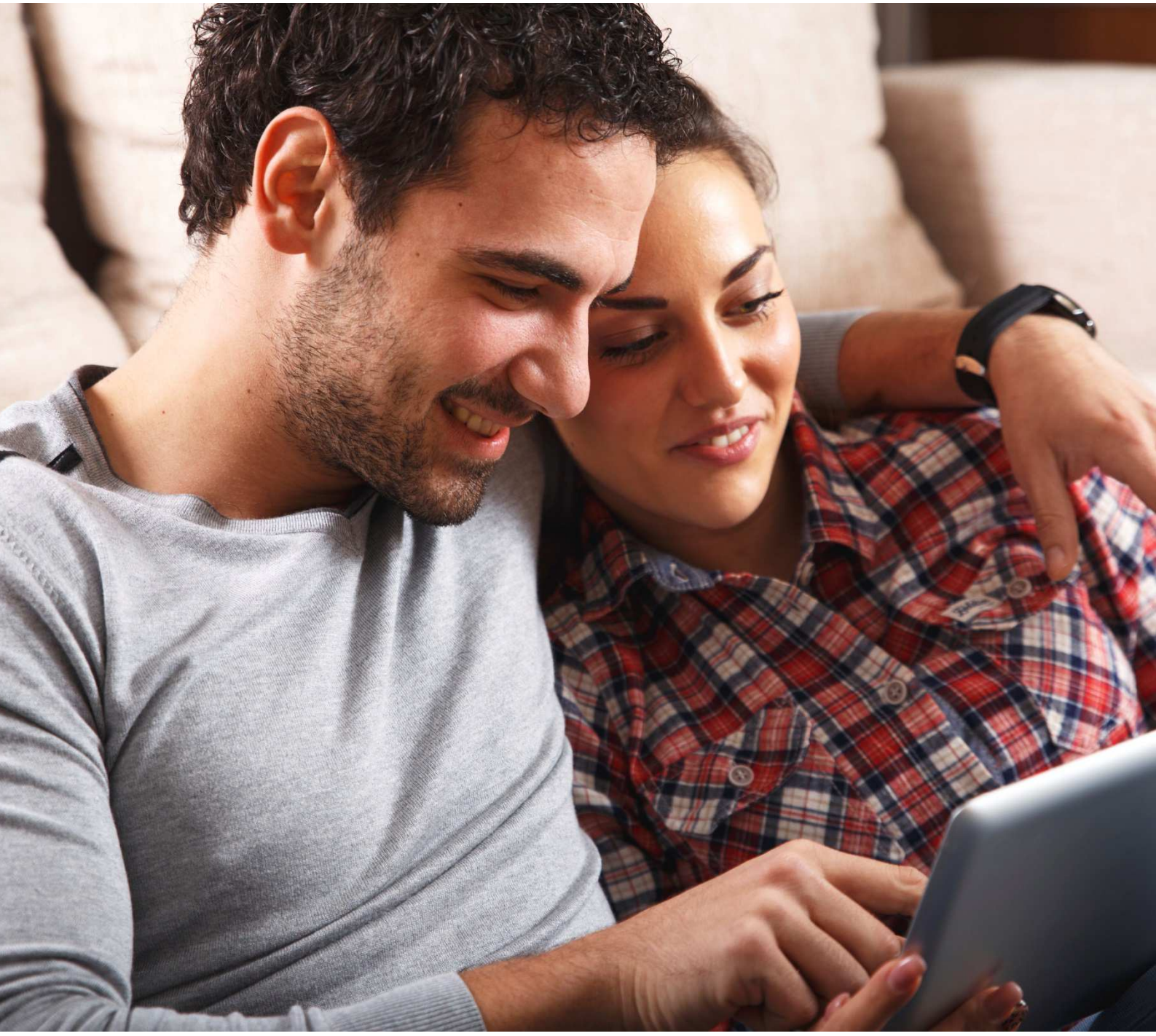

Economic Regulation Authority draft decision on proposed revisions to the access arrangement for the Western Power network

Contents

1. EXECUTIVE SUMMARY

Matter	Economic Regulation Authority (**ERA**) draft decision on proposed revisions to the access arrangement for the WP network (**draft decision**).
Context	The ERA released its draft decision on 2 May 2018 for public comment. The ERA did not approve Western Power's (**WP**) proposed revisions to its Access Arrangement for the fourth Access Arrangement (**AA4**) for the period 1 July 2017 to 30 June 2022. The ERA instructed WP to amend AA4 on 91 matters before it will approve the WP's proposed AA4. The ERA also required the rectification of a number of inconsistencies between the *Electricity Networks Access Code 2004* (WA) (**Access Code**) and WP's proposed AA4.
Scope	This submission represents Synergy's tier one AA4 issues (summarised below) outstanding from the draft decision that if left unaddressed by the ERA will lead to outcomes that will not meet the Access Code objective of promoting the economically efficient investment in, and operation and use of, networks and services of networks in WA in order to promote competition in markets upstream and downstream of the network.
Tier one issues	▪ **Reference services.** The draft decision does not reflect the reference services users require consistent with section 5.2 of the Access Code. At a minimum, and in order for WP's proposed AA4 to meet the requirements of section 5.2 of the Access Code, Synergy requires five new residential and business reference services and amendments to two existing reference services. These matters are detailed in section 3 to this submission. ▪ **Prior contractual rights.** The draft decision results in Synergy being deprived of significant prior contractual rights that will result in Synergy being denied access to current references services it uses to supply electricity to more than one million customers. Synergy considers this outcome to be in breach of section 4.34 of the Access Code. Further Synergy notes this is not confined to Synergy but an outcome relevant to potentially all users who utilise reference services. These matters, amongst others, are detailed in section 4 to this submission. ▪ **Price control.** Overall Synergy considers the ERA's draft decision with respect to price control represents a fresh and positive approach to a range of challenges facing WP and its users, within the confines of the Access Code, specifically demand risk. There are however several matters that Synergy requests the ERA consider further relating to non-revenue cap price control measures, operating expenditure productivity improvements,

projects that do not meet the new facilities test (**NFIT**) and regulatory application of the tariff equalisation contribution. These matters are detailed in section 5 to this submission.

- **Transfer and relocation policy.** Synergy supports the ERA's draft decision on WP's proposed amendments to the transfer and relocation policy on the basis it is consistent with the access framework. However, Synergy seeks to provide comment on one specific matter in relation to assignments other than bare transfers. This matter is detailed in section 6 to this submission.

- **Standard electricity transfer access contract (SETAC).** Synergy supports many aspects of the ERA's draft decision on WP's proposed amendments to the SETAC and commends the ERA's thorough approach to the SETAC more generally. There are however, two matters Synergy seeks the ERA to further consider in relation to technical compliance of facilities and equipment and intermediary indemnity. These matters are detailed in section 7 to this submission.

- **Applications and queuing policy.** Synergy agrees with many aspects of the ERA's draft decision on WP's proposed amendments to the AQP. There are however, three matters Synergy seeks the ERA to further consider in relation to multiple trading relationships, modified plant compliance with the Technical Rules and covered services. These matters are detailed in section 8 to this submission.

- **Advanced meter infrastructure.** Synergy supports efficient advanced meter infrastructure deployment provided such investment meets the requirements of users and passes the new facilities investment test (**NFIT**). This matter is detailed in section 9 to this submission.

- **Model service level agreement.** Synergy supports the ERA's decision to extend the deadline to publish its draft findings on the MSLA to 27 July 2018. This matter is detailed in section 10 to this submission.

- **Time required to implement AA4.** Synergy considers it will require between 4-6 months from the date of the final or further final decision to make the necessary changes to implement AA4. This matter is detailed in section 11 to this submission.

2. INTRODUCTION

Synergy is Western Australia's largest electricity generator and retailer and is also WP's largest user. Synergy pays WP more than $1 billion annually to utilise WP's transmission, distribution and metering services to supply more than one million electricity customers.

On 2 May 2018 the ERA published its draft decision not to approve WP's proposed AA4 and invited submissions on the draft decision. The draft decision also outlined 91 required amendments to the proposed AA4 which needed to be addressed by WP before the ERA would be prepared to approve the WP's AA4.

Synergy appreciates this opportunity to comment on the ERA's draft decision on WP's proposed AA4.

The role of the ERA is to determine whether WP's AA4 complies with the requirements of the Access Code and make decisions in accordance with the obligations imposed upon it under the Access Code. The scope of the proposed revisions for AA4 was considerable and involved a number of complex matters. Despite the absence of publicly available detailed financial and technical information Synergy considers the ERA's draft decision was technically rigorous and, for the most part, involved a detailed assessment of AA4 and the public and non-public supporting information provided by WP.

On this basis Synergy supports the majority of the ERA's draft decision and the approach taken by the ERA to consult, examine and test the proposed revisions against the requirements of the Access Code, and in particular, the Access Code objective.

Notwithstanding Synergy's support for the majority of the ERA's draft decision there are still some matters that significantly affect Synergy's ability to supply electricity to its one million customers. Synergy is mindful of the need to bring the AA4 to a regulatory conclusion. Consequently, Synergy has elected not to raise all of its AA4 outstanding issues in this submission; only those it considers to be tier one i.e. if left unaddressed by the ERA will result in outcomes that will not meet the Access Code's objective of promoting competition upstream and downstream of the network. These matters are detailed in this submission.

This submission contains confidential information that Synergy has highlighted yellow in which Synergy requests the ERA redact before publishing this submission on the ERA's website or elsewhere.

3. REFERENCE SERVICES

1.1 Overview

On 8 September 2017 Synergy submitted a reference services request to WP in accordance with section 5.2 of the Access Code. WP's proposed AA4 published on 6 October 2017 contained a number of reference services WP proposed be approved by the ERA in respect of AA4 but did not contain any of Synergy's requested reference services.

Consequently, Synergy submitted its "AA4 submission to the Economic Regulation Authority No: 4 Synergy references services request"[1] (**December reference services request**) and supporting information. In summary, Synergy requested the following reference services:

Residential

- Amended: A1 anytime energy - residential
- Amended: A3 three part time of use - residential [replaces WP's proposed D1 reference service]
- New: multi time of use - residential
- New: two part time of use - residential
- New: peak time demand - residential [replaces WP's proposed D2 reference service]
- New: distributed generation low voltage connection – residential

Business

- Amended: A2 anytime energy - business
- Amended: A4 time of use – business [replaces WP's proposed D2 reference service]
- New: multi time of use - business
- New: high voltage (monthly) metered demand bi-directional - business [replaces current A5 reference service]
- New: low voltage (monthly) metered demand bi-directional time of use - business (replaces current A5 reference service)
- New: distributed generation low voltage connection service - business
- New: distributed generation high voltage connection service - business
- New: intra-day contracted capacity swap service (nominator) between connection points - business
- New: intra-day contracted capacity swap service (nominee) between connection points - business
- New: contracted capacity allocation service (nominator) at the same connection point - business
- New: contracted capacity allocation service (nominee) at the same connection point - business
- New: CMD allocation service (nominator) at the same connection point - business

[1] https://www.erawa.com.au/cproot/18535/2/Synergy%20-%20Submission%204%20-%20Required%20reference%20services_.pdf

- New: CMD allocation service (nominee) at the same connection point - business

Low voltage

- New: direct load control service - low voltage
- New: load limitation service - low voltage

Connection services

- New: remote disconnection
- New: remote reconnection
- New: manual disconnection
- New: manual reconnection

Synergy when making its reference services request to the ERA:

- submitted WP's Access Arrangement Information for AA4 contained a number of characterisations of the third party access regulatory framework in place under the *Electricity Industry Act 2004* (WA) (**EI Act**) in general, and under the Access Code in particular that were not consistent with either the EI Act or the Access Code.

- submitted, based on WP's AA4 Information, WP appeared to hold the view in relation to the retail market it provides services to users' customers and not to users themselves and that users hold Electricity Transfer Access Contracts (**ETAC**) with WP as the agent of, or otherwise the trustee for, users' customers. In such circumstances, WP sought user input however, in the case of Synergy – WP's largest user supplying electricity to more than one million customers – WP's AA4 did not contain any of Synergy's requested reference services.

- submitted WP's characterisation of reference service provision was not in accordance with section 5.2 of the Access Code, nor did it reflect the critical role of the users' requirements in determining a reference service for each covered service that is likely to be sought by either or both of a significant number of users and applicants or a substantial proportion of the market for services in the covered network.

- substantiated each of Synergy's requested reference services by providing forecast customer number uptake and associated forecast electricity load supported by commercial-in-confidence consumer research.

In reviewing the ERA's draft decision Synergy was pleased with the following ERA reference service determinations:

- Not to permit the mandating of reference services by the network operator [ERADD 688].

- Metering services must be supplied as separate reference services [ERADD 724-727].

- Users should not be restricted to a particular reference service simply because WP has decided to install a particular type of meter. Retailers should have choice between an anytime use or time of use tariff for both new and existing customers. Providing WP sets its network tariffs to recover costs, it should be indifferent to which service retailers select [ERADD 685, 686].

- Allowing bi-directional flows for the metered demand and contract maximum demand services (A5, A6, A7, A8), noting also the peak times metered demand services have been reduced from 14 hours to 6 hours.

Further, Synergy was very encouraged by various statements made by the ERA in its draft decision relating to the need for WP to provide reference services that reflect the requirements of users and the ERA's recognition that many users did not consider their reference service needs were met:

- The ERA considers WP, consistent with section 5.2 of the Access Code, must specify a reference service that is likely to be sought by a significant number of users and applicants or a substantial proportion of the market for services. In addition, the ERA noted many users do not consider WP has adequately determined the services they require [ERADD 650, 651].

- The ERA agreed "…with the views expressed in submissions that WP should base its reference services on users' requirements, rather than basing them on what WP thinks is required. The Access Code clearly states that a reference service should be specified for covered services *likely to be sought by users*" [ERADD 659].

- The ERA considers reference services should be based on users' requirements and should promote competition by giving retailers the opportunity to be innovative in the prices and services they offer to their customers [ERADD 659, 675].

However, given the ERA's above statements and the extent Synergy substantiated, consistent with section 5.2 of the Access Code, each of its individual reference services request, Synergy is concerned the ERA has largely not addressed (other than some metering services) Synergy's (and other user) requests for reference services. As a result, Synergy strongly asserts WP's proposed AA4 largely does not reflect any of the services proposed by users (including Synergy), is not based on user requirements (in accordance with section 5.2 of the Access Code), nor does it meet the Access Code objective of promoting competition upstream and downstream of the network.

Synergy considers the ERA has erred in its conclusion of Synergy's references services request as: "Synergy's proposed amendments to existing reference services are mainly for metering services" [ERADD 735]. Synergy considers this conclusion may have inadvertently caused the ERA to not fully consider Synergy's request for conveyance services consistent with section 5.2 of the Access Code.

The inability of retailers to access consumption data at a reasonable cost and frequency has, in Synergy's view, contributed to why there has been little innovation in relation to reference services, opportunities to influence customers' use of energy and choice in retail pricing structures.

Therefore, Synergy welcomes and supports the ERA's determination to provide retailers with metering data and reference services to promote competition and give retailers the opportunity to be innovative in the prices and services they offer to customers. Synergy considers this is an important paradigm shift for the SWIS and will assist retailers to address a range of customer needs including affordability and adoption of new technologies.

However, the ERA did not approve the majority of Synergy's reference services. It is important to recognise that retailers require both energy data and references services based on users' requirements to enable the competition and innovation contemplated by the ERA [ERADD 675]. In addition, Synergy considers this type of competition and innovation can, and should, occur right now for customers and does not have to wait until further deregulation of the market[2] for customers to realise the benefits of flexible and innovative reference services. Nevertheless, section 5.2 of the Access Code does not require further deregulation of the market to approve reference services based on users' requirements.

Synergy notes there is a general recognition by users' of the benefits advanced metering infrastructure (**AMI**) can provide [ERADD 364]. However, Synergy considers it is also important to recognise the benefit provided by AMI can only be realised or delivered if:

1. retailers have adequate reference services to develop the retail offerings and value propositions for customers; and

2. retailers and customers are provided with adequate metering data to support the take up of the retail offerings and value propositions; and

3. customers see the benefit and value proposition.

It is important to recognise reference tariffs represent a substantial portion of the cost of a customer's electricity bill. This cost cannot be addressed by solely providing more interval energy data but it also requires reference services that provide opportunity for innovation in the prices and services offered to customers.

Synergy considers flexible reference services drive innovative retail offerings, which in turn drives the need for AMI and metering data. This approach, in Synergy's view, is the major driver for a successful AMI deployment – as opposed to mandating or a roll-out based solely on new and replacement installations. Therefore, Synergy considers the value of adequate and flexible reference services for the successful implementation of AMI should not be underestimated, otherwise Western Australian customers face the risk of the same AMI experience as Victorian customers.

[2] Proposed by the ERA [ERADD 676].

Synergy agrees with the ERA, network reference services should promote competition by giving retailers the opportunity to be innovative in the prices and services they offer to customers. [ERADD 675]. However, Synergy simply cannot deliver innovative prices and services solely off the back of metering services it must also have the conveyance services it requires to build retail products and services the consumer of electricity demands.

