

Our ref: EDM 57113090  
Contact: Jonathon Mizen

13 August 2021

Electricity Access Team  
Economic Regulation Authority  
Level 4, 469 Wellington Street,  
Perth WA 6000

Submitted via electronic lodgement to [publicsubmissions@erawa.com.au](mailto:publicsubmissions@erawa.com.au)

Dear Sir / Madam

**Re: Multi-function asset guideline – Request for feedback on approach**

Western Power welcomes the opportunity to provide feedback on the Economic Regulation Authority's proposed approach in applying the multi-function asset principles included in the *Electricity Networks Access Code 2004 (WA)*.

Western Power believes that broad benefits can flow to the community by providing additional services from regulated assets. This includes by providing a valued service to the customer receiving the unregulated service and, by sharing a portion of unregulated revenue, lower costs to all customers paying regulated tariffs.

Western Power also supports the principle that unregulated services or products must pay a fair share for their use of regulated assets, and that Western Power must not crowd out private sector investment.

The proposed guidelines outlined in the consultation paper appear to be a reasonable starting point and follows the Access Code requirements closely.

There are some aspects of the guidelines that require further discussion and engagement with the ERA:

1. In making the changes to the Access Code, Energy Policy WA (EPWA) referred to Western Power being required to share a proportion of net profit with customers<sup>1</sup>. It is Western Power's understanding that the drafting of the term 'net incremental revenue' was intended to represent the notion of net profit. However, in the consultation paper the ERA states that any incremental costs incurred in providing these services are not relevant for the calculation of revenue to share with customers.

Western Power believes that the definition of net incremental revenue should be read that the costs incurred in providing these services are to be converted to a notional revenue 'it would receive if the asset provided only covered services'. That is, the incremental revenue

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<sup>1</sup> Energy Transformation Strategy: Proposed changes to the Electricity Network Access Code 2004, Stakeholder submissions summary, 2 September 2020. p5



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portion is revenue above the revenue derived from costs determined on a similar basis to regulated services (i.e. using a building block approach). This reading appears more closely aligned with EPWA's seeming policy intent.

2. Section 6.84 of the Access Code refers to multi-function assets as being a *network asset* that is used to provide services other than covered services. Western Power would like to understand the practical implications of this definition given that most services of this type will likely have (up to) three components involved:
  - i. The actual usage of the network asset for another purpose (for example, 'leasing' access to space on a wood pole or providing data for consumers via retailers and aggregators, to better understand and manage their energy usage).
  - ii. Some form of establishment costs that could be capital works (for example, construction of 'access points' or extensions to existing fibre optic cable).
  - iii. Some form of ongoing opex, capex or administration cost (for example, set up cost, design costs, billing costs, etc)

It is required to clarify which of these costs are subject to the multi-function asset guideline and policy.

3. While most potential use cases are clearly either in or out of scope of the multi-function asset provisions, there are several services where clarity is needed, for example where Western Power supplies third parties with suitable equipment (poles, cable, etc) for installing as part of connecting to the Western Power Network. The revenue Western Power earns from this activity is largely recovering the cost of the materials, applying a 30% reduction (of the material sales revenue) to regulated revenue as a consequence of this unregulated revenue would make the service unviable. However, the service is carried out as an adjunct to the activity within some Western Power depots, which are network assets.
4. It is also required to clarify if the proposed reporting requirements in the 'net incremental revenue' section<sup>2</sup> are all necessary as the intent is for the multi-function asset policy to adequately and transparently provide the rationale for Western Power's classification process for services that are not covered services. Detailed descriptions, accounting information and reconciliations may be avoided if the policy is clear in its application, in which case the regulatory financial statements Western Power provides to the ERA could address these issues in a simpler way.

We welcome the opportunity to further discuss our response with the ERA.

Please feel free to contact Jonathon Mizen at  
regarding this response.

for any query

Yours sincerely

**Zahra Jabiri**

Head of Regulation and Investment Assurance

Cc: Jacqui Hall, Chief Financial Officer

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<sup>2</sup> Multi-function asset guideline, Consultation Paper, 6 July 2021 – Section 3 Net Incremental Revenue