synergy

Submission to the Economic Regulation Authority

Western Power Access Arrangement No.5: Tariff Structure Statement

20 April 2022

Contents

1. Executive summary

Matter	Western Power's (**WP**) proposed tariff structure statement (**TSS**) applicable to its fifth access arrangement (**AA5**)[1].
Context	WP is required to include a TSS and reference tariff change forecast setting out the forecast change in each tariff for each year of the access arrangement. These documents must comply with the revised pricing principles in ENAC Chapter 7. The Economic Regulation Authority (**ERA**) published its AA5 framework and approach for WP's fifth access arrangement review final decision[2] (**F&A**) in August 2021. The Electricity Networks Access Code (**ENAC**) section 5.1(e) and 7.1B requires an access arrangement must include a TSS and reference tariff change forecast that complies with the ENAC pricing principles and the F&A. The ENAC also requires WP to engage with network users (**users**) to develop the tariff structure statement and seek to address any relevant concerns identified by users. Synergy appreciated the opportunity to engage with WP on the development of the TSS. However, a number of Synergy's TSS requirements were not accommodated by WP. Synergy has included these requirements in this submission. WP's proposed AA5 published on 1 February 2022 includes a high-level TSS overview (Appendix F.2) and a TSS technical summary (Appendix F.2). Synergy notes these documents do not emulate published tariff structure statements in the National Electricity Market (**NEM**) and lack indicative tariffs which are provided in other comparable jurisdictions. Further, WP's TSS lacks the information the ENAC requires to be included in a TSS. Therefore, it is not possible for users and end-use customers to forecast the likely tariffs resulting from the TSS based on collating and using WP's access arrangement information for the duration of AA5 (i.e., including the information in the TSS as well as any other information provided, such as forecasts). Instead, the TSS uses high-level and unclear descriptions of the elements that will make up some, but not all, of the structure of each reference tariff. For example, WP has proposed a transitionary approach to cost reflective recovery of revenue. However, inconsistent with the requirements in the ENAC, including sections 4.2, 7.1A and the pricing principle in section 7.3I, the TSS does not contain detail about the transitionary plan, how it will be implemented and the associated timeframes. Synergy seeks an ERA determination on the following aspects of the TSS: 1. Synergy's primary request is for the ERA to determine whether WP has complied with the sections of the ENAC and F&A that require the TSS to contain sufficient information to allow users to understand and predict the likely annual changes to reference tariffs. A primary example of this is that

[1] Appendix-F.1---Tariff-Structure-Statement---Overview-1-February-2022-.pdf (erawa.com.au) and Appendix-F.2---Tariff-Structure-Statement---Technical-Summary-1-February-2022-.pdf (erawa.com.au)

[2] https://www.erawa.com.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF

	the TSS does not contain any proposed tariffs, nor does it, in combination with information WP has provided in other parts of its access arrangement information, contain sufficient information to enable users and end-use customers to calculate for themselves indicative reference tariffs in relation to existing and new transport and metering reference services. 2. Synergy considers, without the provision of adequate and compliant levels of information, including proposed tariffs, stakeholders cannot properly form a view whether the TSS will facilitate the connection of storage and electric vehicle charging stations and encourage demand patterns that will minimise the need for network augmentation, including the rebalancing of tariffs. 3. As a result of the information contained in WP's proposed TSS not complying with the ENAC and F&A requirements about the level of information required to be provided, Synergy also considers the ERA should make a determination that WP should be required to publish a revised TSS prior to the ERA's AA5 Draft Decision to enable proper consideration by stakeholders on WP's proposed TSS.
Scope	This submission details Synergy's TSS issues relating to: • Allocation of efficient costs • Lack of information to determine proposed cost reflective tariffs and price paths • Price differentiation for time of use tariffs • Disincentive charges for exceeding contracted capacity • Time required by users to implement system changes to pass network tariff changes to their customers. In addition, this submission constitutes a request by Synergy for the ERA to ensure the TSS is consistent with the ENAC and will produce reference tariffs that are consistent with the ENAC, including the Code objective, the pricing objective, pricing principles and the F&A.
Issues	1. The level of information contained in the TSS overall is not consistent with the level of information WP is required to provide as part of its TSS as specified in ENAC Chapter 7. Synergy notes the level of information WP has provided in the TSS is of a lesser amount compared to WP's price list information submitted annually to the ERA. Synergy considers this outcome was not intent of the ENAC Chapter 7 amendments.[3] 2. The TSS does not provide sufficient details on the cost allocation methods with supporting information that demonstrates reference tariffs will meet the ENAC requirement to comply with the pricing principles in a manner that will contribute to the achievement of the pricing objective, including the requirements for tariffs to be appropriately cost reflective under ENAC sections 7.3 and 7.3G.

[3] For example, the TSS does not include information of the standard contained in table 1.4 of the 2021/22 price information.

	3. The TSS permits a certain level of transmission costs not related to the provision of distribution reference services to be allocated to distribution reference tariffs. Synergy considers this is not consistent with the pricing objective and the principles in ENAC sections 7.3G and 7.3H. 4. The proposed tariffs applicable to existing and new network and metering reference services required under the F&A have not been provided in the TSS. The ERA should require WP to publish a revised TSS containing this information prior to the ERA issuing its AA5 Draft Decision. 5. Separate cost reflective metering reference tariffs for radio mesh and cellular communications have not been provided. Synergy's concern is that metering prices will either be based exclusively on the more expensive cellular communication costs or be based on an average cost. Synergy seeks WP to comply with the requirements in the ENAC and F&A that effectively require the publication of separate radio mesh and cellular communications reference tariffs. 6. Reference tariff change forecasts have not been calculated and provided in accordance with ENAC requirements. 7. The TSS proposes that time of use differentiation is determined at WP's discretion. This is the key component of the time-of-use tariffs. As a result, not including any meaningful information in the TSS about how WP will set the relevant time-of-use multipliers is inconsistent with the requirements in the ENAC, including the requirements in sections 4.2, 4.3, 7.1A and the pricing principle in 7.3I. WP must specify clear multiplier criteria applicable to time of use reference tariffs and the parameters in the TSS that WP must comply with. 8. Costs of essential system services ought not to be recovered via WP's AA5 proposal if they do not relate to the provision of covered services. 9. Synergy requires the AA4 metered demand reset mechanism to be specified within the TSS. 10. Synergy supports the reference service (A18/C16, A19/C17 and C18) time of use periods proposed by WP in the TSS. 11. There is insufficient TSS information for users to identify and understand how WP will determine and levy on customers disincentive charges for exceeding contracted capacity. Synergy notes the disincentive charge is a component of a reference tariff and is subject to the ENAC access arrangement approval requirements. 12. Synergy requires the proposed AA5 price list to be published at least 3 months prior to the price list taking effect to provide users with a reasonable period of time to undertake necessary system changes and notify affected customers of reference tariff changes.

2. Introduction

Synergy is Western Australia's largest electricity retailer and the largest user of WP's network. Synergy's retail and generation electricity transfer access contracts (**ETAC**) with WP collectively involve more than one million connection points. Synergy pays WP more than $1.3 billion annually for transport and metering services under its existing ETACs.

Efficient pricing plays a large part in determining whether customers will use reference services. Therefore, the TSS together with reference services provide the fundamental mechanism to deliver the Code objective[4] to promote efficient investment in, and efficient operation and use of, services of networks in Western Australia for the long terms interest of consumers.

The TSS is intended to ensure WP sets reference tariffs consistent with the outcomes under the ENAC pricing objective and pricing principles. WP has provided two documents in relation to its proposed TSS:

- Appendix F.1 – Tariff structure statement overview (**TSS Overview**)
- Appendix F.2 – Tariff structure statement technical summary (**TSS Summary**).