Synergy notes the ERA's comments in relation to [ERADD 738] that WP should base its reference services on the requirements of its users. However, the ERA further considers WP is best placed to identify the periods of network congestion and structure its network services around this. Synergy does not agree with this position as it is inconsistent with section 5.2 of the Access Code. Synergy also notes this assertion in the past (AA1-AA3) has resulted in perverse network outcomes such as the 14 hour peak in A3 and A4 reference services.

In relation to distributed generation reference services the ERA considers prudent discounts and pricing for distributed generation should be negotiated between a service provider and user, rather than being part of a reference service [ERADD 744]. It appears the ERA has made this conclusion on the premise the circumstances of each connection would need to be considered to establish whether there was justification to allow WP to discriminate between users to aid economic efficiency, or, in the case of distributed generation, the level of reductions in either or both of WP's capital and operating expenditure arising as a result of the entry point for the plant being located in a particular part of the network [ERADD 745].

Synergy does not agree with the ERA's conclusion stated at ERADD 745. Synergy considers it is entirely feasible, particularly at the small user level, for a user to aggregate customer loads at congested points on the network to alleviate the need for ever expanding network capital expenditure via embedded generation, micro-grids, standalone power systems, demand management programs, direct load control, battery systems, peer to peer trading etc provided it has access to reference services that encourage such customer uptake. Synergy considers it adequately demonstrated in its December reference services request that a reliance on bilateral negotiations with WP to deliver such outcomes is not feasible, nor consistent with section 5.2 of the Access Code.

Synergy submits both WP and the ERA declining to approve Synergy's reference services as contained within its December reference services request is contrary to section to 5.2 of the Access Code. If, however, the ERA is minded not to reconsider all of Synergy's reference services requests as contained within the December reference services request, Synergy requests as a minimum the ERA to reconsider the following reference service requests on the basis these are tier 1 network service requirements for Synergy as the single largest user in the SWIS. In addition to the tier 1 issues, there are several reference service matters Synergy seeks clarification from the ERA on (see at section 3.4).

3.2 ERA request to approve five new reference services

3.2.1 Multi-part time of use residential and business reference service request

The ERA's draft decision has addressed many of Synergy's metering data concerns as detailed in its earlier submissions by specifying how data services should be provided as well as requiring the un-bundling of metering services from the reference (conveyance) services. However, Synergy is seeking the transport component and cost reflective time bands of the multi part time of use service.

The ERA agreed "…with the views expressed in submissions Western Power should base its reference services on users' requirements, rather than basing them on what Western Power thinks is required. The Access Code clearly states that a reference service should be specified for covered services *likely to be sought by users*" [ERADD 659].

Synergy considers this view is consistent with section 5.2 of the Access Code.

The ERA also determined "…Retailers are likely to use different time periods from the network operator as they have broader factors to consider than just the network. Providing WP supplies sufficient metering data to enable a retailer to bill a customer based on its desired time periods, there should be no need for WP to offer network reference services to match every time period a retailer may use for retail tariffs" [ERADD 739].

Synergy considers this determination requires context. Synergy supports this view provided the ERA ensures the time bands and price signals proposed by WP are reflective of the actual congestion on the network and WP is required to substantiate this. The 14 hour peak imposed for the A3 and A4 services since AA1 is an example of where this has not occurred thus denying retailers the opportunity to be innovative in the retail prices and services they offer to their customers.

The ERA also determined new reference services should be assessed on the merits of price signals to retailers, services likely to be sought by users and users' requirements and should give retailers the opportunity to be innovative in the prices and services they offer customers [ERADD 659, 675].

Synergy in its December reference services request proposed two new (multi-part) time of use reference services[3] and considered these services met the requirements of section 5.2 of the Access Code, reflected the actual congestion on the network[4] and customer usage patterns. The ERA however did not approve these services.

Synergy substantiated its multi part time of use reference service based on consumer research, forecast customer numbers and load information and provided this information to the ERA. However, Synergy considers the ERA has not taken this information fully into account in its draft decision. In particular, these services are designed to maximise the benefit of remote data and services offered by an AMI solution. Therefore, Synergy considers without these services the opportunity to be innovative in the prices and services offered to customers will be limited, in turn

[3] As proposed in Synergy's December reference services request under item (iii) New: multi time of use – residential and item (ix) New: multi time of use - business.

[4] Refer to Figure 1 in the December reference services request.

limiting the retailer and customer benefits of AMI deployment resulting in less customer choice and uptake of new technologies than would otherwise be the case. This could create a negative customer response if customers are required to pay for a smart meter but realise no real benefit or value in terms of service features or reduced costs.

Synergy submits that by not approving Synergy's multi-part time of use reference services, this is inconsistent with section 5.2(b) of the Access Code because an access arrangement must specify a reference service for each covered service that is likely to be sought either or both of a significant number of users and applicants, or a substantial portion of the market for services in the covered network. The evidence Synergy provided to the ERA in respect of its multi-part time of use services substantiates that those reference services are likely to be sought by a significant number of users and applicants or a substantial portion of the market.

In addition, Synergy's proposed multi-part time of use services have been developed from Synergy customer surveys and trials in relation to how customers would respond to network price signals and choosing when they use certain appliances including charging their electric vehicles. These proposed services are also largely similar to the network service provided to customers in the National Electricity Market (**NEM**) by network operator ActewAGL (now Evoenergy) and approved by the Australian Energy Regulator (**AER**).

The AER considers ActewAGL the most advanced distributor in the NEM in reforming its tariff structures[5]. In Synergy's view this is due to how ActewAGL has used "charging windows" [6] to reflect times of network congestions. This is similar to the approach Synergy has taken in relation to its proposed (multi-part) time of use services.

ActewAGL Residential TOU Network[7] Residential consumer and electric vehicles recharge facilities (on residential properties) with TOU or remotely read interval meter	**Synergy Proposed Multi Part TOU** Residential and business exit and bi-directional service for customers connected on the low voltage (415 volts or less) distribution system
7am-9am Max time 9am-5pm Mid time 5pm-8pm Max time 8pm-10pm Mid time 10pm-7am Economy times	4am-7am Off Peak morning 7am-3pm Shoulder 3pm-9pm Peak 9pm-11pm Off Peak evening 11pm-4am Overnight

Synergy is not concerned how the time bands are labelled but considers there are five distinct time bands[8] and price signals that customers with renewable generation and electric vehicles will respond to, which will also form the basis of developing new and innovative retail offerings. It is important to note these charging windows (price differentials) will be particularly attractive to designing retail offerings for above average consumers including consumers who are considering investing in one or more electric vehicles or battery solutions.

[5] AER, Final Decision. ActewAGL tariff structure statement February 2017, p 7.
[6] Such as shoulder periods.
[7] ActewAGL, Revised Tariff Structure Statement, 4 October 2016.
[8] Refer to Figure 1 in Synergy's December reference services request.

Synergy supports and welcomes the (three part) time bands proposed by WP as part of the D1-D4 reference services (see at section 3.3.2, below) because it goes a long way to addressing the current issue with the 14 hour peak time band on the A3 and A4 reference services. However, in addition to the matters raised in Synergy's December reference service request[9], Synergy considers these multi part services are required to more effectively[10] provide more innovative retail offerings together with consumption monitoring to its customers.

Synergy considers without these reference services it is unlikely to be able to offer innovative pricing to customers to address affordability and support investments in battery technologies or electric vehicles on a mass scale. It is important to note Synergy's current retail offerings are based on reference services introduced in AA1. Unless reference services are developed based on user requirements (consistently with section 5.2 of the Access Code) Synergy does not envisage much change in retail product offerings during the AA4 period and customers are unlikely to pay or be receptive to AMI. Synergy also notes as reference services, the services would be available to all users.

Therefore, for the reasons stated above Synergy considers the ERA must approve these references services in accordance with section 5.2 of the Access Code.

In response to the ERA's draft decision to unbundle metering charges from reference (conveyance) services Synergy has modified its December references services request in relation to the multi-part time of use residential and business reference service to unbundle metering from its previously requested reference service request. The modified multi-part time of use residential and business reference service request is detailed in part A of Attachment 1.

3.2.2 Distributed generation reference service request

The ERA, in its draft decision, determined not to approve Synergy's request for distributed generation reference services on the basis the requirements for prudent discounts (section 7.9) and pricing for distributed generation (section 7.10) would be negotiated between a service provider and user, rather than being part of a reference service [ERADD 744].

Synergy does not agree with the ERA's view, and for the reasons outlined below, considers the ERA must either:

- require WP's proposed access arrangement to include the requirements in sections 7.9 – 7.11 of the Access Code; or
- approve Synergy's requested distributed generation reference services.

The regulatory framework

Section 7.9 of the Access Code provides:

[9] December reference services request, [42]-[53].
[10] More effectively than the three part reference services.

"7.9 A *service provider* may propose in its *access arrangement* to discriminate between *users* in its pricing of *services* to the extent that it is necessary to do so to aid economic efficiency, including:

(a) by entering into an agreement with a *user* to apply a *discount* to the *equivalent tariff* to be paid by the *user* for a *covered service*; and

(b) then, recovering the amount of the *discount* from other *users* of *reference services* through *reference tariffs*."

Section 7.9 is a discretionary provision – it allows WP to provide for prudent discounts to the extent it is necessary to do so to aid economic efficiency. Synergy does not consider that there is any obligation in section 7.9 to negotiate a discount.

Section 7.10 of the Access Code provides:

"7.10 If a *user* seeks to connect *distributed generating plant* to a *covered network*, a *service provider* must reflect in the *user's tariff*, by way of a *discount*, a share of any reductions in either or both of the *service provider's capital-related costs* or *non-capital related costs* which arise as a result of the *entry point* for *distributed generating plant* being located in a particular part of the *covered network* by:

(a) entering into an agreement with a *user* to apply a *discount* to the *equivalent tariff* to be paid by the *user* for a *covered service*; and

(b) then recovering the amount of the *discount* from other *users* of *reference services* through *reference tariffs*.

Section 7.10 is a mandatory provision – WP must reflect a discount in the user's tariff if a user seeks to connect distributed generating plant to a covered network. Synergy does not consider that there is any obligation in section 7.10 to negotiate a discount.

Section 7.11 of the Access Code provides:

"7.11 An *access arrangement* must contain a detailed policy setting out how the *service provider* will implement:

(a) if the *service provider* so chooses – section 7.9; and

(b) section 7.10,

including a detailed mechanism for determining when a *user* will be entitled to receive a *discount* and for calculating the *discount* to which the *user* will be entitled."

In Synergy's view, section 7.11 requires an access arrangement to include a detailed policy and detailed mechanisms for determining entitlement to, and calculation of, a discount for both prudent

discounts (that is, the discounts that WP may provide in accordance with section 7.9) and for discounts for distributed generating plant (that is, the discounts that WP must reflect in a user's tariff in accordance with section 7.10). WP's proposed AA4 must contain this detailed policy and detailed mechanisms. Synergy submits that, at least in respect of section 7.10, WP's proposed policy at section 6.7 of its proposed access arrangement does not set out a mechanism to determine when a user will be entitled to receive the discount under section 7.10.

Synergy submits that sections 7.9 – 7.11, including the requirement to include a detailed policy and detailed mechanism for determining prudent discounts and discounts for distributed generating plant, must be applied to WP's proposed AA4. Synergy submits that the ERA must not approve a proposed access arrangement which does not comply with the Access Code objective (section 4.28(a)(ii), Access Code). In Synergy's view, approving an access arrangement which does not comply with section 7.11 will not achieve the Access Code objective.

Why Synergy is entitled to discount for distributed generating plant under section 7.10

Synergy does not agree with the ERA's view that "the circumstances of each connection would need to be considered to establish whether there was justification to allow Western Power to discriminate between users to aid economic efficiency or, in the case of distributed generation, the level of reductions in either or both of Western Power's capital and operating expenditure arising as a result of the entry point for the plant being located in a particular part of the network" [ERADD 745].

As is evident from the above overview of sections 7.9-7.11 of the Access Code, in Synergy's view, as a user, it is entitled to have a discount reflected in its tariff where it seeks to connect distributed generating plant to a covered network.

Synergy considers this means that section 7.10 applies, where distributed generating plant is connected, to covered services with a bi-directional connection point provided in respect of the "distribution system" at a particular part of the covered network.

"distributed generating plant" is defined in the Access Code to mean "*generating plant* with an *entry point* to a *network* at a nominal voltage of less than 66kV and no *entry point* to a *network* at a nominal voltage of 66kV or higher".

In Synergy's view, the definition of distributed generating plant means:

- **generating plant**, being, in relation to a connection point, all equipment involved in generating (that is, producing) electricity (which would, in Synergy's submission include facilities such as PVs and batteries, which both produce electricity);

- with an **entry point** on the distribution system[11] (that is, an entry point at a nominal voltage of less than 66kV, and not higher than 66kV).

[11] "distribution system" means any apparatus, equipment, plant or building used, or to be used for, or in connection with, the transportation of electricity at nominal voltages of less than 66kV.

Section 7.10 of the Access Code refers to the discount reflecting a share of any reductions in either or both of the service provider's capital related costs or non-capital related costs which arise as a result of the "entry point" for distributed generating plant being located in a particular part of the covered network.

An "entry point" is defined in the Access Code to mean "a point on a *covered network* identified as such in a *contract for services* at which, subject to the *contract for services*, electricity is more likely to be transferred into the *network* than transferred out of the *network*".

Synergy submits that section 7.10 can apply to all covered services with a bi-directional connection point (for example, reference services C1-C4, A5-A8, etc) (but not that it will apply to all connection points – only those at "a particular part of the network", as required by section 7.10). "Bi-directional point" is not defined in the Access Code, but it is defined in the Applications and Queuing Policy.[12] Synergy considers[13] the definition of "entry point" (and for that matter, the definition of "exit point") in the Access Code are not inconsistent with the bi-directional concept. This view is supported by section 5.2(d) of the Access Code, which provides that an access arrangement must specify one or more reference services such that there is both a reference service which enables a user or applicant to acquire an entry service at a connection point without a need to acquire a corresponding exit service at another connection point, and a reference service which enables a user or applicant to acquire an exit service at a connection point without a need to acquire a corresponding entry service at another connection point.

Synergy submits , consistent with section 7.11 of the Access Code, the ERA should require WP's proposed AA4 set out when a user is entitled to a discount. For the reasons set out above, Synergy considers it is entitled to a discount under section 7.10 of the Access Code for covered services with a bi-directional point on the distribution system at a particular part of the network. Synergy submits that approving an access arrangement to comply with section 7.11 of the Access Code is consistent with the Access Code objective because it means WP does not need to augment the network in circumstances where there is limited spare capacity. Instead, it can rely on the capacity provided by the distributed generating plant, by providing a discount to users in accordance with section 7.10. In Synergy's view, this promotes the economically efficient investment in and operation and use of the network and services of the network, because customers are more likely to invest in generating plant if they are able to receive a discount for that investment.

Synergy also considers requiring WP's proposed AA4 to set out when a user is entitled to a discount is consistent with the matters the ERA must have regard to under section 26 of the *Economic Regulation Authority 2003 Act* (WA) (**ERA Act**) when approving an access arrangement, including the long-term interests of consumers in relation to price, quality and reliability of goods and services provided in relevant markets, the need to encourage investment in relevant markets, and the need

[12] The definition in WP's proposed Applications and Queuing Policy (section 2.1) is – "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 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 bidirectional point), at which electricity is to be transferred into and out of the network."

[13] Synergy has previously made submissions on this point – see, Synergy, *AA4 Submission to the Economic Regulation Authority No.1: Western Power's proposed transfer and relocation policy* (8 December 2017), [30].

to promote competitive and fair market conduct and the Access Code objective of promoting the economically efficient investment in, and operation and use of, networks and services of networks in WA in order to promote competition in markets upstream and downstream of the network.

Synergy's requested distributed generation reference services

If the ERA is not minded to require WP's proposed AA4 to include a policy and detailed mechanism for determining when a user is entitled to receive a discount, Synergy submits the ERA should approve the distributed generation reference services Synergy sought in its December reference services request, namely:

- a distributed generation low voltage connection service – residential;
- a distributed generation low voltage connection service – business; and
- a distributed generation high voltage connection service – business.

These reference services are detailed in Part B of Attachment 1 to these submissions. Synergy has made some slight amendments to the description for each of the proposed reference services to better reflect section 7.10 of the Access Code. These amendments are highlighted green.

Synergy's proposed distributed generation reference services are consistent with sections 5.2(b) and 7.10 of the Access Code.

Section 5.2(b) of the Access Code requires that an access arrangement must specify a reference service for each covered services that is likely to be sought by a significant number of users and applicants, or a substantial portion of the market for services in the covered network. As submitted elsewhere in these submissions (and as the ERA acknowledges in its draft decision – see at [ERADD 659], section 5.2(b) requires that reference services should be based on users' requirements (rather than what WP thinks is required).

