



Notice

10 September 2021

Classification of services provided by batteries owned by Western Power

Consultation paper

The Economic Regulation Authority has published a [consultation paper](#) seeking views on whether services provided by batteries owned by Western Power should be classified as excluded services.

As indicated in its final decision on the framework and approach for Western Power's fifth access arrangement review, the ERA is considering how services provided by batteries owned by Western Power should be classified under the access arrangement.

Western Power's electricity network is a natural monopoly. The economies of scale of the network of poles and wires means that network services are most efficiently provided by a single supplier. To protect consumers from the potential risks of monopoly rent seeking behaviour, such as overcharging or poor service, Western Power's network is regulated under the *Electricity Networks Access Code 2004*.

Batteries can provide an alternative to conventional network investments such as new feeders, voltage regulators or capacitor banks to support exit, entry and bi-directional network services. Batteries can also enable users to manage their energy demand and costs and to provide energy and essential services to the Wholesale Electricity Market.

Batteries can provide different services simultaneously or switch the service provided very quickly. Realising full value from batteries requires their deployment to provide multiple energy services across the energy supply chain. This is commonly referred to as "value stacking".

Under the Access Code, services provided by batteries owned by Western Power to provide network support are regulated services. Western Power can also use batteries it owns to provide other services (including leasing out spare capacity or offering customers access to a shared storage service). These services are not regulated under the Access Code.

As the Access Code is premised on regulation of natural monopoly network services and not services that can be provided by a competitive market, it includes provisions for making a regulated service that is contestable an "excluded service".

The ERA considers there is a competitive market for the supply of battery services and, on that basis, regulated services provided by batteries owned by Western Power should be classified as an excluded service.

Under an excluded service approach, the capital cost of the battery would essentially sit outside the regulated business and not be included in Western Power's regulated asset base. The efficient costs of any network support service provided to the regulated network business by a Western Power owned battery would be charged to the regulated business and this operational expenditure would be assessed by the ERA as part of its determination of the efficient costs of providing covered services.

The ERA considers that treatment of these services as an excluded service will promote investment in these technologies and provide a more transparent identification of the efficient cost of the relevant network services.

Invitation for submissions

The ERA invites interested parties to make submissions on the consultation paper.

Submissions close 4:00 pm (WST) Monday, 4 October 2021.

Submissions should be lodged online using the form on our website www.erawa.com.au/consultation.

Further information

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