These documents provide high level[5] but unfortunately unclear descriptions and positions on how WP will allocate costs but does not substantiate how the pricing principles will be applied in determining proposed tariffs. Synergy notes the TSS do not emulate published tariff structure statements in the NEM. Synergy considers the level of detail contained within WP's TSS is significantly less than the level of detail required under the ENAC, for example, the ENAC TSS provisions are based on the equivalent provisions in the NER, however, the level of information in WP's proposed TSS is significantly less than what is published in the NEM. Consequently, WP's proposed TSS lacks tariff transparency relative to other comparable jurisdictions[6].

There are number of issues with the TSS in relation to its consistency with the ENAC and F&A. These are discussed in detail under section 6 of this submission. However, the fundamental issue with the TSS is that it is not transparent and meaningful to users because it does not contain proposed tariffs as required by the F&A. Further, in most cases, there is no ability for users and end-use customers to use the TSS and other information provided by WP to predict the likely tariffs, or likely annual changes in tariffs, applicable to the existing and new network and metering reference services required under the F&A. This is inconsistent with the requirements in the ENAC, including the requirements in sections 4.2, 4.3, 7.1A and the pricing principle in 7.3I.

The lack of proposed tariffs and sufficient detail regarding how those tariffs will be set also underpins many of the user issues detailed in section 6 of this submission. Such proposed tariffs and details are key to meeting the requirements of ENAC sections 4.2, 4.3, 7.1A and the pricing principle in section 7.1I and enabling the ERA, users and applicants to understand:

1. How the TSS will be implemented and the pricing outcomes it will impose on customers.
2. How WP actually derived the elements that contribute to the pricing outcomes and, therefore, enabling users and customers to form an opinion on whether the implementation of the high level descriptions in the TSS complies with the ENAC.

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4 ENAC section 2.1.

5 Information at a summary level.

6 For example, financial details on avoidable costs, stand alone costs, expected revenue recovery, indicative proposed tariffs – Refer Ausgrid, Attachment 10.01, Tariff Structure Statement, April 2019.

3. Regulatory requirements

The ENAC and F&A provide the fundamental regulatory requirements for determining the form of price control in relation to providing covered services and the list of required reference services for AA5.

The ENAC requirements for the provision of reference tariffs is outlined in Appendix A.

The ENAC requirements for the F&A[7] are outlined in ENAC Chapter 4. In addition to the ENAC requirements the ERA has determined requirements, to be addressed in the TSS and proposed access arrangement, in the F&A. These are outlined in section 4.

3.1 Interpreting the F&A requirements

The ERA considers the Code objective must be read as a whole[8]. Similarly, the F&A requirements must also be read as a whole. In addition, ENAC section 4.A11, requires a proposed access arrangement to be consistent with requirements of the F&A.

Synergy considers the F&A requirements (in respect of ENAC section 4.A11) must be interpreted in a way that is consistent with the ENAC and Code objective.

Given the requirements of ENAC section 2.3(a), 4.A1 and 4.A11 Synergy considers the specific ENAC criteria and Code objective must prevail in relation to a perceived conflict between a F&A requirement and a specific ENAC criteria. This is important so that users can understand how the TSS must be assessed to the extent that it complies with F&A but may be inconsistent with any specific obligations under the ENAC, particularly in relation to the pricing objective, pricing principles and the rebalancing of tariffs.

3.2 ENAC Chapter 7 requirements

WP is required to include a TSS and reference tariff change forecast setting out the forecast change in each tariff for each year of the access arrangement. These documents must comply with the revised pricing principles in ENAC Chapter 7. These principles include:

7.3G Each reference tariff must be based on the forward looking efficient costs of providing the reference service to which it relates to the customers currently on that reference tariff with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:

(a) The additional costs likely to be associated with meeting demand from end-use customers that are currently on that reference tariff at times of greatest utilisation of the relevant part of the service provider's network; and

(b) The location of end-use customers that are currently on that reference tariff and the extent to which costs vary between different locations in the service provider's network.

7.3H The revenue expected to be recovered from each reference tariff must:

(a) Reflect the service provider's total efficient costs of serving the customers that are currently on that reference tariff;

[7] https://www.erawa.com.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF

[8] Refer to item 1 in section 4.

(b) When summed with the revenue expected to be received from all other reference tariffs, permit the service provider to recover the expected revenue for the reference services in accordance with the service provider's access arrangement; and

(c) Comply with sections 7.3H(a) and 7.3(b) in a way that minimises distortions to the price signals for efficient usage that would result from reference tariffs that comply with the pricing principle set out in section 7.3G.

Synergy considers the amount of revenue the new Chapter 7 provisions allow WP to use to 'rebalance' reference tariffs is much more limited by comparison with WP's discretion in previous access arrangements. Specifically, the discretion afforded to WP under ENAC sections 7.3H(b) and (c) to allocate approved, non-reference tariff specific, efficient costs to any reference services is in effect the only basis for WP to 'rebalance' the total amount of revenue it is able to recover from each reference tariff away from the efficient costs of providing the relevant reference service in the relevant pricing year.

4. ERA F&A requirements

The ERA in its F&A stated a number of positions relevant to a network user's requirement for network services and setting proposed tariffs and hence relevant to the TSS. These matters are detailed in the table below.

Item	FA Requirements	F&A Page[9]
1	**Code objective** – Section 4.A1 requires the framework and approach to be consistent with the Code objective. The ERA considers that the Code objective must be read as a whole. There are three limbs which must be considered by the ERA. The ERA is of the view that these limbs may be balanced or weighed, but all must be considered.	3 4
2	**Interpretation** - The ENAC sets out rules for when Code objective may conflict with specific criteria and which prevails to the extent of the inconsistency… While sections 2.3 and 2.4 provide guidance on inconsistencies and conflicts, complex interactions may arise when determining whether there is an inconsistency and which factor should prevail in each circumstance. Sections 2.3 to 2.4 also may not deal with situations where there is a conflict between the three limbs of the Code objective	4
3	**User consultation on pricing** - The ERA expects WP will consult with its users to finalise eligibility criteria and pricing prior to submitting its proposal to the ERA.	15
4	**Stakeholder submissions** - Matters that have been raised in stakeholder submissions during the F&A consultation process should be accommodated.	15
5	**Stand-alone power systems (SPS)** - If WP was able to offer SPS as a specific service, measures would be necessary to ensure it was not subsidised by the regulated business and did not adversely affect competition.	10

[9] https://www.erawa.com.au/cproot/22112/2/Western-Power-AA5-Review---Framework-and-approach---Final-decision.PDF

Item	FA Requirements	F&A Page[9]
	On the basis that WP can install SPS only where it is a cheaper option than an existing network connection, the ERA maintains its position that SPS should be captured under the existing exit and bi-directional reference services. Users will be able to access metering and any other services required in the same way they currently do for exit and bi-directional services.	
6	**Approach to setting reference tariffs and price differentiation** – WP will need to demonstrate that its proposed tariffs are cost reflective, with evidence to support its proposal. In addition to the current time periods being unsuitable, the current prices provide little differentiation between time periods. The ERA expects WP to address price differentiation in its TSS. WP will need to ensure that its proposed time of use tariffs are cost reflective and encourage efficient use of the network. The TSS will also need to address how existing time of use periods will be transitioned to the revised time of use periods.	17 18
7	**Distributed energy resources** - The AEMC is currently developing rule changes to facilitate the integration of distributed energy resources, such as small scale solar and batteries, into the electricity grid including: • Updating the regulatory framework to clarify that distribution services are two-way and include export services from consumers • Promoting incentives to efficiently invest in, operate and use export services. This will encourage distribution networks to deliver export services that customers value. Currently there are no financial penalties for poor network export service and no rewards for improvements • Enabling distribution networks to offer two-way pricing for export services, allowing them to develop options that reward owners of distributed energy resources for sending power to the grid when it is needed and charging them for sending power when it is not • Allowing flexible pricing at the network level, enabling distribution networks to develop pricing options to suit their capability, customer preferences and jurisdictional policies. The ERA expects WP will consider these matters when developing its TSS and other elements of its access arrangement proposal.	17
8	**Metering reference services** - The ERA expects WP will review the metering service descriptions and eligibility criteria in its access arrangement proposal to ensure that metering services reflect any updated requirements since AA4. Implementing effective metering services, including the ability to obtain interval data and upgrade to an advanced meter where it is beneficial to do so, will support the development of the actions under the DER roadmap and the energy transformation generally.	21

