



**Framework and approach for Western Power’s fifth access arrangement review: Synergy’s response to the Economic Regulation Authority’s draft decision**

**8 July 2020**

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## EXECUTIVE SUMMARY

<p><b>Matter</b></p>	<p>Framework and approach for Western Power’s (<b>WP</b>) fifth access arrangement (<b>AA5</b>) review: Synergy’s response to the Economic Regulation Authority’s (<b>ERA</b>) draft decision.</p>
<p><b>Context</b></p>	<p>On 18 September 2020, the Electricity Networks Access Code 2004 (<b>ENAC</b>) was amended to support the delivery of the State Government’s Energy Transformation Strategy, which Synergy supports. As a result of the amendments, the ERA is required to develop a Framework and Approach and new guidelines that will apply to Western Power’s AA5 review.</p>
<p><b>Scope</b></p>	<p>The ERA has published its draft decision in relation to the Framework and Approach and elements of the access arrangement for AA5 (<b>draft decision</b>) and has sought stakeholder feedback on the matters contained therein.</p>
<p><b>Issues</b></p>	<ol style="list-style-type: none"> <li>1. <b>Classification of services.</b> Synergy supports the ERA’s draft decision on the classification in relation to the classification of services. In addition, Synergy raises some additional matters for the ERA’s consideration within the framework and approach.</li> <li>2. <b>Reference services.</b> Synergy supports the ERA’s draft decision on reference services. However, Synergy considers the framework and approach should specify the various issues the ERA requires the network operator to consult on. In addition, Synergy also seeks the ERA to revisit its decision relating to the multi part time of use reference service whereby it proposed that peak and shoulder time periods should be limited to week-days. Synergy advocates the time bands applying every day.</li> <li>3. <b>Setting service standard benchmarks.</b> Synergy supports the ERA’s draft decision for determining benchmarks and the changes to be made to specific measures.</li> <li>4. <b>Price control.</b> Synergy supports the ERA’s position on demand risk, a single price control mechanism and removal of the side constraint providing there is no cross subsidy between transmission and distribution customers in AA5 or future access arrangements. Although the concept of price shock has been removed from the ENAC, Synergy notes the potential for price shock should be minimised by the appropriate application of ENAC clause 7.3H, which requires that revenue expected to be recovered from each reference service must, amongst other matters, minimise distortions to price signals for efficient usage.</li> </ol>

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5. **Investment adjustment mechanism.** Synergy supports the ERA's draft decision on the investment adjustment mechanism.
  6. **Gain sharing mechanism.** Synergy supports the ERA's draft decision on the gain sharing mechanism.
  7. **Service standard adjustment mechanism.** Synergy supports the ERA's draft decision on the service standard adjustment mechanism. However, Synergy considers it is important to ensure the exclusion of force majeure for service standard benchmark calculation and reporting purposes does not create any unintended consequences.
  8. **Demand management innovation allowance.** Synergy supports the ERA's decision and notes that there will be the opportunity to comment further on the other matters such as project eligibility and reporting requirements, as part of the consultation paper on the DMIA guidelines.
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## 1. Introduction

Synergy is Western Australia's (WA) largest network user, paying Western Power (the network operator) approximately \$1.3B annually. Synergy is also Western Australia's largest electricity retailer with more than 1 million customers.

Historically an access arrangement review commenced with Western Power submitting its access arrangement proposal. The ERA then determined whether the access arrangement met the ENAC objective and the specific requirements for an access arrangement.

The ENAC was amended in September 2020 to establish a two-stage decision-making process. In the first stage, the ERA must decide some elements of the access arrangement before Western Power lodges its access arrangement proposal.

The ERA may determine additional aspects of the access arrangement if it chooses to do so. The ERA must set out its decision on these matters in a document called the "Framework and Approach". The ERA, after considering stakeholder submissions on its Issues Paper,<sup>1</sup> published its draft decision on the Framework and Approach on 11 June 2021.

