~{Note: Under the *Code* "Authority" means the Economic Regulation Authority established by the *Economic Regulation Authority Act 2003*.}~~

"capital contribution" has the same meaning given to it in the *Code*.

~~{Note: Under the *Code* "capital contribution" means "a payment or provision in kind made, or to be made, by a *user* in respect of any *new facilities investment* (or *forecast new facilities investment*) in *required work*".}~~

"Code" means the *Electricity Networks Access Code 2004* (as amended).

"connect" has the same meaning given to it in the *Code*.

~~{Note: Under the *Code* "connect" means "to form a physical link to or through a *network*".}~~

"connection application" means an application lodged with Western Power under the *applications and queuing policy* that has the potential to require a modification to the *network*, including an application to:

- (a) *connect facilities and equipment* at a new *connection point*; or

- (b) increase *consumption* or *generation* at an existing *connection point*; or
- (c) materially modify *facilities and equipment connected* at an existing *connection point*; or
- (d) augment the *network* for any other reason,

{Note: this might be, for example, to service a subdivision.}

and includes any additional information provided by the *applicant* in regard to the application.

“connection assets” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "connection assets" for a *connection point*, means "all of the *network assets* that are used only in order to provide *covered services* at the *connection point*".}

“connection point” means an *exit point* or an *entry point* identified or to be identified as such in an *access contract*.

“consume” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "consume" means "to consume electricity".}

“consumption”, for a *connection point*, means the amount of electricity *consumed* at the *connection point*, and is measured in Watt-hours.

“contracted capacity” means the maximum rate at which a *user* is permitted to transfer electricity at a *connection point* under the *user’s access contract*.

“contribution” ~~means a capital contribution or has the same meaning given to it in the *Code*, but also includes an alternative option contribution, or both as applicable.~~

[{Note: Under the *Code* "contribution" in relation to a covered network, means "a capital contribution, a non-capital contribution or a headworks charge".}](#)

“contributions policy” [has the same meaning given to it in the *Code*.](#)

[{Note: Under the *Code* "contributions policy" means "a policy in an access arrangement under section 5.1\(h\) dealing with contributions by users".}](#)

“contributions rate of return” means the rate of return most recently approved by the *Authority* for use in *price control* for the *network*.

“covered service” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "covered service" means "a service ~~in relation to the transportation of electricity~~ provided by means of a *covered network*, including:

- (a) a *connection service*; or
- (b) an *entry service* or *exit service*; or
- (c) a network use of system service; or
- (d) a *common service*; or
- (e) a *service* ancillary to a *service* listed in paragraph (a) to (d) above,

but does not include an *excluded service*".}

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

-“**customer**” has the meaning given to it in the *Act*.

“**distribution system**” has the same meaning given to it in the *Code*, but excludes equipment within zone substations used for the transportation of electricity at nominal voltage of less than 66 kV.

“**entry point**” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "entry point" means "a single, indivisible (except as allowed under this *applications and queuing policy*) point, that for purposes under the *access arrangement* involving the transfer of electricity, is deemed to consist of a single *attachment point*, connected to or to be connected to a *user's connection point*, with a single *meter* (regardless of the actual configuration of *network assets* making up the entry point), at which electricity is more likely to be transferred into the *network* than out of the *network*".}

“**exit point**” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "exit point" means "a single, indivisible (except as allowed under this *applications and queuing policy*) point, that for purposes under the *access arrangement* involving the transfer of electricity, is deemed to consist of a single *attachment point*, connected to or to be connected to a *user's connection point*, with a single *meter* (regardless of the actual configuration of *network assets* making up the entry point), at which electricity is more likely to be transferred out of the *network* than into the *network*".}

“**facilities and equipment**” has the same meaning given to it in the *Code*.

{Note: Under the *Code*, "facilities and equipment" in relation to a *connection point*, means "the apparatus, equipment, plant and buildings used for or in connection with *generating*, *consuming* and *transporting* electricity at the *connection point*".}

“**feeder diversity factor**” means the factor applied to the *capacity requirement* that reflects the effective contribution of the *connection* capacity to the feeder peak load.

“**forecast costs**” means any or all of the *forecast new facilities investment* or the *forecast alternative option costs*, as applicable, to be incurred by Western Power with regards to *works*.