In its December reference services request, Synergy substantiated that the proposed services are likely to be sought by a significant number of applicants or a substantial portion of the market for services in the covered network by providing details on the service demand, including:

- Distributed generation and advanced energy efficiency low voltage connection – residential. Synergy proposed more than 230,000 of its existing customers, representing a substantial proportion of the market for services in the covered network, would be candidates and likely to seek the retail product based on this new reference service.

- Distributed generation advanced energy efficiency low voltage connection service – business. Synergy proposed, subject to the price, eligibility criteria and terms that apply to the service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.

- Distributed generation advanced energy efficiency high voltage connection service – business. Synergy proposed, subject to the price, eligibility criteria and terms that apply to the service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.

Synergy's proposed reference services require a bi-directional connection point. For the reasons outlined above, Synergy submits that section 7.10 is able to be applied to these proposed reference services.

Synergy's proposed distribution generation reference services are not a conveyance service per se but ancillary to conveyance. Rather, they are intended to work together with the other reference services with a bi-directional connection point (for example, reference services C1-C4, A5-A8, D1-D4, and any other non-reference services with bi-directional services) so that, in circumstances where a user seeks to connect distributed generating plant to a covered network, a discount must be reflected in a user's tariff (in accordance with section 7.10). The proposed reference services will only apply to connection points in a particular part of the network. Synergy has sought to make this explicit by adding these words into the description of each of the proposed reference services (amendments highlighted green).

Synergy previously submitted WP's prudent discount scheme does not provide sufficient ability for a user to use private assets and investments to receive a prudent discount. The current arrangement requires a user and WP to negotiate a discount. However, the arrangement provides no framework or certainty to deliver private investment to reduce network costs and improve network efficiency other than through a requirement to negotiate. The absence of a workable prudent discount mechanism has resulted in users not being able to obtain and use the discount to financially incentivise their customers to invest in behind the meter solutions such as energy storage, EVs, solar PV, and home energy management services delivered through digital applications.

Synergy considers the tariff arrangement under section 7.10 of the Access Code would be similar to the "user-specific charge" calculated by WP under reference tariffs TRT1 and TRT2 that are applied to the user's tariff. However, under Synergy's proposed reference services, WP would be required to calculate the "user-specific discount" that is to be reflected in the user's reference tariff. Synergy considers this proposal is relatively simple to implement and flows through to retail tariffs payable by the customer. Synergy discusses the implementation options further below (under the heading "Perth Energy's proposed thin connection service"). This discount amount could be calculated and reflected in the user's tariff as a function of energy ($/kWh) or demand ($/kVA).

Perth Energy's proposed thin connection service

Synergy was not alone in seeking a reference service that encourages non-network solutions. Perth Energy's proposal to the ERA for a "thin connection" service is, operationally, aligned with Synergy's request for the distributed generation connection services. Both Perth Energy's and Synergy's proposed reference services sought a mechanism to incentivise customers to reduce their network impact and hence receive benefit for doing so.

Synergy supports Perth Energy's views (as set out at [ERADD 729]) that "… the current tariff structure is not overly flexible and WP's AA4 submission should consider tariff structures like 'thin connection'. Given the prevailing growth in behind the meter energy solutions, it is likely that some parts of the SWIS or even individual customer connections would benefit from a 'thin connection' type tariff arrangement over the AA4 period…". Therefore, Perth Energy's proposed reference

service is, practically and economically, a connection service to support the installation of nominated distributed generation facilities (including battery systems) and/or advanced energy efficiency measures (including direct load control) at a connection point that reduces the demand or burden on the network, as is Synergy's proposed reference services.

Perth Energy and Synergy both submitted to the ERA WP's reference services do not reflect their user requirements as contemplated under the Access Code in relation to non-network solutions or behind the meter solutions such as embedded generation, micro-grids, standalone power systems, demand management programs, direct load control, battery systems etc ('**non-network solutions" or "behind the meter solutions"**). Services such as these all have a vital role in promoting the efficient utilisation of network and avoiding capital expenditure. However such services are not monopoly assets or services but are properly assets and services that can be provided via competitive markets in response to efficient network signals. Non-network solutions must be promoted and supported by network services, not restricted or limited by them.

Both Perth Energy's requested service, and Synergy's requested services, although different in design, sought a similar outcome whereby the network operator provides a reference service that facilitates non-network solutions or behind the meter solutions as a means of reducing network capital expenditure and hence transport charges payable by the user who delivers such solutions.

Given the prevailing growth in behind the meter or non-network solutions, it is likely that some parts of the SWIS or even individual customer connections would benefit from a thin connection or distributed generation tariff arrangement over the AA4 period. Therefore, this practically and economically, is a connection service to support the installation of nominated distributed generation facilities (including battery systems) and/or advanced energy efficiency measures at a connection point that reduces the demand or burden on the network.

It is important to recognise customers are materially financially better off if they generate and store their excess electricity for their own use rather than exporting it into the grid. An increasing number of customers are beginning to recognise this. However, unless network benefits are passed through to these customers they are unlikely to make such an investment and will continue to pay the normal network tariffs. In addition, such an initiative will also encourage customers to store their excess generated electricity rather than exporting it into the network.

The ERA determined that services such as Perth Energy's proposed thin connection service may be required and stated it will give consideration to it being included as a reference service if sufficient information is presented to demonstrate the service is likely to be sought by a significant number of users [ERADD 730]. For the reasons set out above, Synergy considers this substantiation has adequately been provided under Synergy's December reference services request for the three proposed distribution generation reference services.

Accordingly Synergy submits the ERA must determine a reference service or services – whether that is in the form of Synergy's proposed distributed generation connection reference services or Perth Energy's proposed thin connection service – that meets the Access Code's objective in terms of users being able to provide non-network solutions to customers on the basis such a reference service is likely to be sought by either or both of a significant number of users and applicants or a substantial

proportion of the market for services in the covered network (section 5.2(b) of the Access Code). Synergy notes as reference services these services would be available to all users (subject to the connection point being at a particular part of the network).

Additionally, Synergy considers that approving a reference service or services – whether in the form of Synergy's proposed reference services or Perth Energy's proposed service – is consistent with the matters the ERA must have regard to under section 26 of the ERA Act when approving an access arrangement, including the long-term interests of consumers in relation to price, quality and reliability of goods and services provided in relevant markets, the need to encourage investment in relevant markets, and the need to promote competitive and fair market conduct and the Access Code objective of promoting the economically efficient investment in, and operation and use of, networks and services of networks in WA in order to promote competition in markets upstream and downstream of the network.

Finally, Synergy notes that in response to the ERA's draft decision to unbundle metering charges from reference (conveyance) services Synergy has modified its December references services request in relation to the distributed generation residential and business reference service to unbundle metering from its previously requested reference service request. The modified distributed generation residential and business reference service request is detailed in Part B of Attachment 1.

3.2.3 Capacity allocation reference service request

Synergy in its December reference services request requested the ERA to approve, in accordance with section 5.2 of the Access Code, the following services to swap unutilised (load or generation) capacity between connection points.

Service Type	Proposed reference services
Capacity swap service	(xiv) New: Intra-day contracted capacity swap service (nominator) between connection points - business (xv) New: Intra-day contracted capacity swap service (nominee) between connection points - business
(DSOC) Capacity allocation service	(xvi) New: Contracted capacity allocation service (nominator) at the same connection point - business (xvii) New: Contracted capacity allocation service (nominee) at the same connection point - business
(CMD) Capacity allocation service	(xviii) New: CMD allocation service (nominator) at the same connection point - business (xix) New: CMD allocation service (nominee) at the same connection point - business

These services are detailed in part C of Attachment 1.

The ERA in its draft decision determined:

1. it would be difficult to specify a standard service [ERADD 747); and

2. there is insufficient evidence to support this service is likely to be sought by a significant number of users or proportion of the market [ERADD 748].

Synergy does not understand what the particular complexity is the ERA is contemplating (at [ERADD 747]. Synergy notes:

- The processes for nominating capacity already exists in a range of instruments including transfer applications under the Applications and Queuing Policy.

- Access contracts require users and WP to track and monitor capacity in respect of a connection point.

- The ERA approves reference tariff structures and charges based on capacity.

- The invoicing provision under the access contracts, including the standard access contract, use capacity as the basis for invoicing charges. Consequently, from Synergy's practical experience in managing Western Australia's largest access contract since its inception in April 2004 Synergy does not agree there are any technical or economic difficulties in allocating, varying and charging for services on the basis of capacity because it already occurs under the current access arrangement and those before that.

This service would be simpler to describe and implement when compared to many of the existing reference services such as the complex rolling 12 month metered demand services. In addition, Synergy has also outlined the scope of the service description in its December reference services request.

The ERA acknowledges the right to this type of allocation already exists under the Access Code [ERADD 747]. Hence, Synergy seeks an efficient allocation mechanism for a significant number of its customers. Synergy considers that a reference service is an efficient way of facilitating this and is consistent with the Access Code objectives particularly in relation to the efficient operation and use of the network. Therefore, Synergy considers it should not be prevented from obtaining such a reference service under the Access Code.

In addition, the ERA in its AA3 draft decision (item 1592) made the following determinations:

- "under the regulatory scheme established by the Access Code, where access contracts are based on rights to capacity at entry points and exit points, it would be unreasonable for a user to not be able to enter into a contract for capacity and, subject to continuing to pay the relevant tariffs for that capacity, to continue to hold the contracted capacity regardless of whether that capacity is used or not";

- "the ability of a user to hold contracted capacity at entry points or exit points that are unused is consistent with efficient investment in the network as the user will generally make any such decision to hold unused capacity taking into account the cost of that capacity and the value of the option to utilise the capacity at some time in the future"; and

- "under the regulatory scheme applying under the Access Code and where a user may be required to pay capital contributions for an augmentation of the network in order to contract for a certain amount of capacity at an entry or exit point, the ability of a user to hold contracted capacity that is unused is necessary for that user to make efficient decisions for the payment of capital contributions".

Therefore, Synergy's request for reference services to better utilise its capacity rights is consistent with the ERA's views expressed in its AA3 draft decision. However, having the right to hold unused capacity and not being allowed to easily use it at another connection point is not an efficient or sensible outcome in terms of achieving the Access Code objective and promoting competition upstream and downstream of the network.

Synergy considers making individual requests under the Transfer and Relocation Policy and being required to have a protracted discussion with WP to nominate services is inefficient, unnecessarily hinders the efficient use of unutilised capacity and contrary to the Access Code objective.

Synergy notes as reference services Synergy's proposed reference services would be available to all users and would reduce the need to augment the network if all users are permitted to efficiently use their unused capacity for applicable connection points[14].

Synergy also does not agree with the ERA there is insufficient evidence that the proposed reference services are likely to be sought by a significant number of users or proportion of the market. In this regard, Synergy refers to its December reference services request (pages 48-53) and associated customer market research (confidential) in support of its reference services request. Synergy considers the number of customers that it has proposed will use these reference services represents a significant proportion of the market. In addition, customers will receive the financial benefit of such a reference service without the unnecessary administrative burden of making applications under the Transfer and Relocation Policy or the burden of negotiating connection contracts.

Synergy requires the ERA to reconsider Synergy's request for these reference services and the information provided in Synergy's December reference services request submission to make a determination that accords with section 5.2 of the Access Code and is consistent with the Access Code objective.

3.2.4 Direct load control and load limitation reference service request

Synergy in its December reference services request required the ERA approve direct load control and load limitation reference services[15] for use on the low voltage distribution network. These services are detailed in part D of Attachment 1.

The ERA determined these "…services require remote communication with advanced meters. As the expenditure for this has not been approved the cost of this service may be quite high, as a meter

[14] Where it is technically feasible to do so.

[15] As proposed in Synergy's December reference services request under item (xx) New: direct load control service - low voltage and item (xxi) New: load limitation service - low voltage.

with remote communications would need to be installed by WP and paid for by the user requesting the service…" [ERADD 751]. It appears the ERA has not approved Synergy's request for the direct load control and load limitation reference services based on its perception of "quite high cost" instead of the requirements under the Access Code and what is currently being used in the industry.

The ERA must determine whether to approve a reference service request on the basis of the requirements of section 5.2 of the Access Code. Further, the Access Code requires reference services to be cost reflective. The requirement for cost reflectivity in services is a recurrent theme in the ERA's draft decision and is clearly supported by several parties who made submissions and supported by the ERA. In particular, the ERA's Required Amendment 19 requires WP to demonstrate proposed service charges are cost reflective.

In addition, the ERA has also proposed if "…Synergy is able to demonstrate that this would still be a service sought by a significant number of users, then WP should offer it as a reference service" [ERADD 751].

Synergy considers, under the Access Code, the decision to approve the reference services is the role of the ERA and not WP. In addition, Synergy considers it has demonstrated, in its December reference services request, the need for these reference services to support its retail and affordability offerings.

Direct load control and load limitation are not new network service concepts or offerings. For example, the following network operators in the NEM offer a range of load controlled services approved by the AER:

- ActewAGL
- Ergon Energy
- Energex
- Endeavour Energy
- Essential Energy

Therefore, Synergy does not accept the cost of these services may be quite high but requires the charges to be cost reflective, efficient and approved by the ERA.

Synergy notes that WP's proposed meters, approved under the draft decision and regulated capital base, include load control features. Therefore, ERA may reasonably have considered the provision of these reference services (through WP's proposed communication infrastructure and meter[16]) may be lower than alternative options. Synergy, based on its experience and discussion with meter service providers, does not consider there is any evidence to support this premise. However, Synergy is indifferent to the technology used to deliver the reference services but requires the services to be delivered reliably and efficiently.

Synergy would use these reference services through the proposed AMI infrastructure providing the ERA has approved the service charges and service standards to be cost reflective and efficient.

[16] With enhanced technology features.

Therefore, subject to the ERA approving the remote communications infrastructure, Synergy requires the ERA to reconsider its request for Synergy's proposed reference services and make a determination in accordance with section 5.2 of the Access Code and the information Synergy provided in the December reference services request.

3.2.5 Supply abolishment and remote connection/disconnection reference service request

The ERA determined it would provide greater clarity to users if the manual connection/disconnection process was included as a reference service in AA4 [ERADD 754]. Synergy supports and agrees with this decision. Similarly, Synergy requests the ERA to determine the supply abolishment service should also be provided as a reference service[17].

Synergy notes the ERA has not approved the communications expenditure in relation to WP's AMI proposal. However, subject to the communications expenditure being approved by the ERA, Synergy requires the ERA to also include the provision of remote connection/disconnection as a reference service[18] in AA4. As noted in its December reference services request,[19] and based on Synergy's customer market research (confidential), a substantial portion of the market for services in the covered network is likely to seek retail products based on a new remote disconnection and new remote reconnection reference service. Synergy submits that approving remote disconnection and reconnection reference services for AA4 is consistent with sections 5.2(b) and 5.2(c) of the Access Code. These services are detailed in part E of Attachment 1.

Synergy has made a submission to the ERA in relation to WP's proposed model service level agreement and in relation to the supply abolishment service under the current model service level agreement. Synergy has proposed the supply abolishment service should not be an extended metering service nor be dealt with as part of any metering service, as it does not relate to metrology. The supply abolishment service principally relates to the modification of the network and the removal of a connection point from a user's ETAC. Accordingly, Synergy submits the service needs to be dealt with as a reference service and not a model service level agreement matter.

3.3 Request for amendments to existing reference services

3.3.1 Insertion of a shoulder period into the A3 and A4 time of use reference services

The ERA determined WP should "…base its reference services on the requirements of its users. However, the ERA considers WP is best placed to identify the periods of network congestion and structure its network services around this" [ERADD 738]. The ERA also notes that retailers are likely to use different time periods from the network operator as they have broader factors to consider than just the network [ERADD 739].

[17] Including applicable service standards.
[18] Including applicable service standards.
[19] See, December reference services request, p 57.

A period of network congestion directly affect generators, retailers and customers both operationally and financially and is not an arbitrary concept that should be left to the exclusive determination of a network operator. This is certainly not the case in relation to the tariff structure statements that are developed and approved in the NEM.

Therefore, Synergy considers it is necessary for the ERA to independently form a view of the periods of network congestion so it can determine whether WP's charging windows are efficient and reflect the times of network congestion. It would be reasonable for WP to provide this substantiation to the market. In Synergy's view periods of network congestion are statements of fact based on metering data and therefore, does not accept that WP is the only authority who can identify periods of network congestion.

Network tariffs represent a substantial portion of a customer's electricity bill and because of this customers also have a direct interest in network congestion and how it affects them financially. Therefore, retailers are extremely sensitive to the actual periods of network congestion because:

1. it financially affects them directly because of the price signals;
2. they need network services that incentivise users' customers to shift to alternative time bands;
3. it affects customer uptake of retail product offerings; and
4. they allow users to optimise their generation fleet operations (energy portfolio) and network use.

Synergy, in its December reference services request[20] commented on WP's current and proposed (two part) time of use services (A3, A4)[21] for residential and business customers in particular, highlighting the 14 hour peak period charging window is not reflective of network congestion. This level of network congestion is not reasonable or reflective of the data WP has published in relation to the network congestion. This 14 hour peak charging window, shown below, has been imposed on users since AA1 (2007). This is one of the key reasons why Synergy considers it is important for the ERA to independently form a view of the periods of network congestion so it can determine if WP's charging windows are cost reflective and reflect the times of network congestion.

