

Appendix F.2

2017/18 Price List Information

Amended proposed access arrangement

28 February 2019

Approved by the Economic Regulation Authority

28 February 2019

(as amended by corrigenda of 10 May 2019)

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 2017.

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 that year. In 2017/18 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 2017/18 Foreword

1.2.1 Price List forms part of initial proposal

The 2017/18 Price List forms part of Western Power's 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 third 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 5.7 of the Access Arrangement.

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

	2017/18
TR _t	280.7
plus TK _t	1.2
MTR_t	281.9

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 _{2017/18})	281.9	286.1

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 5.10 of the Access Arrangement.

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

	2017/18
DR _t	991.5
plus DK _t	36.4
MDR_t (not including TEC_t)	1,027.9

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 2017/18 (\$M)

	Revenue (Real)	Revenue (Nominal)
MDR _t (not including TEC _t)	1,027.9	1,043.1
TEC _t		167.0
Revenue Cap Revenue (MDR_{2017/18})		1,210.1

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 actual inflation.

Table 5 - Derivation of 2017/18 Inflation Factor

December 2015 – December 2016 – Actual	1.48%
Derived Inflation Factor	1.015

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	286.1
Distribution revenue	1,210.1
Total revenue cap revenue	1,496.2