The second stage of the access arrangement review requires Western Power to submit its access arrangement for ERA approval. WP's access arrangement must be consistent with the elements that the ERA has already determined in the Framework and Approach. The ERA proposes to publish its Framework and Approach final decision in August 2021 and expects to receive WP's proposed AA5 in February 2022.

Synergy's response to the ERA's draft decision is structured as follows:

- Classification of services (section 2)
- Reference services (section 3)
- Service standard benchmarks (section 4)
- Price control (section 5)
- Investment adjustment mechanism (section 6)
- Gain sharing mechanism (section 7)
- Service standards adjustment mechanism (section 8)
- Demand management innovation allowance mechanism (section 9)

Words in *italics* have the same meaning as in the ENAC.

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<sup>1</sup> Framework and approach for Western Power's fifth access arrangement review, Issues paper, 1 April 2021.

## 2. Draft decision – Classification of services

Synergy supports the ERA's draft decision on the classification of services.<sup>2</sup>

Synergy discusses elements of this draft decision below and highlights some additional matters it considers the ERA should address within the framework and approach.

### 2.1 Determinations in relation to the Code Objective

In their responses to the ERA issues paper, various stakeholders expressed concern about how the different elements of the Code Objective could lead to undesirable or inefficient outcomes. Synergy considers the different elements of the Code Objective should not operate in conflict with each other provided the ERA exercises discretion in relation to the relative priority that should be given to each element, including balancing the interests of the network operator, users and customers.

Synergy supports the ERA's position that Western Power would also need to demonstrate that any expenditure or investment required to achieve a higher environmental standard is consistent with New Facilities Investment Test (**NFIT**). In addition, if the expenditure relates to non-capital costs Synergy considers it must also comply with ENAC clause 6.40.

The ERA's draft decision has also clarified that where there is a potential conflict between the Code Objective and NFIT, ENAC clause 2.3 requires the NFIT requirements to prevail. Synergy supports this position.

### 2.2 Ensuring least cost solutions

Synergy considers least cost solutions require a business paradigm and framework focused on efficiently minimising prudent costs rather than the recovery of costs.

The draft decision highlights industry issues that the network operator may commit to investments that a third party could provide at a lesser cost. The ERA considers that this issue can be partially dealt with under NFIT and ENAC clause 6.40; and the ERA can reduce proposed costs to address such inefficiencies.

Synergy agrees with this view but considers ensuring the implementation of least cost solutions cannot just be limited to the network operator demonstrating compliance with its internal cost recovery policies and investment governance framework. Synergy considers that the analysis of prudence and efficiency of WP's expenditure will be more effective if WP's framework sought and provided the ERA with comparative third-party costings.

In Synergy's view the framework and approach should specify the information the network operator must provide in relation to third party costs so the ERA can readily assess, test and ensure the least cost solution is being implemented.

Synergy considers this sort of internal efficiency review and information would be a normal business activity for any service provider focused on efficiently minimising costs and determining whether it maintains a service function in-house or outsources it. In addition, Synergy notes ENAC chapter 6A already contemplates that the service provider would need to seek solutions and costings from third parties and choose a third-party supplier if it is cheaper than an in-house supply.

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<sup>2</sup> Framework and approach for Western Power's fifth access arrangement review, draft decision, 11 June 2021, Page 15.



Further Synergy expects the ERA will apply pricing principles outlined in ENAC clause 7.3G(a) and (b). Reference tariffs that are designed to signal the forward-looking efficient costs of providing the associated reference service, having regard to the locational distribution of network costs and the additional costs likely to be incurred at periods of greatest network utilisation, will provide network users with transparent pricing signals that will enable network users to employ distributed energy resources or to design retail products to support efficient investment in, and efficient operation and use of, the network.

### 2.3 Stand-alone power systems

The ERA, in its draft decision,<sup>3</sup> considers:

“...Western Power can install stand-alone power systems where it is cheaper compared with maintaining the existing covered network.

This prevents Western Power from expanding into potentially competitive markets while benefitting all network users through lower prices.