	Monday – Friday (includes public holidays)			Saturday - Sunday
	Off-peak	[redacted]	**Off-Peak**	**Off-Peak**
RT3	12:00am – 7:00am	7:00am – 9:00pm	9:00pm – 12:00am	All times
RT4	12:00am – 8:00am	8:00am – 10:00pm	10:00pm – 12:00am	All times

Uptake of time of use is unlikely to increase unless the 14 hour peak period charging window in the A3 and A4 service is addressed. In addition, users do not naturally seek to base retail offerings on a 14 hour peak reference service because it is difficult to be innovative in creating retail services and prices for customers. The 14 hour peak period charging window was not developed in response to the requirements of a significant number of users and applicants or a substantial portion of the

[20] Ibid.

[21] Note the C3 and C4 services are the bi-directional equivalent of the A3 and A4 services.

market for services; neither does it support retail products that Synergy's customers seek. Without modification, the A3 and A4 time bands are now obsolete.

Therefore, Synergy largely supports and welcomes the (three part) time bands proposed by WP below for the D1-D4 reference services provided different cost reflective prices apply to each time.

Monday – Friday (excludes public holidays)				Saturday - Sunday
Off-peak	**Shoulder**	**On-Peak**	**Off-Peak**	**Off-Peak**
12:00am – 12:00pm	12:00pm – 3:00 pm	3:00pm – 9:00pm	9:00pm – 12:00am	All times

Synergy considers this to be a significant improvement over the 14 hour peak period. However, Synergy requires the ERA, in accordance with section 5.2 of the Access Code, to determine a more cost reflective shoulder time band from 7am-3pm[22], reflective of network congestion, to create innovative and differentiated retail offerings.

In view of the ERA's determination at [ERADD 685-686], Synergy as the largest user will progressively not use the reference services (A3, A4) with a 14 hour peak. Therefore, there is a significant risk these services will be abandoned in AA4. In addition, the ERA also considers that new reference services should be assessed on the merits of price signals to retailers [ERADD 675].

Synergy's December reference services request and (confidential) customer survey report substantiates the likely demand for this additional shoulder price signal. Therefore, Synergy proposes that an additional 7am-3pm cost reflective price signal (shoulder period) is added, as outlined below, to these (A3 and A4) reference services to address the issue with the 14 hour peak:

- Peak - 3pm-9pm
- Shoulder - 7am-3pm
- Off Peak - 9pm-7am weekdays and anytime weekends and public holidays

An alternative option would be to amend the 12pm-3pm shoulder for the D1-D4 reference services to 7am-3pm shoulder. However, Synergy considers modifying the A3 and A4 reference services together with WP's proposed new D1-D4 reference services offers the best flexibility and opportunity for retail offerings and innovation. Synergy considers this proposal achieves the Access Code objective and the requirement in sections 5.2(b) and 5.2(c) of the Access Code.

3.3.2 Consolidating the A1 – A4 services in relation to bi-directional flows

Synergy supports reference services that provide a combined exit service and bi-directional service. The D1, D2, D3 and D4 services for residential and business customers allows for both an exit service and bi-directional service. In addition, the metered demand and contract maximum demand reference services (A5 – A8), under AA4, will allow for both an exit service and bi-directional service. Synergy considers this to be a positive and efficient outcome because retailers do not have to

[22] As proposed in Synergy's December reference services request under item (ii) Amended: A3 three part time of use – residential.

undergo the administrative burden of re-nominating services if a customer, under those services, installs PV generation.

For those reasons, Synergy proposes the ERA require WP to combine the A1 to A4 services with the corresponding C1 to C4 services so the A1, A2, A3 and A4 reference services allow for both an exit service and bi-directional service. That is, combine:

- A1 with C1 to create – A1 exit and bi-directional service
- A2 with C2 to create – A2 exit and bi-directional service
- A3 with C3 to create – A3 exit and bi-directional service
- A4 with C4 to create – A4 exit and bi-directional service

Currently, for example, if a residential customer on the A1 reference service wishes to install a PV system then Synergy is required to submit a transfer application under the AQP to re-nominate the customer's site to the C1 bi-directional service. In Synergy's experience it is an unnecessary administrative burden between retailer, network operator and customer to be compelled to re-nominate the customer's reference service for bi-directional flows given Synergy receives approximately 2,000 PV connection requests per month. With the advent of behind the meter battery and electric vehicle uptake this number will increase. If there is one consolidated A1 exit and bi-directional service, retailers and WP would not need to submit a transfer application for what is otherwise, essentially, the same reference service. Synergy also notes there is no price differential between the A1 and C1 service. Synergy has previously requested WP for this combined service but has received no response to its request.

If the ERA requires WP to consolidate the A1 – A4 reference services with the corresponding C1 – C4 reference services, the logical outcome is for the C1 to C4 services to become redundant and be deleted, thereby reducing the number of reference services in AA4.

3.4 ERA request for reference service confirmation

3.4.1 Confirm ability to use the D1, D2, D3 and D4 services without installing AMI meter

WP has limited retailer use of the D1-D4 reference services on the basis of an "AMI Meter" by prescribing in the eligibility criteria for those reference services that an AMI metering installation or a compliance metering installation be installed at the exit point or bi-directional point.

This is similar to the approach WP adopted in the current A3 reference service, shown below, by using an undefined term "Smartpower meter" as a reference service eligibility criterion. This ambiguous definition resulted in Synergy not being able to install an interval meter to obtain interval data for residential customers via the A3 reference service over the life of AA3.

Reference Service Name:	Reference Service A3 – Time of Use Energy (Residential) Exit Service
Reference Service Description:	An *exit* service combined with a *connection service* and a *standard metering service* at an *exit* point on the low voltage (415 volts or less) *distribution system*.
Eligibility Criteria:	*Users* are eligible to use this *service* if: 1) The *exit point* is located at a residential premise or a premise occupied by a voluntary/charitable organisation; and 2) Either a Smartpower meter or multiple register time of use (TOU) accumulation meter is installed at the exit point[1]; and 3) The consumer's facilities and equipment comply with the Technical Rules, the WA Electrical Requirements and AS 3000; and 4) each of the following does not apply under an agreement with Western Power: a) The terms and conditions of the *access contract* under which the *service* will be provided are materially different to the Applicable Standard Access Contract for this *service*, b) The tariff that determines the *charge* is different to the Applicable Reference Tariff for this *service*, or c) The *User* is to receive delivered electricity at a *service standard* different to the Applicable Service Standard Benchmarks for this service.

WP has not made it clear, legally, what an AMI meter is. However, the ERA has determined that "…users should not be restricted to a particular reference service simply because WP has decided to install a particular type of meter. Retailers should have choice between an anytime use or time of use tariff for both new and existing customers. Providing WP sets its network tariffs to recover costs, it should be indifferent to which service retailers select" [ERADD 685-686].

The ERA has also determined that sufficient metering data services should be "…specified so that users can select the one that meets their need for each reference service" [ERADD 694, 726].

Synergy submits the ERA, in its final decision, must require WP to remove the reference to an AMI metering installation from the reference service eligibility criteria so that retailers can use the D1–D4 services for both new and existing customers without the need to install a particular meter (AMI) type.

Further Synergy considers the terms "AMI Meter" and "AMI Metering Installation" have no legal or regulatory basis under the Access Code or Metering Code. Synergy has made various requests to WP to provide adequate definitions of what the terms mean in the context of the Access Code and the Metering Code, but to date has not been provided with a clear response. If WP is not able to define those terms to the reasonable satisfaction of its largest user, then the user cannot be said to have understood, let alone to have required, the provision of AMI Meters or AMI Metering Installations (see section 5.2 of the Access Code). Synergy submits the ERA, in its final decision, must require the term to be removed from the access arrangement for AA4 so that it is clear users will have a choice between an anytime use, time of use or demand use tariff for both new and existing customers.

3.4.2 Requirement for daily interval data and service standards

The ERA determined sufficient metering services should be specified so that users can select the one that meets their needs for each reference service [ERADD 726]. The ERA determined that this would include a remote interval meter read [ERADD 726].

One of the key benefits of remote interval meter reads in the NEM is to provide a retailer with the ability to receive remote interval meter reads on a daily basis. This provides considerable opportunities for retailers to address a range of consumer needs ranging from affordability to charging their electric vehicles at the most efficient times.

Therefore, Synergy requires the ERA to clarify its Required Amendment 14 to ensure that WP provides remote interval meter reads on a daily basis in accordance with services standards that are consistent with the requirements of the *Electricity Industry (Metering) Code 2012* (**Metering Code**).

3.4.3 Requirement to replace and fund non-compliant meters

WP has proposed it will install an AMI meter at a customer's premises to replace a non-compliant or faulty meter. Synergy understands that the current process for the funding of replacement of non-compliant or faulty meters is that users and customers are not required to pay the upfront cost – rather, the replacement is funded through the target revenue without up-front contributions from users. This process has been operating since AA1 and is what the customer expects. For the avoidance of doubt Synergy seeks the ERA in its final decision to make it clear the status quo will continue – that is, user or customer would not incur the upfront cost for this replacement but the cost will be recovered via the approved target revenue through network tariffs.

4. PRIOR CONTRACTUAL RIGHTS

In its draft decision, the ERA stated it had reviewed information provided by Synergy in support of Synergy's claim it had pre-existing contractual rights it would be prevented from exercising if the ERA approves certain aspects of WP's proposed revisions to its Access Arrangement.

Following that review, the ERA considered there are no pre-existing contractual rights Synergy would be precluded from exercising in a manner that is prohibited by section 4.34 of Access Code.

Synergy does not agree with the ERA's position on this matter. In Synergy's view WP's proposed AA4 will have the effect of depriving Synergy of its pre-existing contractual rights so as to materially impinge Synergy's ability to supply electricity to more than one million residential and business customers by being potentially denied access to existing reference services. This is because Synergy's existing electricity transfer access contracts (**Synergy's ETAC**) is "materially different" to the standard access contract available under AA4.

Synergy is unlikely to be alone in relation to its concern over prior contractual rights to reference services being impinged. The issue Synergy has and is raising will affect many other users, notably third party retailers supplying electricity to contestable customers within the SWIS. In other words the issue Synergy has raised, and is raising, with the ERA is not limited to Synergy but any energy market participant, that if not addressed will not meet the Access Code's objective of promoting the economically efficient investment in, and operation and use of, networks and services in order to promote competition upstream and downstream of the network.

This section contains Synergy's further submissions in respect of the pre-existing contractual rights issue.

4.1 Synergy's submissions

In its submission to the ERA on WP's proposed amendments to the SETAC,[23] Synergy noted section 4.34 of the Access Code provides the ERA must not approve a proposed revision to WP's Access Arrangement that would, if approved, have the effect of depriving a person of a contractual right that existed prior to the earlier of the submission deadline for the proposed revisions to the access arrangement and the date on which the proposed access arrangement was submitted (**pre-existing contractual right**).

[23] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 2: Western Power's proposed standard electricity transfer access contract* (8 December 2017), pp 12-13.

Section 4.35 of the Access Code provides the prohibition in section 4.34 of the Access Code does not apply to protect an "exclusivity right", which arose on or after 30 March 1995. An "exclusivity right" is defined in the Access Code to mean a contractual right which by its terms either (a) expressly prevents a service provider supplying covered services to persons who are not parties to the contract; or (b) expressly places a limitation on the service provider's ability to supply covered services to persons who are not parties to the contact, but does not include a user's contractual right to obtain a certain volume of covered services.

Synergy stated it was precluded from discussing the nature of its pre-existing rights because of contractually binding confidentiality regimes that applied between it and WP. Synergy suggested the ERA may wish to issue an information gathering notice under section 51 of the ERA Act to require Synergy to produce information by force of law. Such a legally binding direction would enliven one of the exceptions to the confidentiality regime, allowing Synergy to discuss its concerns with the ERA.

The ERA was not agreeable to this approach and proposed Synergy obtain counterparty consent to release the relevant information. WP promptly granted its consent to Synergy disclosing relevant details, which Synergy did soon after obtaining WP's consent.

Synergy subsequently made further submissions dated 30 January 2018 and 19 February 2018 that were confidential in nature. The first set of confidential submissions detailed at a high level of generality Synergy's concerns with respect to interference with pre-existing contractual rights. The second set of confidential submissions included relevant access contracts between Synergy and WP and contained a more detailed consideration of the contractual rights Synergy considers it, or a third party, will be prevented from exercising if certain proposed changes to WP's access arrangement are approved by the ERA for AA4.

4.2 Eligibility criteria concern

Synergy is concerned the ERA has not in its draft decision or elsewhere given consideration to Synergy's concern with respect to the reference service eligibility criteria, in circumstances where the standard electricity transfer access contract approved in respect of AA4 (**AA4 SETAC**) is materially different to access contracts that exist between WP and users.

By way of illustration, the proposed eligibility criteria for the A1 reference service[24] is below.

[24] Refer Western Power's proposed revisions to its Access Arrangement for the fourth Access Arrangement, Appendix E Reference Services, p 5.

Reference Service Name:	Reference Service A1 – Anytime Energy (Residential) Exit Service
Reference Service Description:	An *exit service* combined with a *connection service* and a *standard metering service* at an *exit point* on the low voltage (415 volts or less) *distribution system*.
Eligibility Criteria:	*Users* are eligible to use this *service* if: 1. The *exit point* is located at *residential premises* or a premises occupied by a *voluntary/charitable organisation*; and 2. An *accumulation metering installation* or a *compliance metering installation* is installed at the *exit point*; and 3. The *consumer's facilities and equipment* comply with the *compliance instruments*; and 4. each of the following does not apply under an agreement with Western Power: a. [redacted] b. The *tariff* that determines the *charge* is different to the Applicable Reference Tariff for this *service*, or c. The *user* is to receive delivered electricity at a *service standard* different to the Applicable Service Standard Benchmarks for this *service*.
Applicable Reference Tariff:	"RT1" in the applicable *price list* published in Appendix F of the *access arrangement*
Applicable Standard Access Contract:	"Electricity Transfer Access Contract" published in Appendix A of the *access arrangement*
Applicable Service Standard Benchmarks:	As set out in Section 4.2 of the *access arrangement*

The following information highlighted yellow is commercial in confidence, and incorporates references to contracts of which Synergy does not have the consent of WP to disclose to parties other than the ERA. Synergy requests the ERA to redact the information highlighted yellow from Synergy's public version of this submission.

Synergy currently uses the A1 network reference service to supply electricity to more than 975,000 residential customers under its [redacted]

[redacted]

[redacted]

In essence, Synergy's concern is as follows:

- It is a characteristic of the "eligibility criteria" for each reference service that users are not eligible for any reference services for AA4 if, among other things, "the terms and conditions of the access contract [between WP and the user] under which the service will be provided are **materially different** to the applicable standard access contract for the service" (**emphasis** added).

- This eligibility criterion was introduced by WP in its proposed revisions to its Access Arrangement for the third access arrangement and approved by the ERA in respect of the same period. Synergy raised various concerns in relation to the criterion which were not accepted by the ERA prior to its Final Decision on Proposed Revisions to the Access Arrangement for the WP Network dated 5 September 2012 – see at [132] of that Final Decision.

- The legal meaning of the extracted text from the eligibility criteria quoted above has clearly not been tested by a Court but the term "materially different" would, in Synergy's view, be enlivened by differences that are not immaterial with respect to the services provided under those terms and conditions, performance standards in respect of those services or the risk allocation regime described in access contracts, being in respect of insurance, liability and indemnity.

- Synergy understands that most access contracts in place between WP and users are based on the form of the standard electricity transfer access contract that was approved by the ERA in respect of WP's first Access Arrangement period. That model electricity transfer access contract:

    - requires users to continue to meet the eligibility criteria for connection points that receive a reference service (defined as "Reference Service Points" in the AA4 standard access contract); and

    - entitles users to select reference services from time to time as those reference services are amended in the Access Arrangement, consistent with the Access Code.

- It is also clear from the term in respect of which legacy ETACs are intended to be effective, as well as the mechanism for the selection of reference services, the contracts are intended by the parties to apply from one Access Arrangement period to another for the purposes of WP supplying, and the user obtaining, the provision of reference services.

- For these reasons, we consider there are two **primary rights** the approval of AA4 of which will deprive Synergy of prior contractual rights.

    - Users will be deprived of their existing contractual right to be provided reference services (including as the A1 reference service) under the terms of their current

ETACs from one Access Arrangement period to the next (subject to meeting the eligibility criteria). This arises because, generally, legacy ETACs will be "materially different" to the standard access contract available under AA4. Synergy has previously provided the ERA evidence of the provisions under ETACs which it considers are materially different from the proposed AA4 SETAC. Therefore, the user will not be able to comply with its contractual requirement and will be forced to enter into a new ETAC that is not materially different to the standard access contract to continue to receive reference services (or in fact any services – see arguments further below). This has major implications for retailers who have contracted to supply electricity to customers based on an ETAC that is not the AA4 SETAC.