“**forecast new facilities investment**” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "forecast new facilities investment" for a *covered network* means "the capital costs forecast to be incurred in developing, constructing and acquiring new *network assets* for the *covered network*".}

~~“**forecast costs**” means the *forecast new facilities investment* or the *alternative option costs*, or both, as applicable, to be incurred by Western Power with regards to *works*.~~

“**generation**”, for a *connection point*, means the amount of electricity *generated* at the *connection point*, and is measured in Watt-hours/kilowatts.

“**good electricity industry practice**” has the same meaning given to it in the *Code*.

{Note: Under the Code "good electricity industry practice" means "the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably and ordinarily exercise under comparable conditions and circumstances consistent with applicable *written laws* and *statutory instruments* and applicable recognised codes, standards and guidelines".}

"headworks" means enhancements required to the existing HV three-phase distribution system that provides for an increase in capacity of that system.

"headworks charge" has the same meaning given to it in the Code.

{Note: Under the Code "headworks charge", in respect of a *headworks scheme*, means "the amount payable by a user to a service provider under the *headworks scheme* in respect of a *connection point*".}

"headworks scheme" means the *scheme* described in clause 6 of this *contributions policy*.

"HV" means the high voltage level of the distribution network where the voltage is greater than 6 kV and less than 66 kV.

"minimum practical works" with regard to *covered services* sought by an *applicant*, means the minimum *works* Western Power must undertake, acting efficiently in accordance with *good electricity industry practice*, to provide only those *covered services* required by that *applicant*.

"mixed zone" has the meaning given to it in section 4.3 of the *price list information in the access arrangement*.

"network" means those parts of the SWIS that are owned and operated by Western Power.

"network assets" has the same meaning given to it in the Code.

{Note: Under the Code "network assets", in relation to a *network* means "the apparatus, equipment, plant and buildings used to provide or in connection with providing *covered services* on the *network*, which assets are either *connection assets* or *shared assets*".}

"new revenue" means the *anticipated incremental revenue* or *additional revenue* or both, as applicable, with respect to *works*.

"nominated capacity requirement" means the *capacity requirement nominated under clause 6.4 in a connection application* with respect to that *connection application*.

"non-capital contribution" means a payment or provision in kind made, or to be made, by a user in respect of any *non-capital costs* (or forecast *non-capital costs*) of *required work*

"non-capital costs" means the *non-capital costs* (as defined in the Code), but excluding *alternative option costs*, to be incurred by Western Power with regards to *works*.

"price components" means the price components in clause 6.8.

"price control" has the same meaning as given to it in the Code.

{Note: Under the Code "price control" means the provisions in an *access arrangement* under section 5.1(d) and Chapter 6 of the Code which determine *target revenue*.}

"price list information" has the same meaning given to it in the Code.

"reasonable and prudent person" means a person acting in good faith and in accordance with *good electrify industry practice*.

"reasonable time" means the time determined in accordance with clause 5.3.

"relevant area" with respect to *connection applications* in relation to the *distribution system* means any area where the *relevant connection point* is located at a distance along the line feeder route equal to or greater than 25 km from the *relevant zone substation* within the *network* in the *rural zone* or *mixed zone*.

"relevant connection point" means, with respect to a *connection application*, the appropriate *connection point* as determined under clause 6.5.

"relevant zone substation" means the zone substation to which the new or upgraded *connection* will be connected under normal system operating conditions.

"required work" means *work* which is necessary in order to provide a *covered service* sought in a *connection application*.

"retailer" has the meaning given to it in the Act.

~~**"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*.~~

"rural zone" has the meaning given to it in section 4.3 of the *price list information* in the *access arrangement*.

"scheme" has the same meaning as given to it in Appendix 8 of the Code.

"service provider" has the same meaning given to it in the Code.

{Note: Under the Code "service provider" in relation to a *network* means "a person who owns or operates the *network*".}

"shared assets" has the same meaning given to it in the Code.

{Note: Under the Code "shared assets" means "those *network* assets which are not *connection assets*".}

"SWIS" has the meaning given to it in the Code.

{Note: Under the Code "SWIS" "the interconnected transmission and distribution systems, generating works and associated works

- (a) located in the South West of the State and extending generally between Kalbarri, Albany and Kalgoorlie; and
- (b) into which electricity is supplied by

- (i) one or more of the electricity generation plants at Kwinana, Muja, Collie and Pinjar; or
- (ii) any prescribed electricity generation plant"}.