If Western Power was able to offer stand-alone power systems as a specific service, measures would be necessary to ensure it was not subsidised by the regulated business and did not adversely affect competition.

On the basis that Western Power can only install stand-alone power systems where it is a cheaper option than an existing network connection, the ERA maintains its position that stand-alone power systems should be captured under the existing exit and bi-directional reference services. Users will be able to access metering and any other services required in the same way they currently do for exit and bi-directional services.”

Synergy supports the ERA’s clarification in relation to the purpose of installing stand-alone power systems and the intent in relation to competition. In addition, Synergy also acknowledges at this stage it is difficult to contemplate a covered service a user may seek that is not already provided for under the ERA’s draft decision on reference services.

Synergy agrees that stand-alone power systems should be installed where it is the least-cost, prudent option. However, Synergy considers the ERA should also assess whether a third party could provide the solution at a lesser cost. If this is the case, then the ERA should consider WP’s proposed expenditure under NFIT and ENAC clause 6.40 and reduce the proposed costs to address any inefficiencies. This will also ensure the stand-alone power systems are not inadvertently subsidised by WP’s regulated business and that it did not adversely affect competition.

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<sup>3</sup> Framework and approach for Western Power’s fifth access arrangement review, draft decision, 11 June 2021, Page 11.

## 2.4 Network operator owned and connected batteries

The ERA, draft decision, has highlighted that:<sup>4</sup>

“The ringfencing objectives in the Access Code also do not consider storage services. There are specific provisions prohibiting network service providers from generating, purchasing or selling electricity. However, there are no ringfencing requirements for any other activities apart from a requirement that the service provider must keep separate accounts and records for the covered network. This would apply only if the battery was not part of the covered network. As noted above, allocating capital costs between covered and non-covered services could be difficult.”

Synergy notes industry feedback on the ERA’s Issues Paper raised concerns about the conflicts that may arise if the network operator provides services using batteries in a way that is contrary to the Code Objective.

The ERA has proposed “...to ensure a level playing field for third parties to connect batteries to the network, the ERA proposed that services provided by batteries owned by Western Power could be classified as excluded services. A covered service can be made an “excluded service” if it is subject to effective competition and the cost can be excluded from the price control.”<sup>5</sup>

Synergy supports this position because it is consistent with the Code Objective, as it ensures efficient investment in, and efficient operation and use of, services of networks in the long-term interests of consumers.

In addition, Synergy understands the ERA intends to commence consultation on a determination that a covered service is an excluded service under ENAC clause 6.33. Synergy supports this consultation noting that clause 2.2 requires the ERA to give regard to the Code Objective.

## 2.5 Multi-function asset guidelines

The ERA is currently developing guidelines on the approach it proposes to take to apply the multi-function asset principles set out in ENAC clause 6.86. The ERA has proposed considering and including the specific information requirements for the multi-function asset policy as part of the multi-function asset guideline. In addition, the ERA also considers that although non-covered services fall outside the scope of the access arrangement, to ensure that services have not been misclassified, Western Power will be required to provide details of any other non-covered services provided.

Synergy supports this position and considers this approach is also necessary to ensure transparency and ensure that the network operator is not in-advertently subsidising or providing an un-regulated service that is negatively affecting the efficient provision of covered services.

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<sup>4</sup> Framework and approach for Western Power’s fifth access arrangement review, draft decision, 11 June 2021, Page 12.

<sup>5</sup> Framework and approach for Western Power’s fifth access arrangement review, draft decision, 11 June 2021, Page 12.



### 3. Draft Decision – Reference services

Synergy supports the ERA’s draft decision on reference services.<sup>6</sup>

Synergy discusses elements of this draft decision below and highlights some additional matters it considers the ERA should address within the framework and approach.

#### 3.1 Retain and modify current reference services

The ERA considers “...Well-specified and properly targeted reference services will create a level playing field for all users to contribute to and realise the benefit from these objectives, rather than relying on negotiating non-reference services.”