Item	FA Requirements	F&A Page[9]
9	**Efficient tariffs that match user needs and renewable energy** - The ERA considers that the current price control will support the development of efficient tariffs for the transition to increasing renewable energy, including distributed energy resources.	37
10	**Demand risk.** WP is incentivised to identify innovative services and the corresponding efficient tariff structures that will best match the needs of users using the new services. The need to manage demand risk also incentivises WP to set tariffs that assist it to manage demand on the network and its consequent costs.	37
11	**New Code requirements and transparency on costs** - These changes will provide greater flexibility and clarity for setting tariffs for all customers. The ENAC amendments will require WP to undertake a more detailed cost allocation focussed on each reference service and ensure that each tariff is cost reflective. These new requirements will provide greater transparency about how costs are allocated to each reference service, including between transmission and distribution connected customers. As a minimum, WP's cost allocation will need to continue to separately identify transmission network, distribution network and common costs. WP will be required to explicitly allocate costs from each of those categories to each reference service. As the new requirements provide a greater disaggregation of revenue than is currently the case, any disaggregated revenue needed for the service standard adjustment mechanism can be derived from the reference tariff change forecast required for the access arrangement. Consequently, setting separate target revenues for the transmission and distribution services will no longer be necessary.	38
12	**Price paths for each reference tariffs** – WP's access arrangement is now required to include a tariff change forecast setting out the forecast change in each tariff for each year of the access arrangement. This will allow consultation during the access arrangement review on the price path for each reference tariff.	38
13	**Tariff re-balancing** - Although the requirement to avoid price shocks has been removed, there is a new requirement under section 7.3H(c) to minimise distortions to price signals for efficient usage. This will allow any tariff re-balancing required to bring tariffs in line with efficient costs to be smoothed over the access arrangement period. The profile of target revenue over the access arrangement period will be determined during the access arrangement review. The Energy Transformation amendments to the ENAC include a requirement that the variance between expected revenue for the last pricing year in the access arrangement period and the target revenue for that last pricing year should be minimised as far as possible.	38

5. Summary of Synergy's TSS requirements

To assist the ERA's consideration of Synergy's pricing and tariff structure requirements, Synergy has adopted a 'traffic light' approach to identify which elements of the TSS:

- **Meet Synergy's needs** i.e. the TSS is ENAC consistent and accommodates the reasonable requirements of Synergy and its end-use customers with respect to tariffs and tariff structures ('green light')
- **Partially meet Synergy's needs** i.e. the TSS is either partially ENAC consistent and/or partially accommodates the reasonable requirements of Synergy and its end-use customers with respect to tariffs and tariff structures ('amber light')
- **Does not meet Synergy's needs –** i.e. the TSS is not ENAC consistent and/or does not accommodate the reasonable requirements of Synergy and its end-use customers with respect to tariffs and tariff structures ('red light').

Area	Meets Synergy / customer needs	Rationale	Submission reference
Allocating efficient costs to reference services		The TSS lacks the more detailed cost allocation and supporting information the ENAC requires WP to include in its TSS to enable users to verify that reference tariffs comply with the pricing principles in a manner that will contribute to the achievement of the pricing objective, including that those tariffs are appropriately cost reflective. In addition, WP has not provided proposed tariffs or any specific information or methods about how it will determine those tariffs. Therefore, WP has not demonstrated that the resulting tariffs will comply with the pricing principles in a manner that will contribute to the achievement of the pricing objective, including that those tariffs are appropriately cost reflective. Synergy considers this is contrary to ENAC and F&A requirements. Further, WP has not accommodated Synergy's request for the TSS to include indicative tariffs for all reference services, including the existing and new network and metering services (and in some cases tariff price paths), nor has it explained why it has not done this. This is inconsistent with the requirements in ENAC sections 7.1A(c) and 4.3(b)(ii) and the pricing principle in clause 7.3I.	6.1
Allocation of transmission costs to distribution reference services		WP considers the ENAC permits a certain level of transmission costs not related to the provision of distribution reference services to be allocated to distribution reference tariffs. Synergy considers this approach and pricing method is inconsistent with the ENAC, particularly the Code objective, pricing objective, pricing principles and the requirements set out in the F&A. Further, WP has not accommodated Synergy's reference service request for distribution network tariffs to exclude transmission charges where transmission costs are not	6.2

Area	Meets Synergy / customer needs	Rationale	Submission reference
		incurred in the provision of distribution services, nor has it explained why the TSS does not specify this requirement. This is inconsistent with the requirement in ENAC section 4.3(b)(ii) and the pricing principles (e.g. see ENAC sections 7.3F, 7.3G, 7.3H and 7.3I).	
Lack of proposed tariffs		The level of information contained in the TSS overall is of a lower standard compared to WP's price list information currently submitted annually to the ERA. Synergy considers this was not intent of the ENAC Chapter 7 amendments. Prior to submitting its access arrangement revision proposal to the ERA, WP did not seek to negotiate and finalise pricing with Synergy. Synergy considers WP's failure to seek to finalise such pricing and the lack of proposed tariffs is a major departure from several requirements under the ENAC and the F&A, including the consultation approach required to comply with the F&A and the requirement in ENAC section 4.1A.	6.3
Cost reflective proposed tariffs for meter data services		Synergy understands some current metering reference service tariffs are not cost reflective. WP advised Synergy that proposed tariffs for AA5 will include two separate tariffs for metering reference services – one for when the service is provided by radio mesh communications and one for (the relatively rare occasion) when the service is provided by cellular communications. WP has not accommodated Synergy's request for radio mesh communications and cellular communications to be separately priced in the TSS so that they are cost reflective, nor has it explained why the TSS does not specify this requirement. This is inconsistent with the requirement in ENAC sections 4.2 and 4.3(b)(ii) and the pricing principles (e.g. see ENAC sections 7.3E, 7.3F, 7.3G, and 7.3I). Synergy understands WP's current position (April 2022) is that it intends to propose two separate cost reflective metering reference service tariffs - one for radio mesh and one for cellular.	6.4
Reference tariff change forecast and price path		The publication of the weighted average annual price change for only some reference tariffs is inconsistent with the ENAC requirements to publish a reference tariff change forecast. WP has not accommodated Synergy's request for the TSS to include the following information in its change forecast:	6.5

Area	Meets Synergy / customer needs	Rationale	Submission reference
		• separate fixed and variable price paths • new reference service tariffs and change forecasts • metering reference service tariffs and change forecasts. WP has not explained why the TSS does not include this information. This is inconsistent with the requirements in ENAC sections 4.2, 4.3(b)(ii), 7.1A and 7.1D as well as the pricing principles (e.g. see ENAC sections 7.3E, 7.3F, 7.3G, and 7.3I).	
Time of use price differentiation		The TSS proposes that the method of calculating price differentiation will be at WP's discretion. This is inconsistent with a number of ENAC requirements and the F&A. For example, the F&A requires WP to address time of use price differentiation in its tariff structure statement because the current prices provide little differentiation between time periods. Further, WP has not accommodated Synergy's request for the TSS to address price differentiation, nor has it explained or included the price differentiation methods and requirements in the TSS. This is inconsistent with the requirements in ENAC sections 4.2, 4.3(b)(ii), 7.1A and 7.1D as well as the pricing principles (e.g. see ENAC sections 7.3E, 7.3F, 7.3G, and 7.3I).	6.6
Essential System Services (ESS) Costs		Synergy supports essential system services costs not being included in WP's AA5 proposal because they do not relate to the provision of covered services.	6.7
Mechanism to reset metered demand reference tariffs		Synergy requires the AA4 metered demand reset mechanism to be specified in AA5 and detailed in the TSS. The lack of such details in the TSS is inconsistent with the requirement in ENAC sections 4.2 and 7.1A and the pricing principles in sections 7.3F and 7.3I.	6.8
Tariffs that will minimise network augmentation		The TSS does not contain any proposed tariffs. Therefore, it is difficult and not possible, for stakeholders to form a view whether the TSS complies with the requirement in the F&A to facilitate the connection of storage and electric vehicle charging stations and encourage demand patterns that will minimise the need for network augmentation, including the rebalancing of tariffs. In addition, WP has not accommodated Synergy new tariff structure requirements for storage and electric vehicle charging stations, nor does the TSS explain why the current proposed structure is appropriate and meets user requirements. This is inconsistent with the requirements	6.9