- Users will be deprived of their current right to select and use reference services from time to time under terms of their current ETACs. In effect, the changes proposed in AA4 will deprive users on legacy ETACs of their existing contractual right to select services (under the equivalent of clause 3.2 of the standard access contract) and have those services provided on the terms of the legacy ETAC.

- In Synergy's view, it is clear from the terms of standard access contracts in previous Access Arrangements, and the terms proposed in the AA4 SETAC, that access contracts are designed to continue to have effect from one Access Arrangement period to the next. Generally, this occurs because, on and from the commencement of an Access Arrangement period (e.g. AA4), reference services offered under the previous Access Arrangement (e.g. AA3) will cease and the services provided to users becomes the new reference service. This is supported by the fact there is no mechanism to transfer a service that ceases to be a reference service (e.g. due to the user being unable to comply with the eligibility criteria) to being a non-reference service. Therefore, the proposed changes to AA4 will result in a circumstance where it is unclear how the legacy ETACs continue to apply to all users. For example, when the eligibility criteria is no longer capable of being met:

  - Does the user simply breach the equivalent of clause 3.3 of the standard access contract for the remainder of the term?

  - Does the service become a non-reference service with no defined service standards?

  - Is the user obliged to re-negotiate the terms of the legacy ETAC so that contract is no longer "materially different" to the AA4 SETAC?

- The consequence of the foregoing is not only that users will be deprived of their primary rights to continue to receive reference services on the terms of its legacy ETAC but also the party will be deprived of its rights to exercise any **secondary right** that party may have under the legacy ETAC:

  - negotiated or in place because of the ERA's previous decisions in prior Access Arrangement periods;

- that exists prior to the earlier of the submission deadline for the proposed revisions to the Access Arrangement and the date on which the proposed submissions to the Access Arrangement was submitted; and

- that are, in substance, different to clauses contained in the AA4 SETAC.

The following information highlighted yellow is commercial in confidence, and incorporates references to contracts of which Synergy does not have the consent of WP to disclose to parties other than the ERA. Synergy requests the ERA to redact the information highlighted yellow from Synergy's public version of this submission.

[redacted]

Approving the reference services eligibility criterion, in Synergy's view, amounts to a breach of section 4.34 of the Access Code because in essence it results in the effect of preventing the exercise of the primary right and any secondary right under the legacy access contract.

Synergy considers this may be remedied by either:

- including a comprehensive definition of "materially different" to ensure any access contract that is based on a standard electricity transfer access contract approved by the ERA is excluded from the effect of the provision; or

- deleting the words "The terms and conditions of the *access contract* under which the *service* will be provided are materially different to the Applicable Standard Access Contract for this *service*," from each proposed AA4 reference service eligibility criteria; or

- the ERA requesting WP provide it with a copy of each access contract between it and a user in order to ascertain what amendments to the proposed AA4 SETAC may not be made in order to ensure compliance with section 4.34 of the Access Code.

Synergy considers the first option is likely to be preferable and is consistent with the policy rationale adopted by the ERA in its Final Decision in AA3 in approving the subject eligibility criterion.

4.3 Effect of WP's proposed amendments to the AQP

As previously submitted,[25] section 2.6 of the Access Code provides nothing in the Access Code or an access arrangement prevails over or modifies the provisions of a contract for services, except for present purposes the AQP and the Technical Rules. Importantly, section 4.34 of the Access Code does not entitle the ERA to approve any proposed revisions to an access arrangement which, if approved, would have the effect of depriving a person of a pre-existing contractual right.

Of concern to Synergy is WP's proposed amendments to clause 3.8 and proposed new clause 14.5 of the AQP, which introduce a new concept of "multiple trading relationships", and exclude "excluded services" from the AQP. Both of these issues are discussed in detail in section 8 of these submissions. The ERA has, in its draft decision, approved both of these proposed amendments.

The following information highlighted yellow is commercial in confidence, and incorporates references to contracts of which Synergy does not have the consent of WP to disclose to parties other than the ERA. Synergy requests the ERA to redact the information highlighted yellow from Synergy's public version of this submission.

[redacted]

[redacted] As noted elsewhere in section 8 of these submissions, it is not clear to Synergy what WP's proposed concept of multiple trading relationships is. [redacted]

[25] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 2: Western Power's proposed standard electricity transfer access contract* (dated 8 December 2017), p 13.

[redacted] As noted above, an "exclusivity right" refers to a contractual right which by its terms either (a) expressly prevents a service provider supplying covered services to persons who are not parties to the contract; or (b) expressly places a limitation on the service provider's ability to supply covered services to persons who are not parties to the contract, **but does not include a user's contractual right to obtain a certain volume of covered services**. [redacted] This means the application of section 4.34 of the Access Code to the ERA's approval of WP's proposed amendments to clause 3.8 and proposed new clause 14.5, is not excluded.

[redacted]

Synergy submits it is not for WP to determine whether a party has access to any contracted capacity at a connection point (which, Synergy submits, is the effect of WP's proposed clauses 3.8 and 14.5 of the AQP). If another party wishes to acquire contracted capacity at a connection point, then Synergy submits that that party must be on a reference service determined by Synergy (as a user) – for example, one of Synergy's proposed capacity trading reference services requests to the ERA, whereby:

- users (such as loads) would be able to 'swap', for a nominated day, contracted capacity (contracted rights) between connection points on their respective separate electricity transfer access contracts;
- users (such as loads) would be able to 'share', for a specified period, contracted capacity with another user at the same connection point.

By the force of section 2.6 of the Access Code, the provisions of the AQP prevail over the provisions of a contract for services [redacted] However, section 4.34 of the Access Code cannot be read down by section 2.6 of the Access Code. Section 4.34 of the Access Code imposes a mandatory obligation on the ERA to not approve a proposed access arrangement which would, if approved, have the effect of depriving a person of a pre-existing contractual right. Section 4.34 of the Access Code is not subject to section 2.6 of the Access Code (and with the exception of section 4.35, it is not subject to any other provision of the Access Code).

Synergy requests the ERA reconsider the impact of WP's proposed amendments to clause 3.8 and proposed new clause 14.5 of the AQP against the Access Code's requirements specified in the above paragraph. For the reasons set out above, Synergy considers that if the ERA approves WP's proposed amendments, this results in a breach of section 4.34 of the Access Code because it prevents Synergy from exercising its proprietary right (a pre-existing contractual right) in respect of any contracted capacity at a connection point.

Synergy requests the ERA to redact the following information highlighted yellow from Synergy's public version of this submission.

[redacted]

[redacted]

5. PRICE CONTROL

On balance, Synergy considers the ERA's draft decision with respect to price control represents a fresh, positive approach to a range of challenges facing WP and its users, within the confines of the Access Code.

However, there are several matters Synergy requests the ERA to consider further. These matters are detailed below.

5.1 Demand risk in relation to revenue cap services [ERADD 73 – 90]

The ERA in its draft decision acknowledged points made in Synergy's submissions the revenue cap structure previously adopted by the ERA essentially externalised demand risk on users, producing an inequitable and inefficient outcome. To address this the ERA requires WP to amend its proposed price control to:

- enable users to predict the likely annual changes in target revenue during the access arrangement period; and
- avoid price shocks, i.e. sudden material tariff adjustments between succeeding years.

The ERA considers this could be achieved by:

- removing the correction factor for under or over-recovery of target revenue for prior periods from the price control formula; and
- requiring the forecast revenue recovery, from WP's proposed tariffs in each year's price list, to be based on customer numbers and volumes consistent with the demand forecast approved with the AA4 decision.

Synergy understands the ERA expects to deliver the outcomes specified in the first two dot points in part, by removing the K-Factor adjustment mechanism so that under or over recovery of revenue cannot be adjusted year-on-year.

In Synergy's view the ERA's required amendment is economically sound, particularly as it removes the demand risk from users. In effect, the approach turns the current revenue cap mechanism into a form of price cap by requiring the price for services to be calculated on the recovery of efficient costs for a fixed demand forecast per period. Further, depending on how the approach is actually implemented, Synergy considers it would comply with the Access Code's price control requirements.

For users, the ERA's approach has the advantage of enabling them to forecast their own costs with greater confidence. For WP, the approach will result in:

- WP recovering less than the efficient costs in respect of a service if forecast load exceeds actual load in respect of a year; and

- WP recovering more than the efficient costs in respect of a service if actual load year exceeds forecast load in respect of a year.

This means that over or under recovery of costs is to some extent inevitable because demand forecasts for a period, no matter how robust at the time they are made, inevitably differ from actual demand for that period. The extent to which this gives rise to a consistent over or under recovery of WP's costs will be influenced by:

- the robustness of the demand forecasts proposed by WP and adopted or amended by the ERA and contained in an Access Arrangement (thereby incentivising WP to have a robust accurate forecast process); and

- the triggers available in the Access Code to "re-calculate" demand forecasts in respect of a period when it becomes clear they are likely to be inaccurate to some pre-determined extent.

Therefore, Synergy commends the ERA on its approach which should allow users to forecast their own costs with greater confidence than is currently the case.

Given the importance of forecasts and the triggers for revisions during an Access Arrangement Period, including any threshold for triggers, Synergy expects it, and other users, to be granted an opportunity at the relevant time to review and comment on the detail of any mechanisms that may be proposed by WP or the ERA to implement the ERA's approach. However, in any event, Synergy considers the proposed approach should not result in any adjustment to WP's market risk premium or debt risk premium relative to the position adopted by the ERA in its draft decision.

It is important to maintain the delineation of WP's economic (or 'systematic') risk from the risks that result from business operations ('business' or 'unsystematic' risk). In Synergy's view, forecasting energy demand is unsystematic risk. The reasons for this are:

- Exposure to the risks of energy demand forecasting are a normal part of business operations for a range of energy market participants, including retailers, generators, market operators and energy solutions providers, who factor these risks into their business decisions as for any other risk factor.

- Clause 4 of the SETAC requires users, including retailers, to provide energy demand forecast information to WP in relation to the connection points on their access contract. WP therefore has access to detailed and disaggregated forecast information.

- The Access Code provides trigger mechanisms for WP to mitigate demand forecast risk under sections 4.38, 4.41A and 4.41B, by providing WP with the ability to re-set its forecasts and prices. These mechanisms are not available to other market participants or users who also rely on energy demand forecasts in operating their businesses.

Therefore, in Synergy's opinion the demand forecast risk WP is exposed to is reasonable, and can be managed by sound business practices and, if required, by relying on the mechanisms provided under the Access Code.

5.2 Non-revenue cap price control measures [ERADD 91 – 98]

The ERA notes WP's non-revenue cap services for the 2016/17 cost and revenue allocation method included the following non-reference services:

- access applications;
- metering extended services;
- transmission line relocations; and
- other (e.g. high load escorts and temporary supplies and disconnections).

The ERA notes charges for access applications are covered under the AQP and charges for metering extended services are covered under the MSLA. The ERA further considers this provides adequate oversight of these costs but that a clause should be added in the Access Arrangement to state that this is the case. Required Amendment 3 of the ERA's draft decision reflects this position.

In Synergy's experience, WP has adopted an interpretation of the MSLA in which prices for extended metering services contained in the MSLA operate as "fixed prices". This position, which is not necessarily inconsistent with the ERA's remarks with respect to non-revenue cap price control measures, is nevertheless inconsistent with the clear requirements of clause 6.6(1) of the *Electricity Industry (Metering) Code 2012* (**Metering Code**). Clause 6.6(1)(c) of the Metering Code requires the MSLA specify the "maximum charges the network operator may impose for each metering service that" the network operator must provide and may provide.

Clause 6.6(1)(e) of the Metering Code requires the MSLA must provide the charges that may be imposed under a service level agreement may not exceed the costs that would be incurred by a network operator acting in good faith and in accordance with good electricity industry practice, seeking to achieve the lowest sustainable costs of providing the relevant metering service.

The MSLA is therefore required to deal with charges by imposing a "price cap" and a "pricing principle" on WP's pricing conduct. Synergy considers that, were WP to apply the requirements of the Metering Code to its pricing conduct in respect of extended metering services, the charges for those services would typically fall below the "price cap".

In Synergy's view any amendments approved by the ERA consistent with Required Amendment 3 must reflect this dual characteristic of the Metering Code's requirements and its application to extended metering services. This is particularly the case given the MSLA is presently under review and its ultimate approved form remains undetermined.

5.3 Operating expenditure productivity improvements [ERADD 197 – 201]

Synergy understands WP’s indirect costs cover matters such as project management, computer and facilities maintenance. These costs are either capitalised or expensed in accordance with WP’s cost and revenue allocation model.

Table 25 AA4 proposed indirect expenditure (real $ million at June 2017)

Expenditure	2017/18	2018/19	2019/20	2020/21	2021/22	AA4 Total
Recurrent network base costs	181.4	181.4	181.4	181.4	181.4	907.1
Step changes	(12.0)	(12.0)	(22.5)	(22.5)	(22.5)	(91.5)
Total recurrent indirect costs	**169.4**	**169.4**	**158.9**	**158.9**	**158.9**	**815.6**
Network growth escalation	1.6	3.2	4.7	6.4	7.9	23.7
Efficiency	(1.7)	(3.4)	(4.9)	(6.5)	(8.2)	(24.7)
Labour cost escalation	0.6	1.2	1.7	2.4	3.2	9.1
Total indirect costs	**169.9**	**170.3**	**160.5**	**161.2**	**161.8**	**823.7**

Table 26 AA4 proposed indirect expenditure allocation (real $ million at June 2017)

Expenditure	2017/18	2018/19	2019/20	2020/21	2021/22	AA4 Total
Total indirect costs	**169.9**	**170.3**	**160.5**	**161.2**	**161.8**	**823.7**
Capitalised						
Transmission	29.8	35.2	36.5	38.1	36.8	176.4
Distribution	99.9	98.1	90.3	83.2	84.8	456.3
Total	129.7	133.3	126.8	121.3	121.6	632.7
Operating expenditure						
Transmission	10.0	9.1	8.2	9.7	9.7	46.7
Distribution	30.2	27.9	25.4	30.3	30.6	144.4
Total	40.2	37.0	33.6	40.0	40.3	191.1

WP included a 1% per annum (step reductions) productivity improvement in its proposed indirect costs due to business improvement efficiencies achieved in AA3 [ERADD 223]. This appears to consist of a $12 million reduction in the first two years and $22.5 million reduction in the last three years of AA4. In addition, Synergy notes that approximately 77% of WP's indirect costs is being capitalised.

However, the ERA has determined that:

- Fleet costs should not be capitalised and the step reduction should be $12 million for each year [ERADD 221].
- No growth escalation should be applied to indirect costs [ERADD 222].

In addition, the ERA has noted WP has not accounted for the efficiencies and cost savings in relation to its depot modernisation[29] and new IT systems [ERADD 200-201]. Together these initiatives represent a $333 million investment and Synergy considers that the resulting productivity improvements relative to these investments should be substantially more than 1%. Therefore, Synergy requests the ERA to consider this matter further and ensure the resulting productivity improvements are accounted for. This includes the level of productivity improvements that will need to be reflected due the AMI investment, subject to the ERA approving the proposed communications

[29] This initiative is reported to deliver recurring expenditure savings of $10 million per annum and a one-off benefit of $60 million which do not appear to have been accounted for [ERADD 200-201].

infrastructure. In addition, Synergy also requires the ERA to consider whether the level of indirect costs being capitalised is consistent with section 6.40 of the Access Code and is reasonable.

5.4 Projects that do not meet NFIT [ERADD 298 – 321]

Smart grid

Synergy notes the ERA's identification of certain projects it considers do not meet the new facilities investment test.

Synergy recommends in addition to the ERA's consideration of the matters referred to in the foregoing paragraphs, the ERA gives detailed consideration to WP's smart grid project, which was approved for AA3. Synergy does not have full visibility of evidence in relation to the project expenditure but understands the communications network component of the approved expenditure was not spent in AA3. Synergy queries whether the metering infrastructure component of the smart grid project was installed as planned and whether this investment passed the NFIT and if not, whether the AA4 regulated asset base needs to be adjusted as a consequence. Synergy requests the ERA consider this matter, consistent with its determination of the capital base under the Access Code.

Mid West Energy Project Stage 2

In its Access Arrangement Information for AA4, WP states that it "currently has no plans to undertake MWEP Southern Section Stage 2... during the AA4 period unless there is sufficient demand from generators in the region."[30]

Synergy supports the Mid West Energy Project Stage 2 as Synergy understands it will address a lot of the constraint issues in the North West Country. Synergy does not understand WP's position because Synergy is aware that there is great demand from users including prospective generators in the North West Country, and this is something that WP has commented on as a part of constrained access issues and the GIA solution.

5.5 Regulatory application of the tariff equalisation contribution [ERADD 837 – 839, 840 – 842]

Synergy has considered the ERA's response to its submission in relation to tariff equalisation contribution **(TEC)** recovery. Synergy notes the 2018-2019 state government economic and fiscal outlook states:[31]

> "The TEC funds the difference between the efficient costs of supply in the South West Interconnected System and Horizon Power's (higher regional) costs. The TEC is funded by Western Power's network distribution customers; that is, all Synergy retail customers and non-Synergy retail customers."

