

7 May 2020

Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Lodged online at <http://www.erawa.com.au/consultation>

Response to Issues Paper: Western Power's regulatory test application for the Picton South staged 132kV conversion

Perth Energy welcomes the opportunity to provide comments in response to the Economic Regulation Authority's (ERA) issues paper on Western Power's regulatory test application for the Picton South staged 132kV conversion in accordance with section 9.15 of the *Electricity Networks Access Code 2004*.

Perth Energy is one of the largest business energy retailers providing energy to small, medium and large businesses in Western Australia using Western Power's transmission and distribution network. Our Kwinana Swift Power Station is also connected to Western Power's transmission network.

As a key part of the Energy Transformation Strategy, the wholesale market arrangements will require significant changes to the way Western Power's transmission and distribution networks are operated and invested in. Different areas of the reform agenda will have an impact on Western Power's Picton South project and investment plans more broadly. These include but are not limited to:

- ▶ the introduction of security constrained, economic dispatch which will change generation profiles, and therefore network use as well as generation planting scenarios;
- ▶ the implementation of the various initiatives under the recently released distributed energy roadmap, which considers amongst other things more geographically-based generation solutions and increased small-scale behind the meter solutions;
- ▶ the development of the Whole of System Plan which we expect will identify the optimal network investment plan based on a common set of reasonable assumptions;
- ▶ potential changes to network access rights for generators, reducing barriers to entry for smaller, localised generation solutions; and
- ▶ potential changes to network tariffs, including use of system charges.

We are also concerned about the impact of this project on network tariffs. As part of the fourth access arrangement, transmission tariffs increased year-on-year by over 20 per cent. This did not include the \$38.2 million for this project, which is planned to be spent in the same period, and would pave the way for the future stage two works and the associated significant additional costs.



It is in this context that we recommend Western Power defers the Picton South upgrade project to await the results of the modelling being undertaken as part of the Whole of System Plan and included as necessary in the fifth access arrangement due to be submitted by 26 February 2021. This timing should provide a better view of the most efficient solution for the South West area as a whole under the new market arrangements and a more holistic view of the impact of the project on forward tariffs.

Should you have any questions please contact me on 0437 209 972 or at p.peake@perthenergy.com.au.

Regards,

Patrick Peake

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