Area	Meets Synergy / customer needs	Rationale	Submission reference
		in ENAC sections 4.2, 4.3(b)(ii) and 7.1A and the pricing principle in section 7.3E.	
Disincentive charges for exceeding contracted capacity		The TSS does not recognise that the disincentive charge is a component of a reference tariff that needs to be approved by the ERA under the access arrangement. Synergy requests the matter is also clarified in the TSS. The TSS also does not provide sufficient information about which reference service will include a disincentive charge component, how the charge will be calculated and levied on customers. This is inconsistent with the requirements in ENAC sections 4.2, 4.3(b)(ii) and 7.1A and the pricing principles in 7.3F and 7.3I. Synergy requests the matter be clarified in the TSS.	6.10
Timeframe to implement reference tariffs		The TSS does not include timeframes for publishing proposed tariffs with sufficient detail so that users can implement the necessary operational and system changes in time for the commencement of AA5. Synergy requires at least 3 months to make system changes and notify customers of the reference service tariffs in the new AA5 price list.	6.11
Other matters • Time of use periods		Synergy supports the following time of use periods (but notes several typographical errors need to be corrected in the TSS): • Super off-peak – 9am to 3pm – every day • On Peak – 3pm to 9pm – every day • Shoulder – 6am to 9am and 9pm to 11pm – every day • Off–peak – all other times – every day.	6.13

6. Synergy's requirements for the TSS

6.1 Allocating efficient costs (target revenue) to reference services

The Energy Transformation amendments to the ENAC included new requirements for the information that WP must include in its proposed access arrangement on tariffs and the principles it must follow to allocate the cost of providing services and set reference tariffs.

The ERA[10] considered these changes will provide greater flexibility and clarity for setting tariffs for all customers. The ENAC amendments require WP to undertake a more detailed cost allocation focussed on each reference service and ensure that each tariff is appropriately cost reflective[11]. The F&A[12] also required WP to demonstrate that its proposed tariffs are cost reflective[13], with evidence to support its proposal.

WP's target revenue, determined under the ENAC Chapter 6, determines the efficient costs of providing covered services and reference services.

ENAC section 7.3, 7.3G and 7.3H ensures these forward-looking efficient costs are allocated and recovered from reference services in an appropriately cost reflective way.

The pricing methods, [14] in the TSS determines, how the target revenue is allocated;

1. Across reference services
2. Within reference services.

In addition, ENAC section 7.2, 7.3. 7.3G and 7.3H, requires WP's method of allocating target revenue across and within reference services – should only allocate to reference tariffs the efficient costs in relation to providing those reference services[15]. This requirement is the ENAC pricing objective.

ENAC section 7.3A, also requires that the reference tariffs must comply with the pricing principles. In addition, ENAC section 7.3C requires that WP ensure reference tariffs must comply with the pricing principles in a manner that contributes to achieving the pricing objective[16].

At its highest:

- Section 7.3G requires WP to demonstrate that each reference tariff in each pricing year is based on the forward-looking efficient costs of providing the reference service to which it relates to customers on that tariff
- Section 7.3H requires the service provider's expected revenue from each reference tariff in each pricing year to reflect the service provider's total efficient costs of serving customers on that reference tariff in that pricing year.

The only pricing principles that provide WP with any scope to allocate costs to reference tariffs that are in excess of WP's efficient costs of serving customers receiving the reference service associated with that reference tariff in the relevant pricing year are to the extent:

- The access arrangement approves WP recovering efficient costs that cannot be allocated to any specific reference service (section 7.3H(b)). Importantly, WP is entitled, in accordance with section 7.H(c), to allocate such approved, non-reference tariff specific, efficient costs to reference tariffs irrespective of the pricing year within WP incurs those costs; or
- The addition of such costs are required to comply with the non-economically efficient pricing principles in section 7.3J.

[10] Refer to item 11 in section 4.
[11] Underlined for emphasis.
[12] Refer to item 6 in section 4.
[13] Underlined for emphasis.
[14] ENAC, section 7.1.
[15] Underlined for emphasis.
[16] Underlined for emphasis.

Collectively, these ENAC provisions provide a regulatory framework that promotes an outcome where each reference tariff is appropriately cost reflective. This includes ensuring the approach WP takes, in the TSS, in allocating costs and setting tariffs is based on cost reflectivity and not on revenue recovery[17].

Further, the information requirements in ENAC sections 4.2, 4.3(a), 7.1A and 7.1D, particularly when read in conjunction with the pricing principles in sections 7.3B and 7.3I, appear to require WP to justify any pricing outcomes that deviate from tariffs being appropriately cost reflective.

However, the proposed TSS summarises WP's approach to determining the structure, charging parameters and approach to setting reference tariffs only in a very high level manner. Therefore, and contrary to ENAC sections 4.2 and 7.1A, it is not clear to users to what extent key assumptions made in the TSS are consistent with the ENAC required outcomes. However, given the lack of information in the TSS, the cost allocation and pricing approach in the TSS appears to be based on a combination of revenue and cost reflectivity. In addition, Synergy considers the information provided implies the cost allocation and pricing in relation to the distribution services are largely based on revenue recovery and not the pricing objective and pricing principles in the ENAC.

The TSS does not contain the more detailed cost allocation and supporting information as required under the ENAC to enable users to assess the extent to which reference tariffs are appropriately cost reflective. Further, the level of detail in the TSS on the matter of cost reflectivity is less than that contained in the WP 2021/22 price list information[18]. As WP has not provided proposed tariffs and has not otherwise provided sufficient information to allow independent assessment of how those tariffs would be set, it has not demonstrated that proposed tariffs are appropriately cost reflective. This is a key inconsistency with the F&A[19].

In addition, WP in the TSS, has proposed a transitionary approach towards cost reflectivity and more efficient tariffs:

> "In our view, customers' preferences would best be met by transitioning to the efficient allocation of costs through time. This will avoid price shocks and provide customers and stakeholders an opportunity to prepare for arriving at the efficient cost allocation in the future"[20].
>
> "Our adoption of a transition to more efficient tariffs balances the tension that arises between the efficiency-based requirements of pricing principles 7.3G and 7.3H and the requirement to accommodate the reasonable requirements of users in pricing principle 7.3F"[21].

However, the TSS does not provide details of WP's cost reflective transition plan, transition timeframes, implementation strategy and how cost reflective the proposed AA5 tariff for each reference service will be in AA5. This appears to be inconsistent with the requirements in ENAC sections 4.2 and 7.1A.

[17] The approach is based on recovering target revenue and not the (cost reflective) efficient costs of providing the *reference services* as required by ENAC section7.3, 7.3G and 7.3H.

[18] Refer https://www.erawa.com.au/cproot/21947/2/2021-22-Price-List-Information.PDF

[19] Refer to item 6 and 11 in section 4.

[20] TSS Overview, page 23.

[21] TSS Overview, page 12.

