

11 December 2017

Western Power AA4 Submissions  
Economic Regulation Authority  
Perth BC, PO Box 8469  
Perth WA 6849

## **CHANGE ENERGY'S SUBMISSION ON AA4**

Change Energy welcomes the opportunity to provide comments on Western Power's proposed revisions to the Access Arrangement for the 2017/18 to 2021/22 period, known as AA4.

Change Energy is a new electricity retailer in WA, our mission is to provide customers with the most cost-effective solution for their electricity needs. We offer a single, expert source for grid electricity supply, solar PV, LED lighting and energy efficiency.

We appreciate the detailed Issues Paper published by the Economic Regulation Authority (ERA) and the additional time to provide comments. Below are Change Energy's comments on selected issues.

### **Issue 1**

Change Energy agrees that Western Power should consider how future technology will change the operation of the network. More work needs to be done to understand the effects of increased solar PV penetration and the introduction of batteries will have on both the distribution and transmission systems.

Change Energy does not believe that the network is at risk from customers going off grid, but it does need to adapt to changing demand profiles and needs to adjust investments in poles and wires as well as the tariffs charged. Western Power should be focused on ways to incentivise flatter demand, but increase overall utilisation of the grid in order to keep costs down.

### **Issue 3**

Change Energy understands that there are many issues for generators trying to connect to the network, many of which are a result of the unconstrained access required under the Market Rules. We support the move to a constrained access model and co-optimised dispatch run by the market operator. We do not support connection arrangements that result in un-economic, inefficient dispatch of generators in order to satisfy Western Power's obligation to connect.

It has been Change Energy's experience that end-use customers find the process to trying to connect to the network both frustrating and costly. Initial quotes for connection can vary widely from actual costs. It should be noted that Western Power does not take any commercial risks when offering connections to customers and this should be considered when reviewing the rate of return calculations.

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## **Issue 4**

### **Advanced Metering**

Change Energy appreciates the work Western Power has done in scoping out the requirements for advanced metering infrastructure (AMI) as part of the AA4 process. As the electricity market continues to evolve, the need for data will increase and the provision of AMI will be key to enabling innovation in the sector.

Change Energy has concerns that Western Power is progressing with a solution that has not been widely shared with stakeholders. Further, were Western Power to progress with their own solution, it would inhibit competition in metering in the future. Of particular concern, would be the sourcing of meters from a single supplier without setting a specification that could also be provided by others. The technology regarding communications with the meters is also a concern. There should be open access and multiple pathways for any authorised party to access the meter and the data it collects.

Change Energy believes that before progressing with any roll out of AMI, a framework regarding open access, open source, technology, costs, and how AMI will help and not inhibit innovation should be developed with all stakeholders involved.

### **Tariff Structures**

Change Energy supports the new demand based tariffs proposed by Western Power, although it is uncertain as to which types of business customers will qualify for the new tariff and when the peak demand will be measured (rolling 12-months similar to RT5/6 or measured each billing period). Demand based tariffs for both residential and business customers more accurately reflect customers contributions to the cost of the network and will also incentivise better utilisation of the grid.

We do not support moving to time of use tariffs for residential customers. Tariffs with higher peak charges will be at risk of causing large revenue shortfalls for WP as more and more customers adopt solar PV. Further it does not accurately reflect the costs of the network evenly between solar PV and non-solar PV customers.

Where demand based tariffs are not practical or available, increased fixed charges should be implemented to reflect the cost of connecting and servicing a residential customer given the costs are the same whether or not solar PV has been installed.

Change Energy strongly believes that there needs to be changes to the existing business customer demand based tariffs (RT5 and RT6) so that the demand measurement is monthly rather than a rolling 12-month peak. This is consistent with demand based tariffs in the NEM and represents a fairer outcome to the customer. As an example, an extended power outage, due to no fault of a customer, may result in a new peak demand when power is restored which the customer must then continue to pay for the next 12 months. Additionally, monthly peak demand will actively encourage customers to try and manage their peak load every month.

Investment should be made in a thorough customer education campaign to increase knowledge amongst customers regarding the need to change to the structure of tariffs. It is important that Western Power and the industry as a whole work together to ensure customers understand the different input costs that contribute to electricity prices.

## **Issue 9**

The change in the rate of return requested by Western Power is largest contributor to increased costs over the previous access arrangement. While Change Energy supports a rate of return for regulated businesses that incentivises efficient and prudent investment, this should be discounted in consideration of Western Power's

current state ownership. This ownership should be a consideration when determining all of the various components used in determining the rate of return.

As stated above, Western Power takes minimal commercial risk and this too, should be reflected in the rate of return calculations.

**Issue 10**

Change Energy does not support the proposed changes to unforeseen events definition and the recovery of costs related to the EMR process that was implemented by the WA state government. These costs were a result of government reform programs that ultimately did not proceed and should be borne by the government.

While Change Energy does not support the concept of the Tariff Equalisation Fund, while it is in place, we support the funds for the TEC be recovered through the fixed portion of network charges. Ideally it should be a separate fixed charge component to all tariffs, so that the cost of the fund is transparent to users of the network.

**Issue 11**

With respect to the references services, please see Change Energy's comments regarding tariff structures in Issue 4.

**Issue 12**

With respect to the proposed tariffs, please see Change Energy's comments regarding tariff structures in Issue 4.

**Issue 14**

Please see comments on unforeseen events above in Issue 10 regarding the definition of force majeure.

**Issue 24**

Change Energy supports the revisions to the applications and queuing policy as they relate to the change in interpretation of Prescribed Customers. There are many customers, that at an aggregate level, are contestable, but due to the current policy are not allowed to enjoy the benefits of competition.

Change Energy would welcome the opportunity to meet with the ERA to discuss the issues raised above. If there are any questions, please do not hesitate to contact the undersigned.

Yours Sincerely

Geoff Gaston  
CEO