[30] WP, *Access arrangement information: Access arrangement revisions for the fourth access arrangement period* (2 October 2017), p 177 [680].

[31] Government of Western Australia, *State Budget 2018-19, Budget Paper No. 3: Economic and Fiscal Outlook*, p 256.

However, the TEC is not currently recovered from all network distribution customers but only those whose demand is less than 7,000 kVA. Synergy in its earlier submissions to the ERA in response to WP's proposed AA4 considered this outcome was not consistent with the Access Code.[32]

The ERA in its draft decision considers the application of a TEC charge to distribution connected users with demand greater than 7,000 kVA would create a perverse incentive for those users to transition to being transmission connected because these users are generally able to choose between a transmission or a distribution connection.

Synergy notes the ERA is required to have regard to the Access Code objective and the matters described in section 26 of the ERA Act in performing its functions under the Access Code. However, in Synergy's view, it is not open to the ERA to depart from the objective described at section 7.12 of the Access Code. That objective is to ensure that if an amount is added to the target revenue under section 6.37A of the Access Code and is intended to be recovered from users of reference services through one or more reference tariffs, then the recovery must have the objective of:

- applying only to users of reference services provided in respect of exit points on the distribution system (section 7.12(a) of the Access Code);
- being equitable in its effect as between the users referred to in section 7.12(a) (section 7.12(b) of the Access Code); and
- otherwise being consistent with the Access Code objective (section 7.12(c) of the Access Code).

In Synergy's view, the objective in section 7.12 of the Access Code describes the class to whom the cost recovery objective is to have application in section 7.12(a) of the Access Code. The effect as between the members of the class is to be equitable in accordance with section 7.12(b) of the Access Code. Finally, section 7.12(c) of the Access Code requires the objective must "otherwise" be consistent with the Access Code objective. Synergy takes the term "otherwise" in this context not as a term of limitation of sections 7.12(a) or 7.12(b) but instead to mean "provided that sections 7.12(a) and 7.12(b) of the Access Code is satisfied...".

The requirement of sections 7.12(a) and 7.12(b) of the Access Code is unambiguous. The class to which the objective and the principle of effective equity applies is the class of all users of reference services provided in respect of exit points on the distribution system.

In Synergy's view, therefore, it is not open for the ERA to determine a narrower class of users or determine that costs should not be recovered equitably across that class of users in the unlikely event that some end-users (who currently or in the future may also be distribution connected end-users) may at some stage in the future be incentivised to switch to transmission connections. Synergy considers the ERA's apprehension of such a switch to transmission connections is unwarranted because such an event is highly unlikely. A switch from distribution to transmission connection on the part of an end user at 7,000 kVA or above would, in most cases, either:

[32] Synergy, *AA4 submission No 5: Western Power's proposed price control mechanisms* (11 December 2017), pp 17, 25-26, 37-38.

- require a relocation of plant and equipment to an area where transmission connection is a possibility; or

- require a large capital contribution to bring a transmission connection to an existing facility.

In view of the foregoing, Synergy does not consider applying the TEC to all users of reference services provided in respect of exit points on the distribution network would be inconsistent with the Access Code objective but in any event, application of the TEC to all such users is in Synergy's view an express requirement of section 7.12 of the Access Code. Synergy therefore requests the ERA reverse its draft decision in respect of this matter and makes a decision in accordance with the position advocated by Synergy in its earlier submissions.

6. TRANSFER AND RELOCATION POLICY

Synergy supports the ERA's draft decision on WP's proposed amendments to the transfer and relocation policy on the basis it is consistent with the access framework. However, Synergy seeks to provide comment on one specific matter in relation to the draft decision that has material user ramifications for clarification and further consideration by the ERA.

6.1 Assignments other than bare transfers – clause 5 [ERADD 1825-1830]

In its previous submissions, Synergy raised concern with respect to WP's proposed amendment to clause 5.3 of the transfer and relocation policy to shift the onus from WP to the assignee to demonstrate the assignee's financial and technical position in respect of an assignment. Synergy submitted the proposed amendment to clause 5.3 greatly enhances WP's right of refusal in respect of assignments other than bare transfers compared to what is generally the case with respect to assignments under commercial contracts. Synergy submitted clause 5.3 limits its ability to enter into assignments of its access rights with third parties because any proposed assignee would have a lower credit rating than Synergy and the clause would therefore entitle WP to, in every case, reject a proposed assignment. [33]

In its draft decision, the ERA has determined that subject to a minor amendment to the text of clause 5.3 WP's proposed amendments to clause 5.3 are consistent with the requirements of the Access Code. In Synergy's view, the problematic aspect of WP's proposal as approved by the ERA in its draft decision is not that WP should have the ability to refuse consent to an assignment on financial on technical grounds. Synergy's concern is that, on WP's proposed clause 5.3, **any increase** in the financial or technical risk arising from a change of the current party to the proposed counterparty gives WP the right to refuse consent.

This is a particularly problematic consideration when it comes to Synergy's ability to assign elements of its ETACs to third parties as any assignment from a state government backed entity to a third party will be grounds for WP to refuse consent to assignment because such an assignment would necessarily involve a diminution in credit worthiness. It is the concept of an increase in risk as opposed to simply a demonstration of ability to perform the contract that, in Synergy's view, means the proposed clause is unusual from a commercial point of view.

Synergy considers an alternative position that emphasises instead the capacity of a proposed counterparty to have the technical and financial capacity to perform its obligations under the contract would better achieve the Access Code objective of increasing competition in upstream and downstream markets. Accordingly Synergy requests the ERA to make a determination on the matter.

[33] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 1: Western Power's proposed transfer and relocation policy* (8 December 2017), pp 4, 8-10.

7. STANDARD ELECTRICITY TRANSFER ACCESS CONTRACT (SETAC)

Synergy supports many aspects of the ERA's draft decision on WP's proposed amendments to the SETAC and commends the ERA's thorough approach to the SETAC, more generally. However, Synergy brings to the ERA's attention the following material matters that require further consideration:

- WP's proposed amendments to clause 13(c) of the SETAC, which pertains to the technical compliance provisions for technical characteristics of facilities and equipment [ERADD 1349-1374]; and
- WP's proposed new clause 19.11 being for an Intermediary indemnity [ERADD 1389-1393].

These matters are discussed in detail below.

7.1 WP's proposed amendments to clause 13(c) of the SETAC

Synergy strongly supports the ERA's Required Amendment 48 requiring WP to:

- detail in clause 13(c)(i) of the SETAC the characteristics of generating plant that, if changed will constitute a material modification for the purpose of that clause; and
- reject WP's proposed insertion of clause 13(c)(ii) in the SETAC.

A key operational and technical challenge for Synergy (and no doubt other users) is understanding precisely which of its and its customers' activities with respect to generating plant require WP's approval under the applications and queuing policy (**AQP**).

Provided there is consistency between the SETAC and the AQP, Synergy agrees there is no benefit in establishing a clear threshold for the kind of modifications to generating plant required to be processed in accordance with the AQP.

Synergy considers adequately specifying the characteristics of generating plant that, if modified, would constitute material modifications for the purpose of clause 13(c)(i) of the SETAC will greatly improve the likelihood the SETAC can be considered to form the basis of a commercially workable access contract. Given Synergy's position as the most significant user of network services in the SWIS, Synergy would appreciate the opportunity to make submissions on WP's consequent proposed amendments in order to confirm that WP's proposed amendments achieve the intent of the ERA's required amendment.

Notwithstanding the desirability of adequately specifying generating plant characteristics as required by the ERA, Synergy also considers it necessary for the clause to provide for what "material modification" to those characteristics might constitute.

For example, it is becoming increasingly common for Synergy's residential solar system owners to increase their panel and/or inverter size. This behaviour is being driven by reduced equipment costs, increased marketing and electricity price changes. In addition, the advent of battery and home vehicle recharge facility deployment will further accelerate such system modifications and investments.

It is not clear, for example, if a customer connects a battery to their approved PV system to store and use excess electricity in their own home, whether that will constitute a material modification. It is also not clear if using excess electricity from the PV system to directly charge an electric vehicle constitutes a material modification.

7.2 Liability of an intermediary (clause 19.11 of the SETAC)

Synergy notes the ERA's remarks in respect of WP's proposed new intermediary indemnity at new clause 19.11 of the SETAC, including in response to Synergy's submissions, which are summarised at [1390]-[1391] of the draft decision.

The ERA's required amendment is that WP change clause 19.11 to read "the user is the Intermediary (as defined in the Wholesale Electricity Market Rules (**Market Rules**) of a person and in so far as they are registered as a Rule Participant (as defined in the Market Rules)". For the purpose of these submissions, Synergy refers to this nominating party as the "**Nominator**".

Synergy's view is that, if clause 19.11 of the SETAC is approved in the form determined in the ERA's draft decision, a user on a legacy ETAC or negotiated access contract is free to act as an Intermediary under the Market Rules without being required to agree to clause 19.11 of the SETAC. Only new ETACs in the form of the SETAC agreed between WP and users will have the clause.

The ERA considers one of Synergy's concerns with respect to clause 19.11 is the person nominated to be an Intermediary may not be registered as a rule participant under the Market Rules. In fact, Synergy's concern is more specific: it is not that the person nominated to be an Intermediary is not registered as a rule participant but the person **must** be registered as a rule participant in respect of that application. This clarification is necessary because a party who is a rule participant prior to any application being made will still inadvertently be caught by the definition if the application is made without that party's consent or if the application is rejected by AEMO. As drafted, the ERA's proposed amendment is therefore only effective in circumstances where an applicant is made in respect of a party who is not already registered as a rule participant under the Market Rules.

To effect a more specific amendment to address this remaining risk, Synergy proposes the following amendment to the drafting (Synergy's amendments in underline):

> "the user is the Intermediary (as defined in the Market Rules) of a person, ~~and~~ in so far as they are registered as a Rule Participant (as defined in the Market Rules) and to the extent they perform the functions of an Intermediary".

In response to Synergy's concerns with respect to the scope of the indemnity in proposed new clause 19.11 of the SETAC, the ERA considers it is a legitimate business interest of WP to protect itself against third party claims in instances where a third party is not a party to the contract resulting in WP being unable to receive the benefit of any reduced liability under that contract. The ERA further considers that Synergy's concerns can be addressed by the user requiring a third party to enter into the same exclusion of indirect damage provisions as set out in the contract as a precondition to the user agreeing to act as an intermediary under the Market Rules.

Synergy acknowledges the ERA's suggestion is one mechanism available to address the risks associated with proposed clause 19.11 that would not solely apply to it but also other users. However, in Synergy's submission, while it may be in WP's legitimate business interests to seek to minimise the effect of third party claims by seeking to impose a broad indemnity on users in respect of Nominators, such an indemnity should not be approved by the ERA.

This is because the indemnity will have the effect of disadvantaging all users on the SETAC compared to users on legacy access contracts. It will do so because only the latter party will be required to:

- adopt risk allocation mechanisms to address the indemnity by, for example, excluding liability for indirect damages and/or capping liability at the caps set out in the SETAC; and/or
- obtain specific insurance coverage to address the risk associated with the indemnity, which may require a particular extension of cover given the breadth of the indemnity.

In either case, the risk externalised by WP by virtue of clause 19.11 on users under the SETAC will result in affected users incurring costs that are not borne by users on legacy access contracts, including Synergy. Those costs are, in essence, a competitive disadvantage in the context of commercial arrangements associated with being an Intermediary under the Market Rules.

If, in contrast, that risk applies to WP then presumably it would procure appropriate insurance to address it or self-insure for an amount equivalent to the risk. In either case the cost of that insurance or self-insurance would, subject to the ERA's approval, be shared amongst all users to the extent it actually represents an increased risk position relative to that WP presently carries.

In Synergy's view, the latter course would be a more economically efficient outcome and would better promote the Access Code objective because it would avoid imposing a competitive disadvantage among users that are party to the SETAC; users that are in Synergy's estimation more likely to be new entrant businesses. Accordingly, the ERA must determine whether WP's proposal will facilitate competition upstream and downstream of the networks in accordance with the Access Code objective.

Further, such an outcome would also be consistent with the matters the ERA is required to have regard to under section 26(1) of the ERA Act, including:

- the long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets;
- the need to encourage investment in relevant markets;

- the legitimate business interests of investors and service providers in relevant markets;
- the need to promote competitive and fair market conduct; and
- the need to prevent abuse of monopoly or market power.

However, if the ERA is minded to approve new clause 19.11 notwithstanding Synergy's submissions, and the ERA's rationale for doing so remains broadly consistent with that described in [ERADD 1393] of the draft decision, Synergy considers the indemnity should only apply in respect of any costs, expenses, losses or damages suffered or incurred by WP that WP **would not have suffered or incurred were the Nominator a party to a SETAC**. (**Emphasis** added)

Synergy considers that this approach more accurately reflects WP's position under the SETAC and accordingly its legitimate business interests, consistently with the ERA's reasoning at [1393] of the draft decision.

8. APPLICATIONS AND QUEUING POLICY (AQP)

Synergy agrees with many aspects of the ERA's draft decision on WP's proposed amendments to the AQP. However, Synergy would like to provide the following matters in relation to the draft decision for clarification and further consideration by the ERA. Synergy views these matters as particularly important from its position as the current sole retailer for small use customers.

- Multiple trading relationships [ERADD 1604-1610];
- Modified plant compliance with the Technical Rules [ERADD 1583-1586]; and
- Covered services [ERADD 1625-1631].

These matters are discussed in detail below.

8.1 Multiple trading relationships [ERADD 1604-1610]

In its previous submissions, Synergy raised its concerns in respect of WP's proposal to amend clauses 3.8 and 14.5 of the AQP to introduce a new concept of multiple trading relationships.

In summary, Synergy submitted that:[34]

- The concept of multiple trading relationships is undefined in WP's proposed AQP. In addition, it is not clear whether WP has adopted a concept that aligns with that of the Australian Energy Market Commission or whether WP instead proposes a broader class of potential traders (possibly including financial contracts and block-chain technology). The lack of specificity gives rise to the possibility that WP may simply assert a set of contractual arrangements that constitute multiple trading arrangements.
- As the concept is undefined, and there is no explanation of how the concept will interact with existing users, it is not clear how proposed clause 14.5 will operate in practice.
- In Synergy's view, WP has not provided any sound justification for the proposed change.

In its draft decision, the ERA stated:

> 1609. The ERA agrees it would be preferable to have certainty about any regulatory regime that allows multiple trading relationships before amending the applications and queuing policy. However, the ERA considers WP's proposed amendment is likely to be sufficient to cover any such regime. The ERA considers the proposed words "WP and an applicant may agree to depart from the requirements of this clause 14 to the extent necessary to facilitate that arrangement" allows applicants and users to

[34] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 3: Western Power's proposed application and queuing policy* (8 December 2017), pp 5, 20-21.

understand in advance how the policy will operate, and is therefore consistent with the requirements of the Access Code.

1610. In any case, if issues arise or further amendments are required, sections 4.38 and 4.41A of the Access Code allow the ERA to approve mid-period revisions.

In Synergy's view, WP's proposed amendments to clauses 3.8 and 14.5 of the AQP are contrary to the Access Code and are highly problematic for users and applicants alike. In this submission, Synergy sets out its view of the proposed operation of WP's amendments and the potential impact of this on users.

For the reasons set out below, in Synergy's view, approving WP's proposed amendments to clauses 3.8 and 14.5 of the AQP is contrary to sections 5.7(a) and 5.7(b) of the Access Code.

Uncertainty

Synergy remains concerned the concept of multiple trading relationships lacks specificity and is therefore commercially unworkable. As the ERA has pointed out, sections 4.38 and 4.41A of the Access Code allow the ERA to approve mid-period revisions. Synergy considers that, in view of the uncertainty and the need to ensure the AQP complies with (amongst other things) section 5.7(b) of the Access Code, the proposed amendments should be rejected and any revisions to the AQP to deal with the introduction of multiple trading relationships be considered at a time when there is clarity on the legal status of multiple trading relationships in the SWIS.

Permitted by law

In its draft decision, the ERA assumes that multiple trading relationships can only be introduced by means of a "regulatory regime", which presumably, will be subject to some form of governmental or independent regulatory oversight. However, in Synergy's view, WP's proposed clause 14.5 is drafted in a manner that should give no confidence to the ERA or the market that any formal regulatory process need be established to allow for multiple trading relationships to be introduced.

Proposed clause 14.5 states:

> 'Notwithstanding clauses 14.1 to 14.5, if multiple trading relationships at a connection point are <u>permitted by law</u> and all necessary approvals have been given for such an arrangement, WP and an applicant may agree to depart from the requirements of this clause 14 to the extent necessary to facilitate that arrangement.'
>
> (<u>emphasis</u> added).

The definition of 'law' in the AQP is broad. The definition provides:

> "Law" means "written law" and "statutory instruments" as defined in the *Code*, orders given or made under a written law or statutory instrument as so defined or by a government agency or authority, Codes of Practice and Australian Standards deemed applicable under a written law and rules of the general law including the common law and equity.

