

Appendix F.4

2018/19 Price List Information

Amended proposed access arrangement

16 November 2018



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

An appropriate citation for this paper is:

Appendix F.4

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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 2018.

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 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 target. For 2018/19 the revenue target 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 2018/19 Foreword

1.2.1 Price List forms part of proposal

The 2018/19 Price List forms part of Western Power's proposal for the fourth access arrangement period (AA4). It covers the 2018/19 financial year, however the prices within were determined for the 2016/17 financial year and have applied since that time, due to the delays with the AA4 review process. This document's primary purpose is to demonstrate the revenue requirement for 2018/19.

1.3 Revenue requirement for 2018/19

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 transmission regulated revenue for 2018/19 in accordance with section 5.7 of the access arrangement.

Table 1 –Maximum Transmission Regulated Revenue for 2018/19 (\$M real as at 30 June 2017)

	2018/19
TR _t	282.1
plus TK _t	0
MTR_t	282.1

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 2018/19 (\$M)

	Revenue (Real)	Revenue (Nominal)
Revenue Cap Revenue (MTR _{2018/19})	282.1	291.7

1.3.2 Maximum Distribution Regulated Revenue

The following table demonstrates the derivation of the distribution regulated revenue for 2018/19 in accordance with section 5.10 of the access arrangement.

Table 3 –Maximum Distribution Regulated Revenue for 2018/19 (\$M real as at 30 June 2017)

	2018/19
DR _t	983.6
plus DK _t	0
MDR_t (not including TEC_t)	983.6

The following table details the distribution revenue in nominal terms (please see section 1.3.3 for details of the inflation factor used).

Table 4 - Distribution Revenue Cap Revenue for 2018/19 (\$M)

	Revenue (Real)	Revenue (Nominal)
MDR _t (not including TEC _t)	983.6	1,021.0
TEC _t		198.0
Revenue Cap Revenue (MDR _{2018/19})		1,219.0

1.3.3 Derivation of Inflation Factor

In sections 1.3.1 and 1.3.2 Western Power has inflated the reference service revenue from real terms to nominal terms by using real inflation.

Table 5 - Derivation of 2018/19 Inflation Factor

December 2015 – December 2016 – Actual	1.48%
December 2016 – December 2017 – Actual	1.91%
Derived Inflation Factor	1.034

1.4 Forecast revenue recovery

The following table sets out the reference service revenue, which is forecast to be collected when applying the 2018/19 Price List.

Table 6 – Forecast revenue in 2018/19, \$M nominal

Transmission revenue	291.7
Distribution revenue	1,219.0
Total revenue cap revenue	1,510.7