“**technical rules**” means the *technical rules* (as defined in the *Code*) applying from time to time to the *network* under Chapter 12 of the *Code*, as modified in accordance with the *Code*.

“**transmission system**” has the same meaning given to it in the *Code*, but also includes equipment within zone substations used for the transportation of electricity at nominal voltage of less than 66 kV.

“**user**” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "user" means "a person, including a *generator* or a *consumer*, who is a party to an [*sic.*] contract for services with a *service provider*, and under section 13.4(e) includes another *business* as a party to a *deemed access contract*".}

“**works**” ~~means~~includes headworks and all works ~~that Western Power is~~ required to ~~undertake~~be undertaken to provide an applicant with the *covered services* sought by ~~an applicant to~~ the applicant in a connection application, including works associated with:

- (a) *augmentation of connection assets*; ~~and~~
- (b) *augmentation of shared assets*; ~~and~~
- (c) *alternative options*; and
- (d) other non-capital works.

1.2. Interpretation

(a) Unless the contrary intention is apparent:

- (i) a rule of interpretation in the *Code*; and
- (ii) the Interpretation Act 1984,

apply to the interpretation of this ~~capital~~ *contributions policy*.

(b) Unless:

- (i) the *contrary* intention is apparent: or
- (ii) the term has been redefined in clause 1.1,

a term with a defined meaning in the *Code* has the same meaning in this ~~capital~~ *contributions policy*.

2. Application of this ~~capital~~ *contributions policy*

- (a) 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 required for Western Power to provide the covered services sought by an applicant are Appendix 8 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.~~~~
- (b) ~~In~~ accordance with ~~sections 5.14 and 5.14A~~ Appendix 8 of the Code, an applicant is only required to pay a contribution for works which: For the avoidance of doubt, any such contribution is to be paid in addition to any contribution payable under this contributions policy.
- (c) An applicant is required to pay a contribution for works in any (including any combination of) the following circumstances:
- (i) in the case of new facilities investment, where the capital costs incurred in relation to the relevant works 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.~~
 - (ii) in the case of works related to alternative options, where the non-capital costs associated with such works do not satisfy the alternative options test;
 - (iii) in the case of non-capital works required in response to a connection application, where the non-capital costs associated with such works are costs which would not be incurred by a service provider efficiently minimising costs;
 - (iv) where the works meet the requirements of clause 6 of this policy (distribution headworks scheme).

3. Lowest sustainable cost

A contribution with respect to covered services sought by an applicant must not exceed the amount that would be required by a prudent service provider acting efficiently, in accordance with good electricity industry practice seeking to achieve the lowest sustainable cost of providing the covered services.

4. Applicant must make contribution

4.1. Applicant must make contribution

- (a) ~~Subject to paragraph (b) of this clause 4.1~~, 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 the works in respect of a 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.

- (b) If the work falls within the class of headworks, Western Power must undertake and fund the work whether or not the work is a required work. This does not excuse the applicant from any obligations to make a contribution under this 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.

4.3. Applicant must provide security for new revenue

- (a) Where the *forecast costs* with respect to a connection application are greater than \$50,000, but less than \$1,000,000, Western Power may require the *applicant* to procure before the commencement of the *works*, and maintain for a period of ~~1224~~ months after the commencement of the associated *exit service* or *entry service*, (or other period as reasonably determined by Western Power acting as a reasonable and prudent person), an unconditional, irrevocable bank guarantee, or equivalent financial instrument, in terms acceptable to Western Power (acting as a *reasonable and prudent person*), guaranteeing the portion of *new revenue* that was used to calculate the contribution and is expected to come from providing an *exit service* or *entry service* using the *works*, ~~and that was used to calculate the contribution.~~
- (b) Where an *applicant* has provided security under clause 4.3(a), then after 12 months, Western Power may:
 - (i) redetermine the *contribution* under this ~~capital~~ *contributions policy*, and recover from, or rebate, to, the *applicant* any difference from the amount of the original *contribution*; or
 - (ii) require the *applicant* to maintain the bank guarantee or equivalent financial instrument for a further 12 months, (or other period as reasonably determined by Western Power acting as a reasonable and prudent person) before redetermining the *contribution* in accordance with clause 4.3(b)(i).
- (c) Where the forecast costs with respect to a connection application are equal to or greater than \$1,000,000, Western Power may require the applicant to procure before the commencement of the works, an unconditional, irrevocable bank guarantee, or equivalent financial instrument, in terms acceptable to Western Power (acting as a reasonable and prudent person), guaranteeing the portion of new revenue that was used to calculate the contribution and is expected to come from providing an exit service or entry service using the works.

