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# Access arrangement revisions submission errata sheet

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Date: October 2011

Prepared by: Michael Harris



## Errata sheet

This errata sheet, issued on 25 October 2011 lists corrections and clarifications that should be considered when reviewing Western Power's access arrangement revisions submission for the period 1 July 2012 to 30 June 2017.

It covers errata for the Proposed Revisions to the Access Arrangement, the Price List Information, the Access Arrangement Information and Appendix A of the Access Arrangement Information.

**Table 1: List of errata**

Document title	Page & section / clause number	Description of errata
Proposed Revisions to the Access Arrangement	p22, clauses 5.3.5 & 5.3.6	<p>Clauses 5.3.5 and 5.3.6 do not correctly allow for Western Power to establish the capital base at the commencement of AA4 using actual depreciation for categories of investment <b>not subject</b> to the IAM and forecast depreciation for categories of investment that <b>are subject</b> to the IAM. The clauses should be reversed to correctly provide for the treatment of depreciation described in section 10.4 of the Access Arrangement Information. The revised wording is highlighted in <b>red</b>.</p> <p>5.3.5 Subject to section 5.3.6 of this <i>access arrangement</i>, the depreciation of the opening <i>capital base</i> at the commencement of the next <i>access arrangement period</i> <b>will be determined based on a straight line basis using the actual new facilities investment over this access arrangement period and the economic lives detailed in Table 18 and Table 19</b>.</p> <p>5.3.6 For the categories of <i>new facilities investment</i> set out in section 7.3.7 of this <i>access arrangement</i>, the depreciation of the opening <i>capital base</i> at the commencement of the next <i>access arrangement period</i> <b>will be based on the forecast depreciation contained in the target revenue for this access arrangement period</b>.</p>
Proposed Revisions to the Access Arrangement	p44, clause 7.6.3	<p>Clause 7.6.3 does not correctly provide for the project to be in either the D-factor project list or the transmission network development plan. The clause should be amended to provide for our intended operation of the D-Factor as described in section 14.5 of the Access Arrangement Information. The revised wording is highlighted in <b>red</b>.</p> <p>7.6.3 In relation to 7.6.2a), the <i>new facilities investment</i> project that has been deferred must have been included in <b>either</b> the D-factor Project List (provided to the <i>Authority</i> as <i>confidential material</i>) <b>or the</b> Transmission Network Development Plan</p>

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Proposed Revisions to the Access Arrangement – Appendix F.2 Price List Information	p58, table 15	Minor modelling errors have been corrected, meaning that five values in table 15 should be replaced with those highlighted in <b>red</b> below:																																																																											
		<table><tr><th>Reference Service</th><th>Reference Tariff</th><th>Incremental Cost of Service</th><th>Stand-alone Cost of Service Provision</th><th>Forecast Revenue Recovered from Reference Tariff</th></tr><tr><td>A1</td><td>RT1</td><td>549.6</td><td>806.5</td><td>741.5</td></tr><tr><td>A2</td><td>RT2</td><td>171.3</td><td>427.4</td><td>200.7</td></tr><tr><td>A3</td><td>RT3</td><td>19.4</td><td>275.3</td><td>23.9</td></tr><tr><td>A4</td><td>RT4</td><td>260.2</td><td>516.1</td><td>247.2</td></tr><tr><td>A5</td><td>RT5</td><td>24.0</td><td>265.2</td><td>24.1</td></tr><tr><td>A6</td><td>RT6</td><td>76.5</td><td>332.4</td><td>98.0</td></tr><tr><td>A7</td><td>RT7</td><td>86.8</td><td>114.5</td><td>111.9</td></tr><tr><td>A8</td><td>RT8</td><td>8.9</td><td>15.4</td><td>15.0</td></tr><tr><td>A9</td><td>RT9</td><td>28.8</td><td>284.6</td><td>33.9</td></tr><tr><td>A10</td><td>RT10</td><td>1.4</td><td>280.5</td><td>4.1</td></tr><tr><td>C1</td><td>RT13</td><td>0</td><td>0</td><td>0</td></tr><tr><td>C2</td><td>RT14</td><td>0</td><td>0</td><td>0</td></tr><tr><td>C3</td><td>RT15</td><td>0</td><td>0</td><td>0</td></tr><tr><td>C4</td><td>RT16</td><td>0</td><td>0</td><td>0</td></tr></table>	Reference Service	Reference Tariff	Incremental Cost of Service	Stand-alone Cost of Service Provision	Forecast Revenue Recovered from Reference Tariff	A1	RT1	549.6	806.5	741.5	A2	RT2	171.3	427.4	200.7	A3	RT3	19.4	275.3	23.9	A4	RT4	260.2	516.1	247.2	A5	RT5	24.0	265.2	24.1	A6	RT6	76.5	332.4	98.0	A7	RT7	86.8	114.5	111.9	A8	RT8	8.9	15.4	15.0	A9	RT9	28.8	284.6	33.9	A10	RT10	1.4	280.5	4.1	C1	RT13	0	0	0	C2	RT14	0	0	0	C3	RT15	0	0	0	C4	RT16	0	0	0
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Proposed Revisions to the Access Arrangement – Appendix F.2 Price List Information	p73, section 8.14	<p>In relation to the modelling errors corrected above, section 8.14 should be corrected. The revised wording is highlighted in <b>red</b>.</p> <p><b>8.14 Tariff increase moderations</b></p> <p>The intention at the start of the third Access Arrangement period is to set all prices to their cost reflective levels after many years of flat scaled increases. Unfortunately, this method results in unrealistic outcomes for some tariffs. In order for some customers not to be unduly disadvantaged in year one, some of the tariff increases and decreases have been slightly modified.</p> <p>Specifically, increases for RT4 and RT10 were slightly reduced to be more in line with the increases in other tariffs. As the increases for RT6 - RT8 were lower than average, the decision was made to slightly increase these tariffs to enable moderation of large increases in other tariffs. This approach is similar to how the side-constraints will operate during AA3.</p> <p>This decision means that <b>revenue from RT4 is not</b> between incremental and stand-alone costs in the first year. However, <b>RT4 revenue should</b> move to <b>the</b> cost reflective level over the course of the AA3 period (with inter-year movements subject to the side constraints proposed in the Access Arrangement).</p> <p>Section 7.5 of the Code allows for this requirement to be considered alongside the requirement to avoid price shock (amongst others). Western Power takes the view that in this instance and given the background of scaled increases described above; it is prudent to take the moderation described above.</p>																																																																											