Synergy considers there may need to be a transition to cost reflectivity, in relation to the allocation of costs, between users of distribution reference services in a manner that is consistent with the Code objective. However, Synergy considers the allocation of costs between distribution reference services and transmission reference services must be cost reflective and consistent with ENAC sections 7.3 and 7.3A, including the pricing principles in sections 7.3G and 7.3H.

Synergy recommends the ERA assess certain key allocation (pricing method) assumptions in the TSS and also request WP to provide evidence to demonstrate each cost allocation approach in relation to the reference services is consistent with its ENAC obligations, including the pricing objective. These include consideration of:

- The allocation of transmission service revenue to each distribution reference service based on the relative contribution to system-wide maximum demand by each reference service. Noting that consideration has not been given to how DER is likely to (or has) reduced the impact on system-wide maximum demand[22]
- The allocation of 67% of transmission service revenue to (Urban Zone) customer services and 15.8% to (Mixed Zone) customer services[23]
- WP's price moderation approach within the transmission pricing model[24] given the small number of transmission customers relative to distribution customers. This approach appears to create a cross subsidy between transmission and distribution customers and if so, is inconsistent with the cost reflective requirements of the pricing objective and F&A. This approach may also result in the allocation of costs that do not relate to the provision of the distribution reference service
- WP's proposed pricing method can under recover transmission revenue. Therefore, WP's approach is to use the common services cost pool[25] as a price moderation and balancing mechanism to deal with any under recovery of transmission revenue from transmission customers by recovering that amount from distribution customers. Noting also that the common service price is also subject to a price moderation aimed at recovering revenue but not ensuring cost reflectivity. Therefore, an ERA determination needs to be made whether this revenue recovery approach is consistent with the ENAC requirements under Chapter 7
- WP's approach considers "… a cross-subsidy arises only when the costs recovered from users of a particular service fall outside the bounds established by the stand-alone cost (upper bound) and avoidable cost (lower bound) of that particular service"[26]. However, it is also important to note a cross subsidy also occurs when costs not directly related to the provision of the reference service is recovered from the service (revenue recovery approach)
- Whether all transmission related administrative costs is permitted to be allocated to the distribution administrative services cost pool including whether this approach is consistent with the ENAC pricing objective
- The control system services variable charge for transmission generators is applied to their nameplate capacity[27], rather than to their DSOC or to the network capacity made available to the facility after taking into account any constraints on the network. Noting that, with the introduction

[22] TSS Summary, page 15.
[23] Ibid.
[24] TSS Summary, page 19.
[25] TSS Summary, page 20.
[26] TSS summary, page 22.
[27] TSS Summary, page 30 and 41.

of the recent security constrained economic dispatch reforms, a generator may only access and use the network up to the lesser of its DSOC and any available network capacity after taking into account network constraints, Synergy considers the ERA should ensure that WP's calculation of these charges is consistent with the ENAC, including by ensuring the charges do not result in:

  - Over allocation of costs to generators, which could occur due to double charging arising from two or more generators behind a network constraint both being charged for network services that are not provided because of the network constraint. The following scenario highlights the issue:
    - Two generators have nameplate capacity of 50MW at different connection points
    - The two generators pay for network services, in aggregate, for 100MW
    - If one generator is constrained off for 45MW then the aggregate transfer of energy under the network services for both generators is 55MW
    - However in combination the two generators continue to pay as if WP is providing a network service for 100MW
  - Tariffs that are not appropriately cost reflective. For example, if a generator is constrained off then the generator is not able to access some or all of its network services. Therefore, WP is not incurring any additional costs in relation to network service(s) that are not already being provided for by the generator during those times, noting that WP has no obligation to maintain or augment the network to provide the network service (particularly if the ERA approves WP's proposed amendments to its technical rules)

- WP's approach to allocating costs, in accordance with ENAC section 7.3D, is based primarily on "…a matter of equity between customers and a degree of judgement by subject matter experts". This approach and the associated judgements that may be applied does not appear to be consistent with ENAC sections 7.3, 7.3A, 7.3C and 7.3D
- WP has assumed that 60% of the transmission revenue, that has been determined to be recovered from distribution customers, should be recovered as variable costs. Therefore, 40% will be recovered as fixed costs. This assumption does not take into account the energy transformation reforms and the benefit DER already provides to the transmission network. Therefore, the ERA should determine if the fixed component should be substantially less than 40%
- Given the many assumptions and judgements in the proposed TSS allocation methodology, the TSS does not appear to address how the proposed pricing methods in the TSS is consistent with the requirements of ENAC section 7.6 to ensure;
  - The incremental cost of service provision is recovered by tariff components that vary with usage or demand
  - Any amount in excess of the incremental cost of service provision is recovered by tariff components that do not vary with usage or demand
- Whether WP has not provided sufficient detail in the TSS in relation to its cost reflective transition plan to comply with ENAC sections 4.2 and 7.1A and whether WP's transition approach is consistent with the relevant requirements in the ENAC, particularly sections 7.3 and 7.3A

The supporting information[28], required under the ENAC section 4.3(d), detailing the WP's capacity, volume and customer number forecasts appears to be based on 2020 estimates and is considerably out of date. For example:

- Synergy notes the customer numbers reported for 2021 are materially different to the Synergy's actual numbers
- RT17 seem to be showing quite material increases despite WP's proposal to discontinue any new nominations for this service
- There appears to be material increases forecasted for RT9 (streetlights)
- No forecasts have been provided for any of the proposed 9 new conveyance reference tariffs (RT34 to RT41 and TRT3)
- Forecast numbers (kWh and customers) differ markedly compared to the more up to date 2021/22 price list information.

This outdated information further compounds the issues, outlined above, associated with the TSS not providing the required level of information to comply with ENAC sections 4.2 and 7.1A and the pricing principle in section 7.3I. Synergy recommends the ERA, under ENAC section 4.8, require WP to provide and publish current and realistic forecast information and should not approve the TSS unless WP uses more up to date forecast information in determining the charges and price paths that apply to the reference tariffs.

6.2 Allocation of transmission costs to distribution references services

As outlined above ENAC sections 7.2, 7.3, 7.3A, 7.3B and 7.3C establishes the regulatory foundations to ensure that the service provider:

1. Allocates the appropriate efficient costs related to providing the specific reference service and does not permit costs not related to providing the reference service[29] to be allocated to the reference tariff (**In-efficient Allocation**) without WP providing clear justification for doing so.
2. Ensures the development of WP's reference tariffs have the objective of being cost reflective.
3. Delivers pricing methods that promote outcomes that are consistent with the Code objective.

Synergy understands from the TSS and based on its engagement with WP, that WP considers the ENAC permits a certain level of transmission costs not related to the provision of distribution reference services to be allocated to distribution reference tariffs. Synergy raised concerns about this with WP as Synergy considers such an approach is not consistent with the ENAC, including the Code objective, as outlined above.

Further, WP has not sought to explain how its approach is consistent with the requirement of the ENAC nor to address Synergy's concern in relation to In-efficient Allocations. This is inconsistent with the requirements in ENAC sections 4.2, 4.3, 7.3, 7.3A and the pricing principles in sections 7.3E, 7.3G and 7.3H.

[28] Attachment 7.5, Energy and customer number forecast report 2020
[29] Underlined for emphasis.

Synergy considers this approach and WP's proposed pricing methods in relation to the allocation of transmission costs to distribution reference services is inconsistent with a number of ENAC provisions outlined above and result in outcomes that are not in the long term interests of consumers where distribution users pay reference tariffs that include transmission charges in situations where the transmission system is not utilised to supply electricity to distribution connected customers. In contrast transmission users do not (and historically have not) paid any contribution towards distribution costs.

