

13 August 2021

Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

Submitted via email by

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### **Multi-function asset guideline**

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission to the Economic Regulation Authority (the “**ERA**”) on the Multi-function asset guideline consultation paper (the “**Consultation Paper**”).

The AEC is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC considers that amendments could be made in the Access Code to multi-function assets to reduce the materiality threshold and increase the percentage of unregulated revenue passed through to end customers with a view to encouraging competition and dampening the network operators’ incentive to over-invest and financially benefit. However, noting that the status of Access Code, the AEC is broadly supportive of the Consultation Paper and makes the following comments:

#### **Network connected batteries**

The Consultation Paper notes:

“For capital expenditure on assets that are acquired or built to provide both covered services and services that are not covered (for example, a battery that provides network support services, which are covered services, and storage services that are not covered services) there may be no straightforward method to identify the costs that meet the first limb of the new facilities investment test. For such assets, it may be preferable to not include any portion of the capital expenditure in the regulated capital asset base and instead charge the regulated business based on actual use of the asset for the provision of covered services during the year.”<sup>1</sup>

The AEC supported this approach in its response to the Framework and Approach decision paper<sup>2</sup> and detailed our concerns about the network operator using network connected batteries to earn unregulated revenue in its response to the Framework and Approach issues paper<sup>3</sup>. The AEC continues to support classifying network connected batteries as an excluded service.

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<sup>1</sup> See p5, [Multi-function asset guidelines consultation paper](#)

<sup>2</sup> See the [AEC’s submission on the Framework and Approach decision paper](#)

<sup>3</sup> See the [AEC’s submission on the Framework and Approach issues paper](#)

## Multi-function asset policy

The AEC suggests that the multi-function asset guideline should specify that the multi-function asset policy (the “**Policy**”) must:

- Set out how the network operator will accommodate the interests of users and applicants;
- Outline how the network operator will consult with users to determine their multi-function asset requirements and detail how those requirements will be met. At a minimum, this consultation should include:
  - The types of multi-function assets that will be operating in the framework and approach for Western Power’s fifth access arrangement (AA5);
  - What multi-function asset (unregulated) services will be provided in AA5, the eligibility criteria and indicative charges; and
  - Obtaining feedback from users and applicants on whether they have concerns that the proposal is likely to materially prejudice the provision of covered services, as contemplated under Section 6.86(a) of the Access Code.
- Require the network operator to publish detailed descriptions at least annually on:
  - Multi-function assets within the South West Interconnected System;
  - The unregulated network service applicable to each multi-function asset available to network users;
  - the eligibility criteria and pricing applicable to each unregulated network service.

Without the above requirements, the AEC considers that the ERA will not be able to determine whether the Policy meets the requirements of Sections 5.37 and 6.86 of the Access Code.

## Conclusion

The AEC appreciates this opportunity to provide feedback on the Consultation Paper and encourages the ERA to consider the issues raised above.

Please do not hesitate to contact Graham Pearson, Western Australia Policy Manager by email on \_\_\_\_\_ or by telephone on \_\_\_\_\_ should you wish to discuss this further.

Yours sincerely,

**Graham Pearson**  
Policy Manager, Western Australia  
Australian Energy Council