

# Appendix F.2

## 2017/18 Price List Information

### Revised proposed access arrangement

14 June 2018



Access arrangement for the period  
1 July 2017 to 30 June 2022

**An appropriate citation for this paper is:**

Appendix F.2

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# 1. Introduction

This document is Western Power’s Price List Information, as defined in the Electricity Networks Access Code 2004 (**the Code**), to apply from 1 July.

## 1.1 Code Requirements

Section 8.1 of the Code requires Western Power to submit Price List Information to the Authority.

The Code defines Price List Information as:

“price list information” means a document which sets out information which would reasonably be required to enable the Authority, users and applicants to:

- (a) Understand how the service provider derived the elements of the proposed price list; and
- (b) Assess the compliance of the proposed price list with the Access Arrangement.

The Access Arrangement specifies the revenue cap form of price control and details the revenue that Western Power is able to earn in each year of the Access Arrangement period. The Access Arrangement contains the detailed price control formula that is applied each year to determine the network tariffs. Network tariffs are set each year to recover no more than the revenue cap. The revenue cap is the sum of:

- Western Power’s revenue requirement contained in the Access Arrangement plus
- an adjustment for any previous year revenue over or under-recoveries (known as the k-factor adjustment) plus
- an adjustment for the Tariff Equalisation Contribution (**TEC**)

## 1.2 2017/18 Foreword

### 1.2.1 Price List forms part of initial proposal

The 2017/18 Price List forms part of Western Power’s initial proposal for the fourth Access Arrangement period (**AA4**). It covers the 2017/18 financial year, however the prices within were determined for the 2016/17 financial year. This document’s primary purpose is to demonstrate the revenue requirement for 2017/18 and the application of the revenue cap formulae detailed in the proposed access arrangement.

## 1.3 Revenue requirement for 2017/18

The following sections detail the calculation of the revenue requirements for Western Power’s Transmission and Distribution networks.

### 1.3.1 Maximum Transmission Regulated Revenue

The following table demonstrates the derivation of the maximum transmission regulated revenue for 2017/18 in accordance with section 5.6.6 of the Access Arrangement.

**Table 1 – Maximum Transmission Regulated Revenue for 2017/18 (\$M real as at 30 June 2017)**

	2017/18
TR <sub>t</sub>	283.0
plus TK <sub>t</sub>	1.2
<b>MTR<sub>t</sub></b>	<b>284.3</b>

The derivation of the transmission system cost of supply cost pools and tariffs require the reference service revenue as an input in nominal terms. The following table details the transmission reference service revenue in nominal terms (please see section 1.3.3 for details of the inflation factor used).

**Table 2 - Transmission Revenue Cap Revenue for 2017/18 (\$M)**

	Revenue (Real)	Revenue (Nominal)
Revenue Cap Revenue (MTR <sub>2017/18</sub> )	284.3	289.5

### 1.3.2 Maximum Distribution Regulated Revenue

The following table demonstrates the derivation of the maximum distribution regulated revenue for 2017/18 in accordance with section 5.7.6 of the Access Arrangement.

**Table 3 – Maximum Distribution Regulated Revenue for 2017/18 (\$M real as at 30 June 2017)**

	201718
DR <sub>t</sub>	993.0
plus DK <sub>t</sub>	36.5
<b>MDR<sub>t</sub> (not including TEC<sub>t</sub>)</b>	<b>1,029.5</b>
<b>TEC<sub>t</sub> (\$M nominal)</b>	<b>167.0</b>

The derivation of the distribution system cost of supply cost pools and tariffs require the reference service revenue as an input in nominal terms. The following table details the distribution reference service revenue in nominal terms (please see section 1.3.3 for details of the inflation factor used).

**Table 4 - Distribution Revenue Cap Revenue for 201718 (\$M)**

	Revenue (Real)	Revenue (Nominal)
MDR <sub>t</sub> (not including TEC <sub>t</sub> )	1,029.5	1,048.4
Revenue Cap Revenue (MDR <sub>201718</sub> )		1,215.4

### 1.3.3 Derivation of Inflation Factor

In sections 1.3.1 and 1.4.2 Western Power has inflated the reference service revenue from real terms to nominal terms by using real and forecast inflation in accordance with sections 5.6.6 and 5.7.6 of the Access Arrangement.

**Table 5 - Derivation of 2017/18 Inflation Factor**

December 2016 – December 2017 – Forecast	1.84%
Derived Inflation Factor	1.0184

### 1.4 Forecast revenue recovery

The following table sets out the reference service revenue, which is forecast to be collected when applying the 2017/18 Price List.

**Table 6 – Forecast revenue in 2017/18, \$M nominal**

Transmission revenue	289.5
Distribution revenue	1,215.4
Total revenue cap revenue	1,504.9