Consequently, Synergy requested, consistent with ENAC section 5.2(b) and (c), that WP specify distribution reference services with tariffs such that users are not required to pay the variable transmission charge where customers:

1. Do not use or impose any cost on the transmission network. For example, a stand-alone power system or a disconnected microgrid.
2. The user can demonstrate through (interval) metering data that it does not impose any incremental cost on the transmission network, as contemplated by ENAC section 7.6. For example, DER storage used solely to match and support customer supply on the distribution network.

It is important to note that users and customers will still be required to pay the efficient fixed charges in accordance with ENAC section 7.6. Synergy requested the two requirements above be reflected in the reference service eligibility criteria and in particular, the TSS. Synergy has marked up the WP's proposed TSS, in Appendix B, to illustrate our requirement.

WP has not accommodated Synergy's request, under ENAC section 5.2(b) and (c), and has not reflected Synergy's requirements in the reference services and the TSS.

Synergy considers WP's proposed TSS is also inconsistent with several matters required and contemplated under the F&A and the ENAC. These are summarised below:[30]

- WP is required to demonstrate that its proposed tariffs are cost reflective, with evidence to support its proposal
- The price control requirement must support the development of efficient tariffs for the transition to increasing renewable energy, including distributed energy resources
- WP is incentivised to identify innovative services and the corresponding efficient tariff structures that will best match the needs of users using the new services
- Consider promoting incentives to efficiently invest in, operate and use export services. This will encourage distribution networks to deliver export services that customers value
- Consider allowing flexible pricing at the network level, enabling distribution networks to develop pricing options to suit their capability, customer preferences and jurisdictional policies.

Synergy recommends the ERA not approving the TSS unless the pricing method associated with the allocation of transmission costs is consistent with the ENAC requirements outlined in this section.

[30] Refer to item 6, 7 and 9 in section 4.

6.3 Lack of proposed tariffs and application of pricing principles

The F&A states the ERA expected WP would consult with its users to finalise eligibility criteria and pricing prior to submitting its proposal to the ERA.[31] As part of WP's engagement with Synergy on its proposed TSS, Synergy requested the TSS include network and metering pricing for existing and new reference services. WP did not accommodate Synergy's TSS request prior to submitting its access arrangement revision proposal to the ERA. The omission appears to be a major departure from F&A requirements and the approach contemplated the F&A[32].

Synergy understands WP will publish its proposed AA5 reference tariffs after the ERA has published its final decision. This lack of pricing transparency so close to the AA5 commencement date is a serious concern because, given the unclear and high-level nature of the information provided in the TSS, the ERA and users will have no visibility on how WP has implemented the TSS to produce reference tariffs compliant with the ENAC, including the pricing principles. This is inconsistent with the requirements in ENAC sections 4.2 and 7.1A(c) and the pricing principle in section 7.3I.

WP's proposal to not to provide proposed tariffs and information regarding its reference services compounds the lack of transparency elsewhere in the TSS and the access arrangement information and limits the benefits sought to be delivered by the energy transformation reforms especially given the reforms considered WP's TSS would emulate tariff structure statements in the NEM in terms of detail which typically are substantially more detailed than WP's proposed TSS and contains proposed tariffs[33].

The lack of proposed tariffs and any other information that sets out how WP will set the tariffs within the TSS is inconsistent with the ENAC because:

- Sections 4.2(b) and 7.1A requires proposed tariffs and information about how WP will set tariffs. This information is required and fundamental to determine consistency with the Code objective and if the TSS has been applied in way that promotes the efficient use of services for the long-term interests of consumers in relation to the price and quality of service. The absence of this TSS information is inconsistent with the requirements in ENAC sections 4.2(b) and 7.1A and also inconsistent with the pricing principle in section 7.3I
- Section 4.2(a) contemplates that sufficient information would be provided so that the ERA and users can understand how WP has derived the elements of the proposed access arrangement, which would include elements of the proposed tariffs and information relating to how WP will set tariffs based on those elements
- Section 4.3(b) requires publication of the proposed tariffs and supporting information necessary to understand how the proposed pricing methods will be implemented and allow the ERA and users to determine if there have been any departures from the pricing principles
- Section 4.3(b)(ii) requires WP to seek to address any relevant user concerns in developing the proposed TSS. To obtain a proper understanding of whether the TSS complies with ENAC Chapter 7 Synergy sought the TSS to contain proposed tariffs as contemplated under the F&A

[31] Refer to item 3 in section 4.
[32] Refer to item 3, 6, 7,12 and 13 in section 4.
[33] For example, financial details on avoidable costs, stand alone costs, expected revenue recovery, indicative proposed tariffs – Refer Ausgrid, Attachment 10.01, Tariff Structure Statement, April 2019.

- Proposed tariffs are required to determine consistency with the ENAC sections 7.3, 7.3A, 7.3B, 7.3C, 7.6 and the pricing principles. It would be inconsistent with the ENAC if consistency with these requirements can only be determined after the ERA has provided its final decision on the proposed access arrangement. For the ERA to approve the proposed access arrangement the ERA would need to determine proposed tariffs are consistent with the pricing principles. Synergy considers the ERA would not be able to make this determination unless WP has provided the proposed tariffs with supporting evidence to show how they are consistent with the ENAC section 7.3A, 7.3B, 7.3C and the pricing principles.

Synergy notes ENAC section 4.8, permits, and in combination with section 2.2 arguably requires, the ERA to request WP to remedy deficiencies in the information provided in WP's TSS, including by providing the proposed tariffs, if the ERA considers this information is necessary in accordance with ENAC section 4.2 and 4.3:

> **4.8** The *Authority* may, to the extent necessary to make *access arrangement information* comply with sections 4.2 and 4.3, require the *service provider* to amend and resubmit *access arrangement information* to the *Authority* within a reasonable time specified by the *Authority*, which time must not exceed 5 *business day*s.

Synergy recommends the ERA require WP to revise the TSS to include proposed tariffs with sufficient detail provided in accordance with ENAC section 4.8. The information should be published prior to the ERA's AA5 Draft Decision, so stakeholders have sufficient time to review, consider and comment on the revised TSS.

6.4 Cost reflective proposed tariffs for meter data services

As part of its engagement with WP, under the ENAC section 4.3(b)(ii), Synergy raised issues regarding the cost reflectivity of AA4 metering reference tariffs.

Synergy understands the AA4 reference tariffs for metering reference services have not been set in a way that is cost reflective and consistent with the ENAC pricing objective and pricing principles. Synergy understands the current prices users are paying in AA4 are based on the more expensive cellular communication cost WP incurs and not the lower cost radio mesh communications costs.

Given that the majority of remote metering data services are being provided by radio mesh WP is potentially over recovering the cost for metering reference services. If this is occurring, then this would also be inconsistent with the ENAC because the reference tariff does not appropriately reflect the efficient cost WP incurs for providing the reference service.

To accommodate Synergy's concern WP undertook that its proposed tariffs for AA5 would include two separate tariffs for metering reference services – one for when the service is provided by radio mesh communications and one for (the rare occasion) when the service is provided by cellular communications. Synergy's request has not been accommodated in the TSS. Further, the TSS does not include proposed tariffs for the metering reference tariffs. This is inconsistent with ENAC sections 4.3(b)(ii), 7.1A, 7.1D and 7.3C and the pricing principles in 7.3E, 7.3F, 7.3G, 7.3H and 7.3I.

Therefore, Synergy recommends the ERA not approving the TSS unless these matters have been accommodated in the TSS and WP has provided proposed tariffs and sufficient supporting information so that it is transparent to users and the ERA that metering reference tariffs for AA5 are consistent with the ENAC and F&A. (Synergy understands WP's current position (April 2022) is that it intends to propose two separate cost reflective metering reference service tariffs - one for radio mesh and one for cellular.)

6.5 Reference tariff change forecast and price path

ENAC section 7.1D requires the TSS to include

> "a *reference tariff change forecast* (**RTCF**) which sets out, for each *reference tariff*, the *service provider*'s forecast of the weighted average annual price change [**WAAPC]**[34] for that *reference tariff* for each *pricing year* of the *access arrangement period"*.

