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Economic Regulation Authority

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FRAMEWORK AND APPROACH – DRAFT DECISION

Alinta Energy appreciates the opportunity to provide a submission on the ERA's 'Framework and approach for Western Power's fifth access arrangement review – draft decision'. Alinta provides the following feedback for the ERA's consideration.

Improving cost reflectivity of TR2 annual connection costs and removing perverse incentives

Alinta Energy strongly recommends that Western Power's *Price Setting for New Transmission Nodes Policy* and the TR2 reference service is reformed to avoid users being required to pay disproportionate costs and remove perverse incentives to inflate connection capital costs.

The current policy sets the annual connection costs (the user specific charges of the TR2) at 1.88% of the "full capital cost" of the connection.¹

This method is inappropriate because it does not reflect the O&M costs of the connection. There are many capital costs that do not relate to ongoing O&M costs – for example, costs caused by contingencies during construction, including delays or costs incurred to fast-track progress. Alinta Energy considers that good industry practice for estimating maintenance cost is to apply a percentage to the capital cost of the maintainable items, rather than all capital costs. Benchmarking with the O&M costs of other networks may also improve cost-reflectivity.

Alinta Energy would be pleased to provide details of its own transmission asset O&M costs and experience managing high voltage transmission assets in the Pilbara to demonstrate the inaccuracy of the current method compared to actual O&M costs.

Another reason why the current method requires reform is that it provides a perverse incentive to inflate the capital costs of the connection to generate higher annual O&M payments. This would present a barrier to entry for users seeking connection to the transmission network.

Service standards to reduce invoicing issues

Alinta Energy experiences issues with a greater proportion of its network charges in the SWIS compared to its network charges NEM jurisdictions.

To avoid these issues impacting its customers and its finances, Alinta Energy must implement complex systems and dedicate considerable resources to identifying and disputing incorrect charges. Smaller retailers and customers who do not have this capability may be unwittingly paying more than their fair share.

¹ [2021 Price List Information](#) (p.88)

Alinta Energy suggests that the higher volume of invoicing issues could be due to a lower number of SWIS users relative to network users in the NEM who have the systems to verify and identify invoicing issues. Consequently, Western Power may have comparatively lower visibility of invoicing issues and therefore less reasons to dedicate resources to minimising them.

To increase visibility and incentives to mitigate invoicing issues, Alinta Energy recommends that service standards are applied to keep the level of disputed invoices within a decreasing range. This would help to limit invoicing issues and the burdens and financial risks they impose on users.

Improving the CMD application service level

Under the current arrangements, a user applying to increase their Contracted Maximum Demand can wait up to six months for the result.²

In the meantime, the user's project or planned investment may be delayed; or they may be exposed to significant Excess Network Usage Charges for exceeding their current CMD.

Considering the potential impacts on users, Alinta Energy recommends that Western Power required to improve the service level of its CMD services so that applications are required to be processed more quickly. Additionally, Alinta Energy requests that Western Power be required to improve transparency as to the status of the applications. This will help users plan appropriately and mitigate the risks to their businesses.

Alinta Energy notes that ENUCs are likely to increase with EPWA's proposed reforms to remove the requirement to be cost reflective.³ This raises the potential costs to users during the six-month application period, and thereby increases the benefit to users of reducing it.

Clarifying and improving the workability of existing reference services

1. Alinta Energy recommends that Western Power amend its rolling demand tariffs (RT5 and RT6 tariffs) to:
 - a. Clarify that the rolling demand period starts from the date on which the customer commences under the service (consistent with advice provided from Western Power).
 - b. Clarify what period, in relation to the billing period, is used to determine the charge.Alinta Energy considers that these changes will aid invoice validation and transparency for customers.
2. Alinta Energy recommends that Western Power codify the demand services they currently provide to customers with multiple point of supply or grouped NMLs as a reference service or ancillary service. This would help to standardise and clarify what conditions apply to these customers, reducing complexity. Alinta Energy has ~100 customers that have either multiple points of supply or grouped NMLs.
3. Alinta Energy recommends that Western Power separately bill and unbundle the metering charges as required by the last Access Arrangement decision. As part of AA4, the ERA required that Western Power supply metering services as separate reference services. The intent was that this would allow users to acquire only the services they require.⁴ However, in implementation, Western Power has essentially re-bundled metering services as they do not provide retailers enough information to identify the metering services they receive, nor the charges for these discrete services. This undermines users' ability to select the most

² RT7 RT8 and TRT1 reference services require the user to nominate a Contracted Maximum Demand that reflects their expected annual peak demand. Any demand above the CMD will result in an excess network usage charge (ENUC).

³ EPWA has proposed for ENUCs to be exempt from the requirements of sections 7.3D to 7.3H of the Access Code.

⁴ ERA, [Further Final Decision on Proposed Revisions to the Access Arrangement for the Western Power Network 2017/18 – 2021/22](#), January 2019, p 26.

appropriate services and therefore the intention of the ERA's decision. It also prevents retailers from quoting, invoicing, and reconciling metering charges correctly.

4. Alinta Energy makes the following recommendations aimed at providing retailers the data and information necessary to correctly invoice and validate network charges. Alinta Energy recommends that Western Power be required to:
 - a. update the build pack with sufficient notice and consultation for retailers when there are any changes to services and tariffs. In AA4, changes were not made to provide sufficient data for billing validation.
 - b. separately bill and separately identify the unbundled metering costs.
 - c. include CMD values as a standard standing data value (so they are provided when any standing data is requested).
 - d. include in standing data, flags for NMI's which are grouped together where they are subject to either a 'Grouping' and 'MPOS' arrangement.
 - e. specify how many meters exist for a NMI in the network billing data.
 - f. provide access to a NMI's site tariff/standing data history.
5. Alinta Energy recommends that Western Power standardise its references to tariffs and services – for example, in some places RT6 is referred to as LVMD, in others it is RT6. This will help reduce complexity and the need for cross referencing.
6. If the Capacity Allocation Swap services (D2,3,4,5) are retained, despite EPWA's proposal to remove them, Alinta Energy recommends that Western Power provide practical guidance on how users apply and how the service is administered. Alinta Energy suggests that the current service description does not provide users enough information to properly consider and implement the service.

Alinta Energy's position on the ERA's proposals

Alinta Energy supports the ERA's proposals to:

- Specify services from storage resources as excluded services, considering this will support a level playing field for storage assets.
- Develop a reference service for transmission-connected storage. Alinta Energy recommends that this service appropriately incentivise storage facilities to participate in ways that reduce whole of system costs – for example, by allaying minimum load issues. Alinta Energy would welcome the opportunity to support the development of this service.
- Improve the cost-reflectivity and price efficiency of TOU services.
- Require forward notice of planned disruptions, considering this will help users mitigate impacts to their operations.
- Require that market-based analysis is incorporated in service standards.
- Retain the 97.5 percentile method for setting service standards.

Thank you for your consideration of Alinta Energy's expression of interest. If you would like to discuss this further, please contact Oscar Carlberg at oscar.carlberg@alintaenergy.com.au or on .

Yours sincerely

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