

Submitted via ERA website

4 August 2021

## Submission in respect to Multi-function asset guideline Consultation Paper

### General

Perth Energy appreciates the opportunity to provide a response to the ERA's Consultation Paper concerning the multi-function asset guideline. Transmission and distribution network costs make up a substantial share of the total electricity cost that is paid by customers. We are therefore keen that the forthcoming Access Arrangement will pursue any approaches that can lead to sustained cost reductions while ensuring secure and reliable supply.

In general, Perth Energy supports the guideline as drafted and proposed by the ERA. It is clear and explicitly follows the obligations set out in the Access Code. It adequately addresses most of Western Power's covered assets that also provide services that are not covered.

### Storage Batteries

As the Consultation Paper rightly points out, the major issue is the consideration of storage. The MW-sized batteries that Western Power has indicated that it would like to install will interact closely with the operation of the Wholesale Electricity Market and may profoundly affect its outcomes. This situation is totally different from, for example, Western Power securing additional revenue by renting out space on its poles for CCTV cameras or cable TV installations.

On Page 5 of the Consultation Paper it is stated that:

*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.*

This is highlighted by a reading of the Access Code which states in clause 13.11:

*The ringfencing objectives, in relation to a service provider of a covered network, are that:*

*(a) the ringfenced business must not carry on a related business;*

Where a related business is defined as:

***"related business"** means the business of generating, purchasing or selling electricity, but does not include generating, purchasing or selling electricity to the extent necessary:*

*(a) for the safe and reliable operation of a covered network; or*

*(b) to enable a service provider to provide balancing and ancillary services in connection with a covered network; or*

*(c) to comply with an obligation under Part 9 of the Act.*

*{Note: Part 9 of the Act deals with the wholesale market.}*

The “*extent necessary*” to which Western Power must purchase or sell electricity for a battery “*for the safe and reliable operation*” will be very difficult to define in advance as it will depend a number of factors including:

- The quantity of solar PV systems installed at various locations on the network;
- The extend that others invest in storage, both behind and in front of the meter;
- The total system demand and load shape on any day;
- The demand in specific parts of the network; and
- The availability, output and location of generating systems and other storage systems.

Given the variability and interdependence of these factors it will be extremely difficult for Western Power to develop a realistic NFIT case to justify the expenditure of capital on batteries. For this reason Perth Energy supports the ERA’s suggestion that

*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.*

Our concern with this approach, however, is how Western Power would develop an appropriate charging rate for use and what will happen if insufficient revenue is generated to fund the investment. Will the total cost still be back charged to customers or will Western Power’s rate of return fall (which still falls back to the community due to its public ownership)?

### **Management of storage facilities**

Something that the ERA might want to consider in developing its guideline is whether a section should be included on how a multi-function asset is to be managed. Western Power uses electricity for some internal functions, such as powering meters and switchyard equipment. Substantial amounts of electricity are also consumed in network losses but these can be considered as the consequences of its normal mainstream operations.

In complete contrast, the operation of batteries requires deliberate decisions to inject or withdraw multi-MWh quantities of electricity which can have a profound impact on market prices and on the operations of other market participants. A case could be made for separate rules to be made covering the operation of these assets, perhaps even including their management to be ringfenced from other Western Power activities.

### **Summary**

To summarise, Perth Energy fully supports the guideline in all aspects except as it relates to batteries. We do consider, however, that the approach suggested by the ERA has considerable merit and should be pursued.

Should you like to discuss this further please contact me on \_\_\_\_\_ or at \_\_\_\_\_

Yours sincerely

Patrick Peake

Senior Manager, WA EMR