"Permitted" by law, in respect of conduct, does not mean that a particular law needs to make provision for a thing. It is sufficient the conduct is not prevented by the law. There is, for example, no law against whistling while driving. It is therefore correct to say that whistling while driving is permitted by law.

Further, while the term "government agency or authority" is not defined, on its ordinary meaning, the term may include directions made by the Minister for Energy, the Public Utilities Office, orders given or made by a government agency – for example, the Public Utilities Office – that means that multiple trading relationships are permitted to occur on, for example, a trial basis.

Having regard to these considerations and despite the lack of specificity around the term "multiple trading relationships", arguably the only current provisions in any "law" that precludes multiple trading relationships from being "permitted by law" are contained in clause 14 of the AQP. For example, in at least some circumstances, the requirement that a connection point must have one and only controller at the connection point is likely to preclude multiple trading relationships.

If this is the case, then approving WP's proposed clause 14.5 and the text "[n]otwithstanding clauses 14.1 to 14.5", may result in multiple trading relationships being permitted by law.

In such circumstances, it is incumbent upon the ERA to ensure it understands with certainty and clarity what the term "multiple trading relationships" means, what its impact will be upon WP, users, applicants and consumers and whether the regulatory framework in place at present is fit-for purpose.

In making its decision on WP's proposed access arrangement, the ERA is to have regard to the matters in section 26(1) of the ERA Act, including the need to promote transparent decision-making processes.

Having regard to that provision, Synergy considers that WP's proposed amendment does not promote transparent decision-making processes because it is left to a user/applicant to agree with WP whether to depart from the clause 14 process, which may have unintended consequences for the user/applicant in terms of the potential outcomes of negotiations with WP.

Pre-existing contractual rights

In relation to "contracted capacity", Synergy considers users who are presently party to ETACs with WP are granted sole title to the electricity that is transported by WP to or from a connection point. The definition of "contracted capacity" in clause 2.1 of the AQP is as follows:

> "**Contracted capacity**", for a *connection point*, means the maximum rate at which a *user* is permitted to transfer electricity to or from the *network* at the *connection point*, being either:
>
> (a) the rate specified in the *user's access contract* from time to time; or
>
> (b) if no rate is specified in the *user's access contract*, the maximum rate of electricity permitted to be transferred under the *reference service* eligibility criteria for the

reference service for that *connection point* in the *user's electricity transfer access contract*; or

(c) if no rate is specified in the *user's access contract* or in the reference service eligibility criteria, the maximum rate of electricity permitted to be transferred through the *connection assets* under the *Technical Rules*,

as applicable, and is measured in Watts or Volt-Amps.

The definition of "contracted capacity" refers to a set *maximum* rate of electricity at which a user is permitted to transfer electricity to or from the network at a connection point (whether that rate be set in a user's access contract or by reference to the relevant reference service eligibility criteria or by reference to the Technical Rules).

The following information highlighted yellow is commercial in confidence, incorporating references to contracts of which Synergy does not have the consent of WP to disclose to parties other than the ERA. Synergy requests the ERA to redact the information highlighted yellow from Synergy's public version of this submission.

As previously submitted by way of confidential submission to the ERA,[35] [redacted]

Furthermore and as previously submitted by way of confidential submission to the ERA,[36] [redacted]

[redacted] For the reasons set out in Synergy's confidential submission of 19 February 2018 and for the reasons set out at section 4 ("Prior Contractual Rights") of these submissions, Synergy requests the ERA reconsider its views on the proposed amendment to clause 3.8 and proposed new clause 14.5 of the AQP.

[redacted]

Clause 14.2 of, and the definition of "contracted capacity" in, the AQP, when read with the provisions of the pre-existing contractual rights in [redacted] identified above, provide compelling reason why the ERA should reject WP's proposed amendments to introduce an undefined concept of multiple trading relationships.

Interaction with the Market Rules

As previously submitted,[37] among the many unknown aspects of multiple trading relationships, WP has not made it clear whether parties to the multiple trading relationship must be market participants. Section 5.7(h) of the Access Code requires an AQP to facilitate the operation of Part 9 of the EI Act and the Market Rules. If parties to multiple trading relationships are not "market participants" (as that term is defined in the Market Rules) then it is not clear how the AQP can facilitate the operation of the Market Rules. In the absence of such clarification Synergy does not see how the ERA could approve the proposed AQP amendments.

Inconsistency with rejection of Synergy's proposed capacity demand reference service

Finally, Synergy recognises the need for greater flexibility with respect to new technology and the consumer demand that flows from innovation to offer affordable and innovative services for its customers.

Synergy's required reference services, including the capacity swap and sharing reference services facilitate multiple network users (suppliers or purchasers of electricity) to transact at a connection point without depriving a user exercising its contractual rights in respect of a connection point.

Synergy considers this reference service would better meet the Access Code objective of promoting competition upstream and downstream of WP's networks and be a more effective mechanism for the achievement of multiple users at a connection point than WP's comparatively unclear and uncertain proposal.

8.2 Modified plant compliance with the Technical Rules [ERADD 1583-1586]

In its previous submissions, Synergy raised the following issues with respect to WP's proposal to amend clause 16.3 of the AQP to include an express requirement for information relating to compliance with the Technical Rules of any modifications to generating plant to be provided to WP:[38]

- The proposed amendments are insufficiently clear, and the AQP should be more specific about the scope of information that could be required by WP under the amended clause.

[37] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 3: Western Power's proposed application and queuing policy* (8 December 2017), p 5.

[38] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 3: Western Power's proposed application and queuing policy* (8 December 2017), pp 5, 21.

- On the proposed drafting, users could be required to comply with all Technical Rules, not just those that apply to the user/applicant. The reference to the 'Technical Rules' should be changed to ensure the required standard of compliance is the Technical Rules applicable to the user or applicant. This will ensure that grandfathered arrangements can continue to apply and will not impose unreasonably burdensome obligations on the user, which could result in necessary or desirable modifications not being made to generating plant.

In its draft decision, the ERA formed the following view:

> 1586. The ERA considers that, while Synergy has raised a valid point, the clause includes the words "as a reasonable and prudent person might require." This wording provides flexibility to impose a lower information and/or compliance burden on small users where appropriate. For this reason, the proposed amendment to clause 16.3 is consistent with the requirements of the Access Code and the Access Code objective.

Synergy considers the proposed amendments to clause 16.3 are contrary to the Access Code objective of promoting the economically efficient investment in, and operation and use of, networks and services of networks in WA to promote competition in markets upstream and downstream of the networks. This is because the proposed amendments are likely to have significant operational implications for users, including Synergy. In so far as Synergy is concerned, Synergy's Retail Business Unit regularly processes applications for PV systems (which fall within the definition of 'generating plant') for small use customers. To comply with proposed clause 16.3, Synergy would need to demonstrate how each and every technical rule is met in its connection application. This is unworkable.

Synergy submits the operational impact to Synergy of WP's proposed amendments is contrary to section 5.7(b) of the Access Code, which requires that an AQP be sufficiently detailed to enable users and applicants to understand in advance how the policy will operate.

If, however, the ERA is minded to approve WP's proposed amendments in its final decision, Synergy suggests the Access Code defined term "good electricity industry practice" be added to clause 16.3 as set out below (Synergy's proposed amendments in underline). In Synergy's view, this will reduce the burdensome obligations that would otherwise apply if WP's proposal is approved without amendment.

> If an applicant seeks to materially change the characteristics of generating plant connected at a connection point, then the applicant must complete those parts of the appropriate application form that deal with those characteristics, and include any additional information specified in the application form (which might include equipment schedules, drawings and computer modes) that WP, as a reasonable and prudent person, and acting in accordance with good electricity industry practice, might require to assess the impact of the modification on the network and other users, and compliance of the modified generating plant with the Technical Rules.

8.3 Covered services [ERADD 1625-1631]

Synergy previously submitted the definition of "covered service" in the Access Code expressly excludes an excluded service, and therefore the effect of specifying in the AQP that a connection application only applies to "covered services" would, together with other changes in the proposed Policy, be to exclude the requirement that an applicant must submit a connection application in respect of excluded services and WP would have no obligation to comply with the policy in respect of excluded services. This is contrary to the Access Code because the Access Code is drafted on the basis the AQP applies to excluded services and covered services alike.[39]

In its draft decision, the ERA has determined [ERADD 1630]:

> 1630. The ERA has considered the matters raised by Synergy and has decided Western Power's proposed amendments are consistent with the requirements of the Access Code, subject to an additional amendment:
>
> - The proposed drafting is consistent with the requirements of the Access Code. Sections 5.7(d) and (e) of the Access Code specifically provide the applications and queuing policy is to apply to applications relating to the terms for an access contract for covered services and the process for priority disputes in relation to access for covered services. The term "covered services" as defined in the Access Code expressly excludes *excluded services*. By extension the applications and queuing policy is intended to only apply to covered services. …

Synergy submits the ERA's draft decision does not correctly reflect the requirements for an AQP as set out at clause 5.7(c) of the Access Code, namely: the policy must set out a reasonable timeline for the commencement, progressing and finalisation of Access Contract negotiations between the Service Provider and an Applicant, and oblige the Service Provider and Applicants to use reasonable endeavours to adhere to the timeline.

Access Contract is defined in the Access Code to have the same meaning as "access agreement" in Part 8 of the EI Act, being an agreement under the Access Code between a network service provider and another person (a "network user") for that person to have access to services". "Services" is in turn defined in the EI Act to mean "the conveyance of electricity and other services provided by means of network infrastructure facilities and services ancillary to such services".

In contrast, other sub-sections of section 5.7 of the Access Code make reference to "covered services", which relates to "services" provided by means of the "covered network".

In Synergy's view, clause 5.7(c) of the Access Code indicates an intention the AQP should apply to all "Services" provided by the Service Provider.

[39] See, Synergy, *AA4 submission to the Economic Regulation Authority No. 3: Western Power's proposed application and queuing policy* (8 December 2017), pp 4, 12-14.

This important distinction means the AQP must at least establish timelines for processing applications in respect of WP's activities that are not Covered Services, for example, in respect of works undertaken by WP on private networks not related to the WP network. It also means WP's proposal for the AQP to be amended to provide it only relates to Covered Services is inconsistent with the requirements of the Access Code and must not be made.

9. ADVANCED METER INFRASTRUCTURE (AMI)

Synergy supports the ERA's determination in relation to unbundling metering services from reference services so that retailers have the ability to choose and pay for remote meter reading services as required as it provides users with cost transparency and choice of service [ERADD 716, 736]. In addition Synergy notes the ERA has required removal of the AMI communication forecast expenditure (as it did not pass NFIT), but not the concept of a metering infrastructure that can facilitate remote enabled metering services and collection of metering data [ERADD 435, 459].

Synergy, recognising the importance of interval energy data to customer choice and affordability, supports in principle WP's AMI deployment under AA4 subject to it passing NFIT. Therefore, it is important to ensure the proposed AMI is the right solution at the right price. Consequently, Synergy requires the ERA to ensure these services are provided efficiently and meet the requirements of the Access Code particularly, in relation to the NFIT and (alternative options) regulatory test.

As mentioned above distributors, generators, retailers and customers recognise the operational, cost, affordability and choice benefits an AMI solution can provided. However, in the context of investment such a solution must be both:

1. efficient; and
2. supported by reference services based on user requirements to ensure customers receive the benefit of the AMI investment.

One of the main concerns users have expressed is there is no clear mechanism under AA4 for network benefits to be delivered through to the end customer. Therefore, it is also important to recognise that reference services based on user requirements not only provide for innovative retail offerings but also ensure network benefits are delivered to the end customer. This outcome cannot be achieved by unbundling metering services alone.

In addition to existing retailer driven AMI deployment volumes as outlined in the ERA draft decision, Synergy considers there is potential to deploy additional AMI volume to address current operational constraints, meet increased service demands from Synergy's customers and reduce operational costs.

The different categories that Synergy believes will drive additional AMI deployment include:

- Product driven where Synergy will seek to leverage the new meter functionality.
- Non-application/ fraudulent account disconnections.
- Reducing the instance of repeat disconnections.
- Vulnerable/hardship customers – additional AMI deployment will allow targeting vulnerable customers with additional data to assist them to manage their debt.
- Self / estimated read customers. A number of customers are impacted by site access issues or have been classified by Western Power as being mandatory self-readers to meet their operational requirements.

Based on ERA draft decision to approve deployment of 331,000 AMI as part of AA4, Synergy estimates 33% of the above customers will already be captured in the approved deployment numbers. Based on this there is still additional scope for retailer driven AMI deployment, in addition to the above 331,000, to be increased by approximately 50,000 over the life of AA4. This will greatly assist the deployment optimisation allowing for faster enablement of the broader AMI deployment including coverage to complete the communications umbrella.

In addition, Synergy considers it important to highlight that forecast numbers for customer led AMI meter installations will be directly dependent, amongst other matters, on;

(a) the upfront meter costs customers will have to pay;
(b) meter service charges under the MSLA;
(c) the reference services provided by WP; and
(d) terms of use.

In relation to (a) and (b), WP in its proposed MSLA, has proposed these costs to be $64.55 and $137.05, for metro and country customers respectively, in situations where a customer requests a meter replacement (see table below, extracted from WP's proposed MSLA). Synergy considers the value proposition for customers will largely diminish if these costs were to increase substantially, for customer requested meter replacements, resulting in fewer customers opting to pay for the installation of an AMI meter.

In relation to (c), Synergy considers the customer uptake of smart meters will be accelerated relative to Western Power's forecast provided the ERA approves Synergy's reference services request detailed in this submission.

Table 9: Meter Provision Fees

ID	Service Description	Fee ($ per unit)	
		Metro	Country
Meter Provision			
MP-1	Meter installation and energisation	*	*
MP-2	Metering installation repair	*	*
MP-3	Meter upgrade	*	*
MP-4	Meter exchange		
A	Single phase whole current meter	64.55	137.05
B	Three phase whole current meter	64.55	137.05
C	Current transformer meter	64.55	137.05

It is important to note the deployment of additional retailer driven meters is heavily dependent on the price of the meters customers are willing to pay, how they are charged and terms of use. For example, retailer driven uptake will be low if customers are required to pay the full cost of the meter upfront. Alternatively, Synergy considers retailer and customer driven uptake will be substantially higher if the cost of the meters is permitted to be recovered over a fixed period of time. Therefore, consideration should be given to a progressive recovery of meter charges from retailers and customers. Especially if the meter charges proposed above are going to increase substantially.

10. MODEL SERVICE LEVEL AGREEMENT (MSLA)

Synergy supports the ERA's decision to extend the deadline to publish its draft findings on the MSLA to Friday 27 July 2018 on the basis the ERA requires additional time to consider relevant matters following publication of the draft decision.

Synergy agrees with the ERA's decision particularly because the terms of WP's reference services and the MSLA will be influenced by whether or not the ERA ultimately approves WP's revised proposed investment in AMI.

Synergy supports efficient investment in AMI provided such investment (including the communications technology proposed to be adopted in the SWIS) meets the requirements of users and passes the NFIT.

11. TIME REQUIRED TO IMPLEMENT AA4

Section 4.26 of the Access Code requires the ERA must specify a start date for AA4 which must be consistent with the Code Objectives and is permitted to be more than 20 business days after its final or further final decision.

In addition, to pricing changes AA4 contains a range of matters that will require additional operational and system implementation by users[40]. For example, to cater for new reference services, metering services and AMI. Therefore, Synergy requires the ERA, in specifying a start date for AA4, to give consideration to the time required to implement the changes in AA4. Synergy considers it will need between 4-6 months from the date of the final or further final decision to make the necessary changes to implement AA4.

[40] This includes system changes to cater for build pack changes that may result from WP's proposed MSLA.

A. Multi time of use reference service request

(iii) New: multi time of use – residential

Description	Eligibility Criteria	Pricing Methodology
A bi-directional service combined with: ▪ a connection of supply service; ▪ where a Type 4 meter is installed, a remote disconnection of supply service and a remote reconnection of supply service (includes remote arming); ▪ where a Type 5 or Type 6 meter is installed, a manual disconnection of supply service and a manual reconnection of supply service; ▪ a standard metering service (as set out below), at a bi-directional point on the low voltage (415 volts or less) distribution system. <u>Time Bands</u> Mon -Fri: ▪ Peak - 3pm-9pm ▪ Shoulder - 7am-3pm ▪ Off Peak morning - 4am – 7am ▪ Off Peak evening - 9pm-11pm ▪ Overnight – 11pm - 4am Weekends and public holidays: ▪ Off Peak – 4am to 11pm ▪ Overnight – 11pm to 4am	1. The bidirectional point is located at a residential premises or a premises occupied by a voluntary/charitable organisation; and 2. A Type 4-6 meter is installed at the connection point that provides accumulation energy data or manual or remote interval energy data. Includes a Type 1-5 meter registered as a Type 6; and 3. The consumer's facilities and equipment comply with the Technical Rules, the WA Electrical Requirements and AS 3000; and 4. Where applicable, an inverter system rated up to 10kVA for single phase connections and 30kVa for three phase connections; and 5. The consumer's inverter system complies with AS4777 and the Technical Rules.	▪ Fixed daily charge ▪ Peak - Variable charge c/kWh ▪ Shoulder - Variable charge c/kWh ▪ Off Peak Morning – Variable charge c/kWh ▪ Off Peak evening- Variable charge c/kWh ▪ Overnight – Variable charge c/kWh ▪ Charges in decreasing order: - Peak - Shoulder - Off Peak morning - Off Peak evening - Overnight

Description	Eligibility Criteria	Pricing Methodology
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. This service also specifically addresses the inefficient 14 hour peak (7.00 am to 9.00 pm) under WP's current and proposed A3 reference service which is not reflective of Synergy's residential customer load profile. Further to section B.5 of [Synergy's December reference services request], Synergy estimates approximately 57,000 of its customers, with a corresponding load of 1208GWh and representing a substantial proportion of the market for services in the covered network, would be likely to seek the retail product based on this reference service.		