5. Amount of Contribution

5.1. Interpretation

- (a) For the avoidance of doubt, this clause ~~55~~ is to be read subject to the provisions of ~~clause 2~~clauses 2 and 6 of this ~~capital~~contributions policy.
- (b) For the purposes of this clause ~~55~~: -
 - (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

The *contribution* ~~for that part~~payable in respect of any works to which this policy applies is calculated by:

determining the appropriate portion of any 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:~~

- (a) ~~determining the appropriate portion of the forecast costs of the works~~ to allocate to the *applicant* under clause 5.4; ~~and~~
- (b) adding any applicable amount calculated under clause 6 (*headworks contribution*), and
- (c) adding any applicable amount calculated under clause 7.4(a),
- (d) 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
- (e) adding any applicable amount calculated under clause 7.1 to 7.3 inclusive and 7.5.

5.3. Reasonable time

For the purposes of clause 5.2(d)~~(b)~~, 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 or less.}

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) is:
 - (i) the full amount of the *forecast costs*; or
 - (ii) an amount determined under clauses 5.4(b) to 5.4(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 10 years, (or such longer period as reasonably determined by Western Power acting as a reasonable and prudent person), 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, (or such longer period as reasonably determined by Western Power under clause 5.4(c)(i)), of the original *applicant's connection application*, and for which the original *applicant* ~~payed~~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.

6. Distribution headworks scheme

6.1. Application

This headworks scheme applies to:

- (a) the class of works falling within the definition of headworks in this policy, and
- (b) the class of users who make a connection application in relation to the distribution system within a relevant area.

6.2. Headworks contribution

- (a) If,
 - (i) in accordance with good electricity practice, Western Power reasonably considers that the forecast costs of headworks required for a relevant area over a 25 year period exceeds the amount of new revenue likely to be gained from providing covered services to applicants over that period, and

- (ii) the relevant connection point is less than 160 kms from the relevant zone substation and the nominated capacity requirement is less than 2,000 kVA, or the relevant connection point is greater than 160 kms from the relevant zone substation and the nominated capacity requirement is less than 1,000 kVA,

then, upon receiving a connection application in relation to a relevant area, Western Power will, in accordance with this clause 6, require a headworks contribution from the applicant.

- (b) Where a headworks contribution is made by an applicant in accordance with clause 6.2(a) no further contribution shall be required from the applicant in relation to the headworks in question.

6.3. Calculation of the headworks contribution

A headworks contribution for a connection application is calculated by:

- (a) determining the adjusted capacity requirement with respect to the connection application in accordance with clause 6.4;
- (b) determining the distance from the relevant connection point to the relevant zone substation in accordance with clause 6.6;
- (c) determining the relevant voltage in accordance with clause 6.7;
- (d) applying the parameters determined under paragraphs(a), and (b) to the applicable price components, with respect to the relevant voltage determined under paragraph (c), and
- (e) deducting the amount likely to be recovered in the form of new revenue gained from providing covered services to the applicant, as calculated over the reasonable time, at the contributions rate of return.

6.4. Adjusted capacity requirement

The adjusted capacity requirement is determined by multiplying the nominated capacity requirement, by the relevant feeder diversity factor identified in the table below:

<u>Connection Type</u>	<u>Feeder Diversity Factor</u>
<u>Residential</u>	<u>60%</u>
<u>Commercial</u>	<u>50%</u>

6.5. Relevant connection point

The relevant connection point is:

- (a) for an application for connection to the HV single-phase network, the point on the three-phase HV network to which the single-phase line is connected. The length of any single-phase line is not taken into account;

- (b) for an application for connection to the low voltage 240-volt network, the HV terminals of the transformer with respect to the connection application. Where the transformer is connected to the single-phase network, the relevant connection point is that determined under paragraph (a); and
- (c) for a connection application that requires an extension to the three-phase HV network, the point on the existing three-phase HV network to which the new extension is made.