In addition, the ERA also considers the current list of reference services should be retained and modified as outlined in the draft decision. Synergy supports this position and considers that the ERA’s draft decision provides certainty to users seeking to access existing services that are aligned with existing customer supply contracts but at the same time providing the opportunity to transition to newer and improved time-of-use services in a way that minimises risk to the customer.

#### 3.2 Modifications to support constrained access

The ERA highlighted that Western Power broadly supported the ERA’s views that:<sup>7</sup>

“Consistent with the new Wholesale Electricity Market design, the Access Code has been amended to require entry services to allow interruption or curtailment in either of the following circumstances:

- where constraints are created by other users of the network.
- in connection with the operation of security constrained economic dispatch.

In the issues paper it was proposed the entry reference services and capacity allocation swap services be amended to reflect this requirement.”

In addition, Synergy notes that ENAC clause 2.4C contemplates that the network operator has the right to interrupt a user’s export of electricity,<sup>8</sup> but not prevent users’ the ability to swap capacity between connection points. Therefore, the ERA’s draft decision has required:

1. Entry reference services (and entry capacity allocations services) to be amended to permit the export of electricity to be interrupted in circumstances of constraints or security events in accordance with the new ENAC clause 2.4C .
2. Combining the Capacity Swap (exit and bi/directional) reference services<sup>9</sup> into a single service to simplify administrative arrangements and allow the application and use of the service to be addressed under a single electricity transfer application.

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<sup>6</sup> Framework and approach for Western Power’s fifth access arrangement review, draft decision, 11 June 2021, Page 25.

<sup>7</sup> Framework and approach for Western Power’s fifth access arrangement review, draft decision, 11 June 2021, Page 17.

<sup>8</sup> Declared sent out capacity (DSOC).

<sup>9</sup> For Contract Maximum Demand (CMD).

Synergy considers this specific requirement to interrupt needs to be reflected in the (entry) reference service eligibility criteria and should be highlighted in the ERA's framework and approach final decision. Synergy expects the drafting of the service description and eligibility criteria for this requirement would be undertaken in consultation between the network operator and users. It would be useful for the ERA's final decision to reflect this requirement.

### 3.3 Time of Use Periods

The ERA considers the following time periods best aligns with demand patterns for AA5:

- Super off-peak – 9am to 3pm – every day
- Peak – 3pm to 9pm – Monday to Friday
- Shoulder – 6am to 9am and 9pm to 11pm – Monday to Friday
- Off-peak – all other times.

Synergy in its previous submission had requested the time periods and corresponding pricing structure applies to all 7 days in a week. However, Synergy notes the ERA has proposed that the peak and shoulder time periods should only apply from Monday to Friday.

Synergy requests the ERA reconsider this decision, giving regard to ENAC clause 7.3I, and require that the peak and shoulder time periods to operate every day. Clause 7.3I requires:

*“The structure of each reference tariff must be reasonably capable of being understood by customers that are currently on that reference tariff, including enabling a customer to predict the likely annual changes in reference tariffs during the access arrangement period...”*

Synergy considers having the peak and shoulder time periods operating every day better achieves the requirements of clause 7.3I because it provides customers a simpler time period structure to understand the operation of the tariff and manage changes in their energy use behaviour. Particularly if the customer is seeking to invest in DER solutions.

In addition, the draft decision highlights Synergy's observation that the current prices provide little or no differentiation between different time periods. The ERA's draft decision indicates it expects Western Power to address the price differentiation issue in its tariff structure statement including how existing reference service time of use periods will be transitioned to the revised time of use periods.

Synergy considers the ERA's final framework and approach should provide additional guidance to the network operator on the approach that should be taken in relation to addressing price (tariff) differentiation and the requirements of ENAC clause 7.3G(a).

Synergy considers providing this guidance in the framework and approach is consistent with ENAC clause 4.A2(f). In addition, Synergy considers it is reasonable for the network operator to explain in the tariff structure statement how the time-of-use *distribution reference tariffs* meets the utilisation and location requirements outlined in ENAC clause 7.3G(a) and (b).

