

Our ref: DM#12743300
Contact: Noel Ryan

14 April 2015

Mr Robert Püllella
Executive Director Access
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Robert

RE: Proposed modifications to Western Power's Access Arrangement

Western Power is seeking to modify its Access Arrangement under section 4.41A of the Electricity Networks Access Code 2004 (Access Code) to vary the revisions submission date from 1 March 2016 to 31 December 2016.

Background/Context

As part of the Third Access Arrangement (AA3) revision process, Western Power proposed an access arrangement revisions submission date for AA4 of 1 March 2016. This date allows 15 months to conduct the determination process following the submission of the proposal for AA4 and sufficient time for the Authority and Western Power to complete the review process and implement any changes in preparation for the start of AA4 on 1 July 2017.

On 6 March 2014, the Minister for Energy launched the State Government's Electricity Market Review. The Review is examining the structures of the electricity generation, wholesale and retail sectors within the South West Interconnected System in Western Australia and the incentives for industry participants to make efficient investments and minimise costs.

Phase 2 of the Electricity Market Review (EMR II) was launched by the Minister for Energy on 24 March 2015. It aims to give effect to Government's preferred reform options to achieve the Electricity Market Review Objectives. The scope of the review includes network regulation which will look at transferring regulation of the Western Power network including price, connection and access, from the Western Australian regime to the National Electricity Law and relevant National Electricity Rules. It also involves applying the relevant National Electricity Rules to regulate metering services within the Western Power network area.

The review creates uncertainty for Western Power and the potential for significant rework as policy positions and transition paths are developed.

Assessment of the variation against section 4.42 & 4.43 of the Access Code

Western Power considers that the advantages of varying the access arrangement outweigh the disadvantages for the following reasons:

- **Increased regulatory certainty** – delaying the revisions submission date by nine months will allow for Western Power to make its AA4 submission with greater certainty following the outcomes of EMR II. Delaying any engagement processes until there is regulatory certainty would ensure a more effective and appropriate engagement process.
- **Reduced regulatory cost** – by delaying the revisions submission date by nine months, Western Power and the Authority will avoid re-work on the AA4 submission following the outcomes of EMR II.
- **Reduced delay** – delaying the submission to allow for greater certainty has the potential to reduce delays during the review process. For example, section 4.70 of the Access Code allows the Authority to suspend the review process if there is an amendment to the Access Code

Western Power is of the view that the Authority is not required to undertake public consultation. The proposed variation is not material as it will not result in a material change to a reference tariff, reference service, standard access contract or the rights of any applicant. The delay in the revision submission date will have no impact on the timelines of the review and associated public consultation that the Authority will subsequently undertake as part of its AA4 review process.

Assessment against the Access Code Objective

Western Power considers that the uncertainty caused by the announcement of EMR II warrants a delay in the revision submission date to ensure that any submission by Western Power meets the Access Code objective. The current uncertainty created by EMR II would make it impractical to obtain stakeholder support on key revisions and impedes the development of the AA4 proposal.

Assessment of the proposed data against section 5.31 of the Access Code

The proposed 31 December 2016 revision submission date complies with the requirements of the Access Code. Section 5.31 of the Access Code requires that the revisions submission date be at least 6 months before the target revisions commencement date. The target revisions commencement date remains unchanged at 1 July 2017. 31 December 2016 is more than six months before this date.

The proposed modifications are minor as they are limited to clause 1.4.1 of the current approved Access Arrangement. A marked up version of clause 1.4.1 is attached along with a “clean” version of the Access Arrangement.

Any queries in relation to this proposal should be addressed to Noel Ryan on 9326 4083.

Yours sincerely

 **Guy Chalkley**
Acting Chief Financial Officer