6.6. Determination of the distance to the relevant connection point from the relevant zone substation

The distance from the relevant connection point to the relevant zone substation is the shortest length of three-phase network line connecting those two points.

6.7. Relevant voltage

The relevant voltage with respect to a connection application is:

- (a) for an application for connection to the HV single-phase network, the voltage at the point on the three-phase HV network to which the single-phase line is connected;
- (b) for an application for connection to the HV three-phase network, the voltage at the point of connection on the three-phase HV network; and
- (c) for an application for connection to the low voltage 240-volt network, the voltage at the HV terminals of the transformer with respect to the connection application determined under paragraphs (a) or (b) whichever is applicable.

6.8. Price components for calculation of headworks contribution

- (a) The price components comprise two parts, being:
 - (i) a price based on the capacity sought in terms of \$ per kVA; and
 - (ii) a price based on the capacity sought and the distance from the relevant zone substation to the relevant connection point, less 25 kms, in terms of \$ per kVA.km,
- (b) Separate prices will be determined for 22 kV connections and 33 kV connections.

7. General provisions

For the avoidance of doubt, this clause 67 is to be read subject to the provisions of clause 22 of this *capital-contributions policy*.

7.1. *Connection assets*

The *applicant* must pay the full *forecast costs* of any *works* to provide *connection assets*.

7.2. *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.}

7.3. *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}

7.4. 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*.

7.5. 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. **Manner of contribution**

8.1. 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 8.2; or
- (ii) an upfront financial payment;

or

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

or

- (c) by the *applicant* undertaking the *augmentation* and transferring ownership of the *augmentation*, subject to clause 7.48.4.

Where the *contribution* is greater than \$1,000,000, the *applicant* and Western Power may negotiate to adjust the *contribution* to reflect actual costs of the *required works* determined after the completion of the *works*. This does not exclude the *applicant* from any obligations to pay a *contribution* under this *contributions policy*.

8.2. When *applicant* may choose periodic payment

The *applicant* may not elect under clause 8.1(a)(i) to make the *contribution* by way of a periodic financial payment unless the total amount of the *contribution* exceeds \$~~3050~~50,000.

8.3. Terms and amount of periodic payment

- (a) If the *applicant* elects to make a *contribution* by way of periodic financial payment under clause 8.2, 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*; and
 - (iii) Western Power (acting as a reasonable and prudent person) may require the *applicant* to procure an unconditional, irrevocable bank guarantee, or equivalent financial instrument, in terms acceptable to Western Power, guaranteeing the *contribution*.

8.4. *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*.}

9. Rebates and recoupment

9.1. This clause 9 does not apply to contributions made under clause 6 (Distribution headworks scheme)

9.2. Parties may negotiate a rebate

(a) 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; and
- (ii) the value of the contribution is in excess of \$1,000,000,

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 in respect of the original connection point. The rebate can only be in relation to assets, the costs of which were included in the calculation of the original contribution under this contributions policy.

(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 5.4; and
- (ii) at the time that the works are carried out, it is only the applicant who will benefit from the works in relation to that connection point, and
- (iii) the value of the contribution is in excess of \$~~100~~200,000 but less than \$1,000,000,

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* in respect of the original *connection point*.

- (c) 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 5.4;
 - (ii) at the time that the *works* are carried out, it is only the *applicant* who will benefit from the *works* in relation to that *connection point*, and
 - (iii) the value of the *contribution* is less than or equal to \$~~100~~200,000,

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*.

- (d) 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.
- (e) The amount of a rebate given to a *user* or *customer* under clause 9.1(c) 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 10 years.
- (f) 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 clause 9.2(a), (b) and (c).

9.3. 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 9.2, each subsequent *applicant* that triggers such a rebate must pay to Western Power an upfront amount equivalent to the rebate.

9.4. Scheme rebates determined under ~~approved extensions and expansions policy~~ appendix 8 of the Code

Nothing in this clause 9 affects the obligations of Western Power to pay a member of a *scheme* a rebate in accordance with ~~an approved extensions and expansions policy.~~

the provisions of appendix 8 of the Code.