



Notice

20 December 2021

Guideline on Western Power's capital expenditure and net benefits

Decision

The Economic Regulation Authority [has published its decision](#) on the guideline on factors it will consider when approving Western Power's capital expenditure and methods that can be used to value net benefits.

The new facilities investment test is a determination of whether expenditure can be added to the capital base of the covered network and recovered from network users through regulated tariffs.

The guideline is a new requirement under the Electricity Networks Access Code 2004. It must include:

- The factors the ERA proposes to consider when making a determination under the new facilities investment test set out in section 6.52 of the Access Code.
- Acceptable methods for valuing net benefits by a service provider, which must include, consideration of changes in costs and benefits for participants in the Wholesale Electricity Market.

"Net benefit" is defined in the Access Code as a net benefit (measured in present value terms to the extent that it is possible to do so) to those who generate, transport and consume electricity in the covered network. Net benefits are relevant to the new facilities investment test, approval of non-capital costs and the regulatory test set out in chapter nine of the Access Code.¹

The ERA published a consultation paper on the guideline on 15 October 2021 and has considered submissions received in the decision.

Further information

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¹ The regulatory test is an assessment under Chapter 9 of whether a proposed major augmentation to a covered network maximises the net benefit after considering alternative options.