For example, if the approach under ENAC clause 7.3G(b) is to recover variations in costs between different locations equally from all time-of-use customers then this should be detailed in framework and approach and tariff structure statement. In addition, Synergy understands that where there is an inconsistency with the Code Objective and ENAC clause 7.3G, the specific requirements of clause 7.3G prevails and the tariff structure statement should outline how any inconsistencies have been addressed.

### 3.4 Other modifications to existing reference services

The ERA's draft decision has proposed modification to some existing reference services. Synergy supports the ERA's decision.

The ERA has proposed the load control reference service should be modified to include control of an inverter via a meter. This service is particularly relevant to the energy transformation reforms and the provision of non-co-optimised essential system services (**NCESS**).<sup>10</sup> In addition, the ERA has proposed in its draft decision that network services required to implement the energy transformation reforms should be included as reference services in AA5. Therefore, Synergy considers the framework and approach should outline the requirement for reference services that users can utilise to control inverters installed at connection points on their access contract to provide NCESS. It should also be noted that users/customers may be charged a reference tariff to control the inverters but should also receive a corresponding payment for providing the NCESS. Synergy considers this matter requires further clarification under the ERA's framework and approach.

The draft decision outlines that Western Power considers there would be benefit in removing duplication between references service terms (eligibility criteria) and contractual terms in the standard electricity transfer contract.

There is a risk this approach may deny a user and customers with a prior contractual right<sup>11</sup> or the use of an existing non-reference service. Therefore, Synergy supports this in principle but considers that it must be done cautiously, transparently and with proper consultation because not all users operate on the same access contract.

Therefore, Synergy advocates the framework and approach require the network operator to consult on this matter, detail how the duplication will be removed from existing reference services and how the term will be re-drafted within the standard electricity transfer access contract.

### 3.5 New services arising from energy transformation reforms

The ERA's draft decision proposes that network services required to implement energy transformation reforms should be developed under a structured approach and included as reference services. Synergy supports this position noting that much of the reforms are designed to achieve least cost solutions in the long-term interests of customers.

Synergy does not support developing these services as non-reference services noting that the Australian Energy Regulator (**AER**) makes a negotiated service classification only where it considers that all relevant parties have a reasonable degree of countervailing market power to effectively negotiate the provision of those services. Therefore, Synergy advocates the framework and approach require the network operator to consult on this matter and provide the ERA with the details of its consultation.

The ERA's draft decision also required several new reference services must be provided. Synergy has outlined these below together with its tariff structure requirements.

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<sup>10</sup> As outlined in the Energy Transformation Taskforce's information paper, <https://www.wa.gov.au/government/publications/framework-non-cooptimised-essential-system-services>.

<sup>11</sup> Refer to ENAC clauses 4.34 and 4.35 .

ERA Draft Decision New Reference Services	Synergy's tariff structure requirements
Bi-directional service for transmission connected storage system	<p>Synergy considers three different tariff structures are required to meet the different deployment scenarios for transmission connected batteries.</p> <ol style="list-style-type: none"> <li>1. A CMD based tariff structure for the exit service component.</li> <li>2. A metered demand based tariff structure.</li> <li>3. A time-of-use based tariff structure using the time periods outlined in the ERA's draft decision.<sup>12</sup></li> </ol>
Bi-directional service for distribution connected storage system	<p>Synergy considers three different tariff structures are required to meet the different deployment scenarios for distribution connected batteries.</p> <ol style="list-style-type: none"> <li>1. A CMD based tariff structure for the exit service component.</li> <li>2. A metered demand based tariff structure.</li> <li>3. A time-of-use based tariff structure using the time periods outlined in the ERA's draft decision.<sup>13</sup></li> </ol>
Exit (and possibly a bi-directional) service for electric vehicle charging points.	<p>Synergy considers the tariff structures for this service should align with exit and bi-directional reference services that customers use.</p>

Synergy has had a good level of engagement with Western Power to date on specific reference service requirements.