(ix) New: multi time of use - business

Description	Eligibility Criteria	Pricing Methodology
A bi-directional service combined with: ▪ a connection of supply service; ▪ where a Type 4 meter is installed, a remote disconnection of supply service and a remote reconnection of supply service (includes remote arming); ▪ where a Type 5 or Type 6 meter is installed, a manual disconnection of supply service and a manual reconnection of supply service; ▪ a standard metering service (as set out below), at a bi-directional point on the low voltage (415 volts or less) distribution system. <u>Time Bands</u> Mon -Fri: ▪ Peak - 3pm-9pm ▪ Shoulder - 7am-3pm ▪ Off Peak 4am – 7am and	1. The bi-directional point is located at a non-residential premise; and 2. A Type1-6 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data. Includes a Type 1-5 interval meter registered as a Type 6; 3. The consumer's facilities and equipment comply with the Technical Rules, the WA Electrical Requirements and AS 3000; and 4. Where applicable, an inverter system rated up to a total of 1 MVA for single or three-phase connections; and 5. The consumer's inverter system complies with the requirements of AS4777 and the Technical Rules, and satisfies a technical	▪ Fixed daily charge ▪ Peak - Variable charge c/kWh ▪ Shoulder - Variable charge c/kWh ▪ Off Peak Morning – Variable charge c/kWh ▪ Off Peak evening- Variable charge c/kWh ▪ Overnight – Variable charge c/kWh ▪ Weekend Off Peak and Super Off Peak – Variable charge c/kWh ▪ Charges in decreasing order: - Peak - Shoulder - Off Peak morning - Off Peak evening - Overnight - [Weekend Off Peak] - [Weekend Super Off Peak]

Description	Eligibility Criteria	Pricing Methodology
9pm-11pm ▪ Overnight – 11pm - 4am Weekends and public holidays: ▪ Off Peak – 4am to 11pm ▪ Super Off Peak – 11pm to 4am -	assessment by WP for installations larger than 30kVA.	
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates approximately 8,257 of its customers, with a corresponding load of 424GWh and representing a substantial proportion of the market for services in the covered network, would be likely to seek the retail product based on this new reference service. This service also specifically addresses the inefficient 14 hour peak (7.00 am to 9.00 pm) under WP's current and proposed A3 reference service which is not reflective of Synergy's customer load profile.		

B. Distributed generation reference service request

(vi) New: distributed generation and advanced energy efficiency low voltage connection - residential

Description	Eligibility Criteria	Pricing Methodology
A three-part connection service comprised of: ▪ a desk top assessment by WP of whether the installation of nominated distributed generation facilities (including battery systems) and/or advanced energy efficiency (including direct load control) at a connection point at a particular part of the network can be connected with or without triggering the relevant AQP processes (such as a connection application or electricity transfer application); ▪ the assessment by WP of whether the installation of nominated distributed generation facilities (including battery systems) and/or advanced energy efficiency measures (including direct load control) at a connection point is eligible for a discount in accordance with sections 7.9 and 7.10 of the Access Code; and ▪ the installation by Synergy of nominated distributed generation facilities (including battery systems) or advanced energy efficiency (including direct load control) at a connection point; and ▪ the installation by the customer (or its nominated representative) of nominated distributed generation facilities (including battery systems) and/or advanced	1. The bi-directional point is located at a solely residential premise or a premise occupied by a voluntary/charitable organisation. 2. A meter that records interval energy data.	1. A fixed fee for WP conducting its assessment; 2. A fixed fee for WP installing nominated distributed generation facilities (including batteries); and 3. A discount payable by WP to the user for the installation of distributed generation facilities (including battery systems) (if any).

Description	Eligibility Criteria	Pricing Methodology
energy efficiency (including direct load control) at a connection point; and ▪ the installation by WP of nominated distributed generation facilities (including battery systems) at a connection point, at a bi-directional point on the low voltage (415 volts or less) distribution system.		
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates approximately 186,000 of its customers, with a corresponding load of 489GWh and representing a substantial proportion of the market for services in the covered network, would be likely to seek the retail product based on this new reference service.		

(xii) New: distributed generation advanced energy efficiency low voltage connection service - business

Description	Eligibility Criteria	Pricing Methodology
A three-part connection service comprised of: ▪ a desk top assessment by WP of whether the installation of nominated distributed generation facilities (including battery systems) or advanced energy efficiency (including direct load control) at a connection point at a particular part of the covered network can be connected with or without triggering the relevant AQP processes (such as a connection application or electricity transfer	1. The bi-directional point is not located at a solely residential premise or a premise occupied by a voluntary/charitable organisation; 2. A meter that records interval energy data.	1. A fixed fee for WP conducting its assessment; 2. A fixed fee for WP installing nominated distributed generation facilities (including batteries); and 3. A discount payable by WP to the user for the installation of distributed generation facilities (including battery systems) (if any).

Description	Eligibility Criteria	Pricing Methodology
application); ▪ the assessment by WP of whether the installation of nominated distributed generation facilities (including battery systems) at a connection point is eligible for a discount in accordance with sections 7.9 and 7.10 of the Access Code; and ▪ the installation by WP of nominated distributed generation facilities (including battery systems) at a connection point, at a bi-directional point on the low voltage (415 volts or less) distribution system.		
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates approximately 5,490 of its customers, with a corresponding export capacity of 54,175kWh and representing a substantial proportion of the market for services in the covered network, would be likely to seek the retail product based on this new reference service.		

(xiii) New: distributed generation advanced energy efficiency high voltage connection service - business

Description	Eligibility Criteria	Pricing Methodology
A two-part connection service comprised of: ▪ the assessment by WP of whether the installation of nominated distributed generation facilities (including battery systems) or advanced energy efficiency (including	1.The bi-directional point is not located at a solely residential premise or a premise occupied by a voluntary/ charitable organisation; 2.A meter that records interval energy data.	1. A fixed fee for WP conducting its assessment; 2. A fixed fee for WP installing nominated distributed generation facilities (including batteries); and 3. A discount payable by WP to the user for the installation

Description	Eligibility Criteria	Pricing Methodology
direct load control) at a connection point at a particular part of a covered network is eligible for a discount in accordance with sections 7.9 and 7.10 of the Access Code; and ▪ the installation by WP of nominated distributed generation facilities (including battery systems) at a connection point, at a bi-directional point on the high voltage (6.6 kV or higher, but no more than 66kV) distribution system.		of distributed generation facilities (including battery systems) (if any).
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates more than 230, 000 of its existing customers, representing a substantial proportion of the market for services in the covered network, would be candidates and likely to seek the retail product based on this new reference service.		

C. Capacity allocation reference service request

(xiv) New: Intra-day contracted capacity swap service (nominator) between connection points - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to: ▪ the Transmission Entry Service (B2) ▪ the Distribution Entry Service (B1); ▪ the Transmission Exit Service (A11); ▪ High Voltage Metered Demand Service (A5); ▪ Low Voltage Metered Demand Service (A6); ▪ High voltage CMD (A7); ▪ Low voltage CMD (A8); ▪ Synergy's proposed high/low voltage metered demand service in (x) and (xi); under which a user (**Nominator**) may make an intra-day nomination one or more standing or day-ahead to transfer "contracted capacity" under one or more of its "access contracts" to one or more other users at one or more connection points under their access contracts (**Nominee**). Unless otherwise provided for in the nomination, contracted capacity reverts to the Nominator under the subject access contract at the end of the day.	1. A Type 1-5 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data. 2. Transfer is subject to the capability of the WP network to make the transfer. WP could set a maximum amount of contracted capacity that could be swapped or set geographical areas of the network where the swaps could occur in consultation with likely users of the service.	1. A fixed fee payable by the Nominator.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

(xv) New: intra-day contracted capacity swap service (nominee) between connection points - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to: ▪ the Transmission Entry Service (B2); ▪ the Distribution Entry Service (B1); ▪ the Transmission Exit Service (A11); ▪ High Voltage Metered Demand Service (A5); ▪ Low Voltage Metered Demand Service (A6); ▪ High voltage CMD (A7); ▪ Low voltage CMD (A8); ▪ Synergy's proposed high/low voltage metered demand service in (x) and (xi); under which the Nominee accepts an intra-day nomination made by a Nominator in respect of the Nominee under the *Intra-day contracted capacity swap service (nominator)*. Once accepted the contracted capacity provided for in the Nominee's access contract is increased for the duration of the transfer. Unless otherwise provided for in the nomination, contracted capacity reverts to the Nominator under the subject access contract at the end of the day.	1. A Type 1-5 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data. 2. Transfer is subject to the capability of the WP network to make the transfer. However, this should be dealt with under the *Intra-day contracted capacity swap service (nominator)* and should not need to be re-considered for the nominee service.	1. A fixed fee payable by the Nominee.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

(xvi) New: contracted capacity allocation service (nominator) at the same connection point - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service, entry service and exit service and associated with the below Standard Metering Service under which a user (**Nominator**) allocates contracted capacity (expressed as a percentage of DSOC) at a connection point for a specified period to one or more other users of that same connection point (**Nominee**), while the Nominator retains the remainder of the contracted capacity at the same connection point. Standard Metering Service where interval energy data provided in accordance with the bidirectional service, entry service or exit service (as applicable) reflects the percentage of DSOC at the connection point that is allocated to the Nominator.	1. A meter that records interval energy data	1. A fixed fee payable by the Nominator 2. Only incremental costs of the Standard Metering Service are to be recovered under this tariff. Note: the pricing for any "metering" (i.e. pure metrology) included in this reference services must be consistent with cl 6.6(1)(e) of the Metering Code and, to the extent not inconsistent with that provision, also consistent with the pricing requirements of the Access Code – see "supplementary matters" in Access Code ss 5.27 and 5.28.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

(xvii) New: contracted capacity allocation service (nominee) at the same connection point - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service, entry service and exit service and associated with the below Standard Metering Service under which a user nominated as a	1. A meter that records interval energy data	1. A fixed fee payable by the Nominee 2. Only incremental costs of the Standard Metering Service are to be recovered under this tariff.

Description	Eligibility Criteria	Pricing Methodology
Nominee under the Contracted capacity allocation service (nominator) can accept the allocation of contracted capacity (expressed as a percentage of DSOC) at a connection point it shares with the Nominator. Standard Metering Service where interval energy data provided in accordance with the bidirectional service, entry service or exit service (as applicable) reflects the percentage of DSOC at the connection point that is allocated to the Nominee.		Note: the pricing for any "metering" (i.e. pure metrology) included in this reference services must be consistent with cl 6.6(1)(e) of the Metering Code and, to the extent not inconsistent with that provision, also consistent with the pricing requirements of the Access Code – see "supplementary matters" in Access Code ss 5.27 and 5.28.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

(xviii) New: CMD allocation service (nominator) at the same connection point - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service, entry service and exit service and associated with the below Standard Metering Service under which a user (**Nominator**) allocates contracted capacity (expressed as a percentage of CMD) at a connection point for a specified period to one or more other users of that same connection point (**Nominee**), while the Nominator retains contracted capacity at the same connection point. Standard Metering Service where interval energy data	1. A meter that records interval energy data.	1. A fixed fee payable by the Nominator 2. Only incremental costs of the Standard Metering Service are to be recovered under this tariff. Note: the pricing for any "metering" (i.e. pure metrology) included in this reference services must be consistent with cl 6.6(1)(e) of the Metering Code and, to the extent not inconsistent with that provision, also consistent with the pricing requirements of the Access Code – see "supplementary matters" in Access Code ss 5.27 and 5.28.

provided in accordance with the bidirectional service, entry service or exit service (as applicable) reflects the percentage of CMD at the connection point that is allocated to the Nominator.		
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

(xix) New: CMD allocation service (nominee) at the same connection point - business

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service, entry service and exit service and associated with the below Standard Metering Service under which a user nominated as a Nominee under the Contracted capacity allocation service (nominator) can accept the allocation of contracted capacity (expressed as a percentage of CMD) at a connection point it shares with the Nominator. Standard Metering Service where interval energy data provided in accordance with the bidirectional service, entry service or exit service (as applicable) reflects the percentage of CMD at the connection point that is allocated to the Nominee.	1. A meter that records interval energy data	1. A fixed fee payable by the Nominee 2. Only incremental costs of the Standard Metering Service are to be recovered under this tariff. Note: the pricing for any "metering" (i.e. pure metrology) included in this reference services must be consistent with cl 6.6(1)(e) of the Metering Code and, to the extent not inconsistent with that provision, also consistent with the pricing requirements of the Access Code – see "supplementary matters" in Access Code ss 5.27 and 5.28.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service. Synergy has more than 2,500 demand based customers that would be eligible to use this service.		

D. Direct load control and load limitation reference service request

(xx) New: direct load control service - low voltage

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service and exit service constituted by: ▪ a remotely controllable switch that can turn power to the load at the connection point or an appliance at that connection point on or off; and ▪ the assessment by WP of whether the selection of the direct load control service by the user is eligible for a discount in accordance with section 7.9 of the Access Code, at a bi-directional point on the low voltage (415 volts or less) distribution system.	A Type 4 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data.	A daily charge, subject to any discount payable to the user under section 7.9 of the Access Code.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates a substantial proportion of the residential market would be likely to seek the retail product based on this new reference service.		

(xxi) New: load limitation service - low voltage

Description	Eligibility Criteria	Pricing Methodology
A service ancillary to each metered bidirectional service and exit service constituted by: ▪ a limitation applied to a load at a connection point; and ▪ the assessment by WP of whether the selection of the direct load control service by the user is eligible for a discount in accordance with section 7.9 of the Access Code, at a bi-directional point on the low voltage (415 volts or less) distribution system.	A Type 4 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data.	A daily charge, subject to any discount payable to the user under section 7.9 of the Access Code.
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. Synergy disconnected 26,000 customers in 2016/17 typically for non-payment or non-application (failure to establish an account). Synergy considers this customer demographic would be a candidate for this reference service as it is an alternative to disconnection. A further new customer segment would be customers who are willing to have their total load substantially curtailed in exchange for an incentive payment. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates a substantial proportion of the residential market would be likely to seek the retail product based on this new reference service.		

E. Remote connection/disconnection reference service request

(xxii) Remote disconnection

Description	Eligibility Criteria	Pricing Methodology
Connection service incorporated into all distribution reference service tariffs approved by the Authority under AA4.	A Type 4 meter is installed at the connection point that provides accumulation energy data, or interval energy data. Note: This would need to be a Type 4 meter with remote disconnection capability.	Incorporated as a fixed daily charge into reference tariffs with respect to reference services described as applicable (see above).
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates it can use this service during the life of AA4 with any of its entire customer base that has or will have a Type 4 meter. This equates to approximately 375,000 customers during AA4 representing a substantial proportion of the market for services in the covered network that would be likely to seek the retail product based on this new reference service (e.g. landlords, rental homes, holiday rentals, etc). Currently, Synergy issues 26,000 de-energisation service orders annually.		

(xxiii) Remote reconnection

Description	Eligibility Criteria	Pricing Methodology
Connection service incorporated into all relevant distribution reference service tariffs approved by the Authority under AA4.	A Type 4 meter is installed at the connection point that provides accumulation energy data, manual or remote interval energy data. Note: This would need to be a Type 4 meter with remote disconnection capability	Incorporated as a fixed daily charge into reference tariffs with respect to reference services described as applicable (see above).
Service demand Synergy will, subject to the price, eligibility criteria and terms that apply to the service, use this service to develop retail products and provide retail services to its customers. As outlined above and in light of our customer research and customer demand for affordability, behind the meter and distributed generation solutions Synergy considers this service better achieves the Code objective and will provide the basis to develop customer offerings that are likely to be sought by a substantial proportion of the market. Further to section B.5 of [Synergy's December reference services request], Synergy estimates it can use this service during the life of AA4 with any of its entire customer base that has or will have a Type 4 meter. This equates to approximately 375,000 customers during AA4 representing a substantial		

Description	Eligibility Criteria	Pricing Methodology
proportion of the market for services in the covered network that would be likely to seek the retail product based on this new reference service (e.g. landlords, rental homes, holiday rentals, etc). Currently, Synergy issues 24, 000 re-energisation service orders annually.		