In addition, the ERA in the F&A[35] contemplated WP's access arrangement is now required to include a tariff change forecast setting out the forecast change in each tariff for each year of the access arrangement. This inclusion will allow consultation during the access arrangement review on the price path for each reference tariff.

WP has provided a high level explanation[36] of how it proposes to calculate the WAAPC. WP has also provided values of its calculated WAAPC[37] for some existing transport reference services but has not provided WAAPC values for metering and new reference services.

Synergy also engaged with WP, consistent with ENAC section 4.3(b)(ii), seeking WP to explain:

1. How the RTCF will be calculated using the WAAPC.
2. How users can use the RTCF to determine tariff price paths in a meaningful way under ENAC section 7.1D.

Synergy also requested WP, consistent with ENAC section 4.3(b)(ii), to provide the RTCF in terms of separate fixed and variable tariff price paths so that users and the ERA can determine if the fixed and variable charges have been set in accordance with the ENAC section 7.6.

Synergy notes WP's historical practice has been to rebalance network tariffs to recover a higher proportion of fixed charges relative to variable charges. Such a practice makes it difficult for network users to send price signals to their customers to encourage efficient use of the network. Synergy notes from the ERA's issues paper:

> "Western Power is also proposing to change network tariffs to foster incentives for changes in consumer behaviour to shift energy demand to periods where supply of energy from renewable generation is greatest, particularly during the middle of the day."

Continually increasing a network tariff's fixed charge and reducing network cost recovery via variable charges will not deliver significant behavioural response and could have the unintended consequence of encouraging customers to disconnect from the network completely, requiring remaining customers to pay more. It was for these reasons Synergy sought early visibility of fixed and variable tariff increases to determine whether the TSS accommodates Synergy's requirements and the ERA's F&A expectations.

[34] Underlined for emphasis.
[35] Refer to item 12 in section 4.
[36] TSS Summary, page 47.
[37] TSS Overview, page 28.

Synergy also considers the approach taken in the TSS to not provide the RTCF (and proposed tariffs) is inconsistent with aims of the Energy Transformation Taskforce[38] in relation to:

- Greater customer engagement provides customers with the information necessary to understand pricing structures and signals, and feedback to the network service provider on how tariffs are understood and applied by customers
- Providing greater opportunities for retailers and end-use customers to engage in the formulation of the reference tariffs that apply during an access arrangement
- Emulating the tariff structure statement from the national regulatory regime and requiring WP to submit a TSS with its access arrangement that works in conjunction with its price list obligations.

Synergy considers that ENAC Chapter 7 as a whole, and in particular sections 7.1A, 7.1D and 7.3I requires the RTCF to include and set-out the WAAPC but it also requires the TSS to set-out and provide additional information that can be used to determine tariff price paths in a consistent and reliable manner.

The TSS does not explain how this can be done including how users and customers can use the WAAPC and apply it to the reference tariffs (or proposed tariffs) to reliably predict the annual changes in reference tariffs. It is also important to note this outcome is not achievable because the TSS also does not contain sufficient information to determine proposed tariffs for all reference services that can be used as the baseline for calculating the tariff price paths.

Therefore, Synergy considers:

1. The WAAPC information alone in the TSS is not sufficient for compliance with Chapter 7.
2. The TSS is not consistent with ENAC section 7.1D because it does not provide the RTCF for metering and new reference services.
3. The level of TSS information overall is less than is required to meet the requirements of the ENAC, Synergy considers the information should at least include the same level of information provided for in access arrangements' annual price list information.

Synergy requests the ERA review the RTCF and other information detailing out how WP will set each reference tariff and determine if it is consistent with:

1. The Code objective.
2. ENAC sections 4.2, 4.3(b)(ii), 4.1A, 4.1D and the pricing principle in section 7.3I. (In that regard the ERA should also consider whether the TSS enables users and customers to predict the likely annual changes for all reference tariffs during the access arrangement period, including having regard to the type of customers.)

Synergy recommends the ERA not approving the TSS unless it contains proposed tariffs, methods and sufficient information for users and customers to predict the likely annual changes in in reference tariffs during the access arrangement period for all reference services including metering and new reference services.

[38] Energy Transformation Strategy: Proposed Changeto the Electricity Networks Access Code (www.wa.gov.au), page 31.

6.6 Time of use price differentiation

WP has not provided information in the TSS regarding how it will actually calculate and set the multipliers for the different time-of-use periods in the time-of-use tariffs. Rather, the TSS appears to allow WP the discretion to set these multipliers at whatever value it considers appropriate.

ENAC sections 7.1A, 7.1D and 4.2 and the pricing principle require WP to provide information in its TSS that enable users and customers to understand how each reference tariff will be set.

The F&A[39] required WP to:

- Demonstrate its proposed tariffs are cost reflective, with evidence to support its proposal
- Address time of use price differentiation in its tariff structure statement because the current prices provide little differentiation between time periods
- Ensure its proposed time of use tariffs encourage efficient use of the network
- Identify innovative services and the corresponding efficient tariff structures that will best match the needs of users using the new reference services.

The F&A also expected WP will consider promoting incentives to efficiently invest in, operate and use export services as this will encourage distribution networks to deliver export services that customers value.

Synergy considers these ENAC and F&A requirements have not been effectively accommodated in the TSS and does not provide users with visibility on the approach WP will take to ensure proper price differentiation in time of use tariffs. This means the right price signals will not necessarily be incorporated into reference tariffs and customers would not be incentivised to consume efficiently or invest in DER potentially resulting in an increase of capital expenditure and the regulated asset base. This outcome is not in the long term interest of consumers and not consistent with the Code objective.

A key specification that needs to be included in the TSS to address these requirements and the pricing principles under ENAC section 7.3H – is the time of use tariff multipliers and the corresponding proposed tariffs.

As part of the F&A consultation process[40] and Synergy's engagement with WP, Synergy requested WP to include Synergy's proposed multipliers as part of the TSS requirements for the multi-part time of reference service with a super off-peak period however, contrary to the requirements in ENAC section 4.3(b)(ii) and the pricing principle in section 7.3F, WP did not accommodate Synergy's request, nor did it explain why it did not do so.

[39] Refer to item 6 and 9 in section 4.
[40] Synergy submission to the ERA's framework and approach issues paper, 26 May 2020.

Synergy notes WP provided the following example in the TSS[41]:

> As noted in our response to the ERA's framework and approach issues paper,[8] Western Power considers charging parameters for time of use services should be set at a level that provides strong price signals for periods of peak and low demand. Western Power therefore proposes a strong pricing differential between peak and low demand time bands. An example of pricing differentials based on the current demand observed in the network would be:
>
> - a very low variable rate of close to zero cents per kilowatt hour for electricity consumption during the super off-peak period;
> - a low variable rate during off-peak periods;
> - a moderate variable rate for shoulder periods, of approximately 1.3 times the off-peak rate; and
> - a relatively higher variable rate for consumption during the on-peak period from 3pm to 9pm, approximately 2 times the shoulder rate;
> - a fixed charge component.
>
> We will introduce a time of use energy version of the super off-peak period tariff for both residential and small business customers. Since our customers value clarity and simplicity, and these tariffs comprise an advanced charging window structure, we have adopted time of use energy (rather than demand) structures, since price signals based on energy are generally better understood by customers.[9]

It is important to note without proposed tariffs and clear specification for multipliers it is not clear what outcome WP's proposed TSS example will deliver.

Synergy proposed in its submission[42] (and to WP) price differentiation for a super off-peak time of use service with the following multipliers:

Tariff Component	Synergy Proposed Price Multiplier	WP's TSS Example
Super Off Peak	0 cents	A very low variable rate of **close to zero cents** per kilowatt hour for electricity consumption during the super off-peak period.
Off Peak	**X** cents	**X** cents A low variable rate during off-peak periods.
Shoulder	**1.3X** cents	**1.3X** cents A moderate variable rate for shoulder periods, of approximately **1.3 times** the off-peak rate
On peak	**2X** cents	**2.6X cents** A relatively higher variable rate for consumption during the on-peak period from 3pm to 9pm, approximately **2 times** the shoulder rate.
Fixed	Lower or equal to current fixed charge	A fixed charge component.