The ERA considers the network operator should consult with relevant users to develop the eligibility criteria and charging parameters for inclusion in its access arrangement proposal. Synergy notes this requirement is not expressly detailed on page 25 of the ERA's draft decision and suggests the final framework and approach decision should reflect a requirement for the network operator to provide the ERA with details of its consultation including the consultation outcomes.

### 3.6 Metering

Synergy notes the ERA expects the network operator will review the metering service descriptions and eligibility criteria in its access arrangement proposal to ensure metering services reflect the updated requirements to provide five-minute interval energy<sup>14</sup> data on a weekly basis.

Synergy notes this requirement is not expressly detailed on page 25 of the ERA's draft decision and suggests the final framework and approach decision should reflect a requirement for the network operator to provide the ERA with details of its consultation including the consultation outcomes.

<sup>12</sup> Framework and approach for Western Power's fifth access arrangement review, draft decision, 11 June 2021, Page 25.

<sup>13</sup> Framework and approach for Western Power's fifth access arrangement review, draft decision, 11 June 2021, Page 25.

<sup>14</sup> Synergy understand this means (actual, estimated or substituted) five-minute interval energy data for electricity production and/or consumption at a connection.

### 3.7 Reference services facilitating distributed generation

Reference services facilitating distributed generation or other non-network solutions were intended to align with the requirements for providing discounts under ENAC clauses 7.9 to 7.11. Synergy has previously highlighted that these reference services are not aligned or consistent with these clauses under the ENAC. For example, clause 7.9 does not restrict prudent discounts to exit points.

Given this issue still has not been addressed Synergy advocates the final framework and approach require these reference services to operate and be provided consistent with clauses ENAC 7.9 to 7.11.

Synergy expects the annual network opportunity map, if effectively implemented, and the net benefits guideline will provide more certainty for users in relation to:

1. calculating the reduction in costs or net benefit; and
2. providing the user with a discount in accordance with ENAC clauses 7.9 and 7.10.

### 3.8 Covered services utilising smart technology

Covered services that use smart technology as a means of providing effective services for streetlights, load control and inverter control can be broad but directly dependent on the network operator's infrastructure and leveraging current infrastructure to develop new capability.

Synergy supports the ERA's view that if a function can be added to existing infrastructure that would provide useful services to enable users to manage demand, then it would be preferable that these services were made available to users so there could be a broader take-up and utilisation of network infrastructure. This can be achieved by offering a reference service that clearly specifies what the user needs to do to be eligible for the service. For example, any new equipment or software the network operator would need to install and the relevant charges.

Synergy agrees with the ERA that the network operator is best placed to understand the capability of its own infrastructure and what services it can provide. Requiring users to define services, technical and operational requirements with limited knowledge of the network operator's infrastructure capabilities can be problematic given asymmetry of information.

Therefore, Synergy supports the ERA's proposal that the network operator needs to work with users to develop effective new services, specifically the capability and potential of its metering and streetlight assets. Synergy notes this requirement is not expressly detailed on page 25 of the ERA's draft decision and suggests the final framework and approach decision should reflect a requirement for the network operator to provide the ERA with details of its consultation including the consultation outcomes.

## 4. Draft Decision – Method for setting service standard benchmarks

Synergy supports the ERA's draft decision for determining benchmarks and the changes to be made to specific measures.

## 5. Draft Decision – Price control

Synergy supports the ERA’s draft decision for price control in relation to determining the network operator’s revenue.

Synergy notes Western Power is required to include a tariff structure statement and reference tariff change forecast setting out the forecast change for each reference tariff for each year of AA5. This will be available in February 2022 for stakeholder review prior to AA5 taking effect.

Network charges form a significant part of the electricity supply cost stack and, where these costs are passed on, can have a significant impact on customers and the operations of businesses. Therefore, Synergy considers the following two price control objectives are particularly important to network users and their customers in relation to planning and budgeting for this liability:

- Enable users to predict the likely annual changes in target revenue during the access arrangement period.
- Minimise, as far as reasonably possible, the variance between expected revenue for the last pricing year in the access arrangement period and the target revenue for that last pricing year.