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Access Arrangement Information	Chapter 3 p43-46, figures 11-14 p48, figures 16, 17 p50, figure 19 p54, figure 21 Chapter 5 p108-112, figures 36-45	On figures 11 to 14, 16, 17 19, 21 and 36 to 45, where the x-axis refers to a financial year, this should be taken to refer to the end of the preceding financial year. For example the label 2009/10 should be replaced by <b>June 2009</b> , 2010/11 refers to June <b>2010</b> and so on.																					
Access Arrangement Information & Access Arrangement Information – Appendix A AA3 Capital and Operating Expenditure Report	Chapter 8 p197 section 8.4 & p107 section 6.1.1.1	<p>There is a correction to Western Power's forecast expenditure for the Mid West Energy Project in the AAI and Appendix A of the AAI.</p> <p>Contractual arrangements that were yet to be entered into and subsequent uncertainty around timing of various project stages meant that Western Power included a conservative forecast for the project in its original proposal.</p> <p>Appendix A shows an amount of \$206.1 million for Stage 1 and \$37.7 million for Stage 2 (a total of \$244 million real at 30 June 2012). For the purposes of determining the opening capital base, an assumption of \$5.6 million of 2011/12 expenditure was used.</p> <p>The costs for the Mid West Energy Project have varied. The total expenditure for the Mid West Energy Project Stage 1 from 2012/13 to 2014/15 has been amended to include costs of the transmission line from Eneabba terminal to Three Springs, which have now been confirmed following a letter of agreement signed with KML at the end of September. The revised costs also reflect the change in expenditure profile (across the years 2011/12 to 2014/15).</p> <p>The revised forecast expenditure for the Mid West Energy project Stage 1 (for the years 2012/13 to 2014/05) is <b>\$358.2 million real at 30 June 2012</b>.<sup>1</sup> This is an increase of \$152.0 million in expenditure for the three years compared to what was originally included in the AA3 revisions submission.</p> <p>The revised forecast results in an increase to total revenue expected over the AA3 period of \$59.0 million.</p> <p>The AAI shows an amount of \$5,809.8 million real at 30 June 2012 for total capital expenditure from 2012/13 to 2016/17. The revised forecast capital expenditure is \$5,961.8 million real at 30 June 2012.</p> <table><tr><th></th><th>2012/ 13</th><th>2013/ 14</th><th>2014/ 15</th><th>2015/ 16</th><th>2016/ 17</th><th>Total</th></tr><tr><td>Variance in annual revenue cap from 30 September submission due to MWEP</td><td>0</td><td>5.1</td><td>11.0</td><td>17.7</td><td>25.3</td><td><b>59.0</b></td></tr><tr><td>Variance to price path from 30 September submission</td><td>0</td><td>0.3%</td><td>0.2%</td><td>0.2%</td><td>0.2%</td><td></td></tr></table>		2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	Total	Variance in annual revenue cap from 30 September submission due to MWEP	0	5.1	11.0	17.7	25.3	<b>59.0</b>	Variance to price path from 30 September submission	0	0.3%	0.2%	0.2%	0.2%	
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<sup>1</sup> Please note that only part of the MWEP expenditure incurs real cost escalation. The \$392.7 million quoted in the NFIT pre-approval submission to the ERA in August 2011 includes 2011/12 costs, and no inclusion of real cost escalation.