

11 December 2017

Nicola Cusworth
Chair
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

Dear Ms Cusworth

Western Power Access Arrangement Period 2017-2022 – Carnegie Clean Energy submission

Thank you for the opportunity to provide feedback on Western Power's proposed access arrangement for the electricity network in the South West Network for the period 2017-2022.

Western Power's activities currently take place in a complex environment in which electricity policy and regulatory frameworks are often not keeping pace with advances in technology and changing customer preferences and expectations. The lagging of the policy and regulatory framework creates barriers to the achievement of the objective of the Electricity Networks Access Code 2004 (WA), that is, to promote competition upstream and downstream of the networks.

In some circumstances, despite being required to consider non-network alternatives to network investment, the Wholesale Electricity Market policy and regulatory framework explicitly prevents Western Power from implementing economically efficient non-network options. This is most notably the case of alternatives such as stand-alone power systems (SPS) and microgrids, that would no longer be connected to the South-West Interconnected System.

By way of example, while Western Power's distribution capital expenditure has decreased markedly since the AA3 submission, forecast expenditure on distribution wood pole replacement / reinforcement in AA4 is \$634 million. Western Power's *Alternatives to grid-supplied network services* Rule Change submission to the Australian Energy Market Commission states a saving of \$388m over 10 years would be achievable if it were able to install SPS as an alternative to network replacement in some circumstances¹. The costs associated with SPS have declined significantly since that time, and so potential savings possible within a suitable regulatory regime are more significant.

Western Power's successful 12-month trial of six SPS on rural farms has proven the suitability of the SPS technology². Energy Made Clean (EMC), a 100% owned subsidiary of Carnegie, was engaged to procure, install and run the systems. Positive results and feedback from customers has encouraged Western Power to continue using SPS to supply these customers for at least the next 3 years.

¹ Western Power, Removing Barriers to Efficient Network Investment, September 2016, page 37
<http://www.aemc.gov.au/Rule-Changes/Alternatives-to-grid-supplied-network-services>

² Western Power, Stand-alone power systems pilot: One Year On, September 2017,
<https://westernpower.com.au/media/2500/stand-alone-power-systems-stakeholder-report-20170906.pdf>

Within this context, Carnegie Clean Energy is heartened to observe Western Power's approach to 'invest prudently so the network can complement new, non-grid electricity services such as solar and battery storage systems'³. Western Power's AA4 submission seeks to enable a shift to a transactive grid, in which distributed energy resources, demand side response mechanisms, and consumer loads interact to achieve the most efficient, lowest cost electricity for consumers. Its proposal to install Advanced Metering Infrastructure (AMI) meters for all new and replacement meters is a positive example of creating the conditions required to achieve the most efficient outcomes.

The AA4 period, 2017-2022, will usher in fundamental changes in technology and customer participation in the electricity sector. It is critical that Western Power has the flexibility to implement new technologies that differ from its current proposed capital expenditure. Carnegie's Garden Island Micro-Grid project, which Western Power is a partner in, will provide valuable insights for the deployment of future micro-grids. Similarly, the proposed Kalbarri Microgrid project represents the opportunity to improve reliability to the Kalbarri township while using emerging technologies to solve network challenges.

For AA4 to be most effective in meeting the objective of the Access Code, policy and regulatory reform processes must be resolved quickly and focus on competition as a pathway to safe, reliable, lowest cost electricity for consumers. While recognising that policy and regulatory change is outside the ERA's remit, it is important to note the pace and priorities of the reform process have significant implications for achieving the objectives of the Access Code and the best outcomes for consumers.

Yours sincerely

Dr Michael Ottaviano
Managing Director

³ Western Power, Access Arrangement Information, Access Arrangement Revisions for the Fourth Access Arrangement Period, 2 October 2017, paragraph 58, page13
<https://www.erawa.com.au/cproot/18327/2/14.%20Access%20arrangement%20information%20for%20the%20AA4%20period.pdf>