In addition, Synergy notes that Energy Policy WA considers that higher fixed network charges and flat per kilowatt hour network pricing structures reduce retailers’ ability to offer tariffs that incentivise consumption behaviour and investment decisions (such as for energy storage) that would support the efficient operation of the power system and place downward pressure on its overall cost. Synergy agrees with this view.<sup>15</sup>

Further Synergy notes the uptake of time of use pricing is contingent on the roll-out of advanced metering. Consequently, Synergy supports the accelerated roll-out of advanced meters.

Synergy continues to support the ERA’s position on demand risk, a single price control mechanism and removal of the side constraint providing there is no cross subsidy between transmission and distribution customers in this or future access arrangements. Although the concept of price shock has been removed from the ENAC, Synergy notes, price shock will be mitigated by the ENAC clause 7.3H requirement for revenue expected to be recovered from each reference service must, amongst other matters, minimise distortions to price signals for efficient usage; if network users are allowed to respond to price signals, there should be a dampening (i.e. shock absorbing) effect on the severity of price movements.

## 6. Draft decision – Investment adjustment mechanism

Synergy supports the ERA’s draft decision on the investment adjustment mechanism.

## 7. Draft decision – Gain sharing mechanism

Synergy supports the ERA’s draft decision on the gain sharing mechanism.

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<sup>15</sup> More specifically, Synergy concurs with Energy Policy WA’s submission on the ERA’s Issues Paper that “... more conservative pricing structures (characterised by higher fixed charges and flat per kilowatt hour rates) will reduce retailers’ ability to offer tariffs that signal consumption behaviour and investment decisions (such as for energy storage) that support the efficient operation of the power system and will place downward pressure on its overall cost. As such, Energy Policy WA supports methods of price control that provide a basis for offering tariffs that support the transition of the power system to a high renewable energy (including high DER) future.”.



## 8. Draft decision – Service standard adjustment mechanism

Synergy supports the ERA's draft decision on the service standard adjustment mechanism. However, Synergy considers it is important to ensure the exclusion of force majeure for service standard benchmark calculation and reporting purposes does not create any unintended consequences

### 8.1 Exclusion of force majeure events

The ERA, in its draft decision, considered that force majeure should no longer be excluded in relation to the calculation and reporting of service standards on the basis material events are adequately dealt with under the calculation of major event days. In contrast Western Power advocates for the force majeure exclusion to be retained.

Synergy understands that major event days may be considered by some utilities to be a catastrophic event which exceeds the reasonable design or operational limits of an electric power system. In the case of the SWIS, WP's access arrangement defines the major event day calculation to be:

“For an unplanned interruption on the distribution system, a day on which the major event day threshold, applying the “2.5 beta method”, is exceeded. This method excludes events which are more than 2.5 standard deviations greater than the mean of the log normal distribution of five financial years of SAIDI data. The major event day threshold is determined at the end of each financial year for use in the next financial year. The data set comprises daily unplanned SAIDI calculated over the five immediately preceding financial years after exclusions (below) are applied. Where the logarithms of the data set are not normally distributed, the Box-Cox transformation will be applied to reach a better approximation of the normal distribution.”

The application of the “2.5 beta method” may (or may not) understate the impact of certain catastrophic events. Synergy is not clear what these events may be and how they may not be captured by the major event day calculation.

Synergy considers it is important to ensure the draft decision to exclude force majeure for service standard benchmark calculation and reporting purposes does not create any unintended consequences. For example, Synergy would be concerned if a network operator sought to increase its network investment as a means of meeting its service standard benchmarks following the removal of the current force majeure exclusion.

Therefore, Synergy advocates the ERA having regard for the above matter when making its final determination on the AA5 framework and approach.

## 9. Draft decision – Demand management innovation allowance (DMIA) mechanism

Synergy supports the ERA's draft decision on the DMIA mechanism.

Synergy notes that there will be the opportunity to comment further, on the other matters raised in stakeholder submissions about project eligibility and reporting requirements, as part of the consultation paper on the DMIA guidelines.