



# Notice

28 February 2019

## Proposed Revisions to the Western Power Network Access Arrangement 2017/18 to 2021/2022

### Release of Access Arrangement

The Economic Regulation Authority has released an [access arrangement decision](#) and a revised [access arrangement](#) on [Western Power's amended proposed access arrangement](#) for 1 July 2017 to 30 June 2022.

On 2 January 2019, the ERA published its further final decision, which was to not approve Western Power's amended proposed access arrangement. The ERA determined that Western Power had not adequately complied with 11 of 66 required amendments in the ERA's final decision.

Following a review of Western Power's amended proposal and consultation with stakeholders, the ERA has implemented the 11 required amendments.

These include required amendments to the price control, reference services, tariff structures and the gain share mechanism. These amendments have not affected Western Power's forecast average charges.

The revised access arrangement and new price list will come into effect on 1 July 2019.

Further information on the revised access arrangement is provided in the explanatory statement at the end of this notice.

#### Further information

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## **EXPLANATORY STATEMENT**

This explanatory statement provides interested parties with a summary of the ERA's access arrangement decision on proposed revisions to the fourth access arrangement for Western Power's network (AA4). This summary does not form part of the ERA's access arrangement decision or the reasons for the decision.

### **The access arrangement decision**

This access arrangement covers the period 1 July 2017 to 30 June 2022.

Western Power submitted its proposed access arrangement on 2 October 2017. The ERA released its draft decision on 2 May 2018, which was to not approve the proposed revisions to the access arrangement. The ERA required 91 amendments to the access arrangement for it to be approved.

On 14 June 2018, Western Power submitted its revised proposed access arrangement.

The ERA published its final decision on 20 September 2018, which was to not approve Western Power's revised proposed access arrangement. The ERA required 66 amendments to the access arrangement for it to be approved.

On 16 November 2018, Western Power submitted its amended proposed access arrangement.

On 2 January 2019, the ERA published its further final decision, which was to not approve Western Power's amended proposed access arrangement. The ERA determined that Western Power had not adequately complied with 11 of 66 required amendments in the ERA's final decision.

Consequently, the ERA was required to draft and publish its own access arrangement.

The ERA's [access arrangement decision](#) details how the 11 [final decision](#) required amendments that required further work have been implemented.

### **Next steps**

The revised access arrangement and new price list will come into effect on 1 July 2019.

### **Price control**

In the final decision, the ERA required the price control to include a requirement that the forecast customer numbers, energy volumes and any other charging parameters for each reference service were to be consistent with the demand forecast approved as part of the access arrangement decision.

In its response to the final decision, Western Power included forecast customer numbers and energy volumes used to determine pricing in the amended access arrangement, but did not include any other charging parameters.

The ERA sought additional information from Western Power to establish the values for all charging parameters underlying the AA4 revenue forecast. Table 37 of the Access Arrangement has been expanded to include all charging parameters.

## **Target Revenue**

Western Power amended the access arrangement to reflect the ERA's final decision on target revenue with some minor differences which were accepted in the further final decision. However, there was a small error on the tariff equalisation contribution (due to an incorrect Consumer Price Index factor being used in Western Power's model). As a result, the forecast revenue for 2018/19 did not appear to be consistent with the demand forecast.

The ERA has updated the revenue model to correct the error noted in the further final decision. This update has not affected Western Power's forecast average charges. The ERA's final revenue model is included as [Appendix 3](#) to the access arrangement decision.

## **Reference services**

In the final decision, the ERA required Western Power to include additional reference services likely to be sought by a significant number of users or substantial portion of the market. Western Power was also required to specify separate metering services based on the services required by users.

The ERA determined in the further final decision that not all of the required services had been included in Western Power's amended access arrangement, and some of the terms and conditions for those services were likely to restrict their availability.

To enable drafting of its own access arrangement, the ERA sought further information from the users who had requested the new reference services and from Western Power.

The ERA has amended the access arrangement based on the information available to it to specify services sought by users and to ensure the eligibility criteria is reasonable and not a barrier to users accessing the services.

The ERA has also amended the access arrangement so that new metering reference services can be introduced from 1 July 2019 while still providing adequate time for system changes to be made in a cost effective manner.

## **Tariff structures**

The ERA required Western Power to amend the new time of use services and the high and low voltage metered demand tariffs.

In its further final decision, the ERA determined that Western Power had not adequately implemented the required amendments:

- The price differential for peak and off-peak rates for the new time of use services was not adequately supported and Western Power's proposal to review the pricing approach at the next access arrangement period created uncertainty for any users considering the new services.
- Western Power had not included a mechanism to enable high and low voltage metered demand users' demand to be re-evaluated where it could be clearly demonstrated that future demand would be lower.

In consultation with Western Power, revised time of use prices have been developed. These prices are more in line with the National Electricity Market in which prices are set to reflect the efficient cost of providing network services to individual consumers.

The ERA has also amended the 2019/20 Price List Information and 2019/20 Price List to set out the mechanism for users to apply for their 12-month maximum half hourly demand to be amended.

### **Gain sharing mechanism**

In the final decision, the ERA required the gain share mechanism to be amended to specify that an adjustment, based on the proportion of years with service standard benchmark failures over the access arrangement period, will be made to the total above benchmark surplus.

In its further final decision, the ERA determined that Western Power had not adequately implemented this required amendment by only requiring the “SSB Deficiency Proportion” to be calculated in a year when the above-benchmark surplus is positive.

Service standard benchmark failures need to be accounted for in each year, not just those where the above-benchmark surplus is positive. There is also no need for a separate determination process, as the value to be added to target revenue will be assessed at the next access arrangement review.

The ERA has amended the access arrangement to comply with Final Decision Required Amendment 37 as detailed above.