[41] TSS Overview, page 14.
[42] Ibid.

Given, WP has not accommodated Synergy's requested multipliers to be included within the TSS or its proposed AA5 Appendix E, Synergy requests the ERA to determine the multipliers that best meets the ENAC and F&A requirements. Synergy notes WP's example is largely similar to Synergy's request. Sending the right price signals to incentivise efficient use, will largely be determined on the proposed tariff for the fixed charge and Super off peak charge. In Synergy's view the fixed charge should not be more than 50% of the average network cost WP is seeking to recover from this reference service.

Synergy further considers the fixed charge for this tariff should be, subject to ENAC section 7.3G and 7.6, priced at a level that promotes DER and efficient use. WP's substantial proposed capex request necessitates sending the right variable price signals to customers to incentivise them to invest in DER and efficient energy use behaviour and is consistent with the Code objective.

Synergy also recommends the ERA not approving the TSS unless it contains proposed tariffs and supporting information about how those tariffs will be set, including the time of use multipliers, WP must comply with to meet the ENAC, pricing principles and F&A requirements. These requirements include :

- Encourage efficient use that will best match the needs of users
- Encourage demand patterns that will minimise the need for network augmentation
- Minimise distortions to price signals
- Ensure prices are appropriately cross reflective.

6.7 Essential System Services (ESS) Costs

The treatment of ESS costs have not been explained in the TSS. However, WP has proposed[43]:

> "The impact of the new ESS framework on Western Power's existing processes and future investments has not yet been assessed and is not included in our AA5 proposal. Once the detailed design for the NCESS framework has been released, we will review the impact of the NCESS on our processes and may propose investments related to this in our response to draft decision".

WP has described these ESS services[44] as:

> The new ESS framework provides for five ESS:
>
> - **Regulation ESS (raise and lower)**: which is the provision of reserve MW to respond upwards (i.e. raise) during a dispatch interval when load is greater than generation and to respond downwards (i.e. lower) when generation exceeds load
> - **Contingency Reserve (raise and lower):** which is the provision of reserve MW to respond to a loss of generation (raise) or loss of large load (lower), in order to restore frequency to an acceptable level
> - **Rate of Change of Frequency (RoCoF) Control:** which is a rapid response service to restrict the rate of change in frequency following a contingency.[51]
>
> ESS will be procured through real-time markets, in which any facility that is capable and accredited for an ESS is able to participate by making offers and providing the service.
>
> ESS will be delivered on a frequency co-optimised or non-co-optimised basis:
>
> - **Frequency co-optimised ESS (FCESS)**: will be dispatched and managed by AEMO through the Security Constrained Economic Dispatch Engine that they are currently developing as part of the reforms relating to constrained access. FCESS will manage the delivery of ESS that relate to frequency and system level issues.
> - **Non-co-optimised ESS (NCESS)**: are ESS that are procured and dispatched outside of the Security Constrained Economic Dispatch Engine and are typically related to locational issues. It is expected that Western Power will either provide or incur costs for NCESS.

[43] Access Arrangement Information, Access Arrangement revisions for the fifth access arrangement period, 1 February 2022, page 37.
[44] Ibid.

It appears WP is considering recovering the costs for ESS through reference tariffs. However, it is not clear whether WP is making an allowance for ESS cost recovery mechanisms available to it through mechanisms outside of the Access Arrangement or for costs arising where WP provides those services other than by using covered services. In this respect the Coordinator for Energy and AEMO may both require WP to provide ESS services through mechanisms that enable, or potentially require, WP to:

- Provide the ESS using services that are not covered, or for which there is no reference tariff
- Seek cost recovery through mechanisms outside the Access Arrangement, including commercial contracts.

Synergy considers the ERA is not legally able to approve an Access Arrangement that enables WP to recover, through reference tariffs, ESS provided by WP using non-reference or excluded services, nor a double recovery of costs (ENAC sections 4.28, 5.1(e), 7.3, 7.3A, 7.3G and 7.3H).

Therefore, Synergy submits the ERA should be legally satisfied:

1. The costs sought to be passed through arise directly from WP's provision of covered services.
2. WP is only seeking to pass through ***efficient*** costs it incurs in the provision or procurement of ESS that arise directly from WP's provision of the relevant covered services (e.g. if WP provides or procures ESS in a manner that exposes WP to inefficient costs, WP should not be able to pass those inefficient costs through to users as network charges).
3. WP is not otherwise able, or, in order to further the WEM objectives or the Code objective, to recover the relevant ESS costs through another mechanism such as the WEM Rules or through an 'excluded service' arrangement.

Synergy notes that WP, for AA5, has proposed a significant capex investment is SCADA. Therefore, Synergy also recommends the ERA determine and is satisfied WP's proposed capex in relation to SCADA apply solely to provision of covered services and not ESS activities that are not directly related to the provision of covered services.

6.8 Mechanism to reset metered demand reference tariffs

AA4 currently includes a mechanism and process for users to apply for and reset the maximum demand for the RT5 and RT6 metered demand reference service tariffs[45]. However, WP's proposed reference services and TSS does not make it clear that this reset mechanism will continue to be provided in AA5. Therefore, given the requirements of ENAC section 4.34, Synergy recommends the ERA not approving the TSS unless it contains a clear mechanism and process for users to reset the maximum demand in relation to these metered demand reference tariffs.

In any event, if WP intends to continue to provide this mechanism to users on these tariffs, Synergy considers the lack of information in the TSS regarding the mechanism is inconsistent with the requirement in ENAC sections 4.2 and 7.1A and the pricing principles in sections 7.3F and 7.3I.

6.9 Tariffs that will minimise network augmentation

The ERA has sought stakeholder views[46] on:

- The proposed new tariffs and new tariff structures, including whether they will facilitate the connection of storage and electric vehicle charging stations and encourage demand patterns that will minimise the need for network augmentation

[45] Western Power 2021/22 Price List Information, clause 7.1.4.

[46] Proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27 (erawa.com.au), page iv.

- Any information to assist in the review of, the tariff structure, future cost estimates, cost allocation and rebalancing of tariffs.

The TSS does not contain any proposed tariffs, nor does it contain sufficient information for stakeholders to determine what many of the likely tariffs will be nor how any of the tariffs will likely be set if WP's forecasts change. Therefore, it is difficult for stakeholders to form a view whether the TSS will facilitate the connection of storage and electric vehicle charging stations and encourage demand patterns that will minimise the need for network augmentation, noting that WP has already proposed a substantial capex for AA5.

Synergy also considers proposed tariffs and adequate supporting information are necessary to assist in the review of cost allocation and rebalancing of tariffs. Especially, whether WP's proposed rebalancing of fixed and variable costs complies with ENAC section 7.6. Further as WP has not provided this information as part of its access arrangement information, the absence of such is inconsistent with ENAC section 4.2.

In addition, contrary to the requirements in ENAC section 4.3(b)(ii) and the pricing principle in section 7.3F, WP has not accommodated Synergy's new tariff structure requirements for storage and electric vehicle charging stations nor explained why it has not done so. Synergy's tariff structure requirement for storage and electric vehicle charging stations is detailed in its submission on reference services[47].

6.10 Disincentive charges for exceeding contracted capacity

ENAC section 7.3K provides that a reference tariff may include a component to disincentivise customers from exceeding its contractual requirement (**disincentive charge**) to transfer electricity in and out of the network. Section 7.3K requires the disincentive charge to be a component of a reference tariff. Therefore, it is a regulated charge subject to all applicable provisions and approvals in respect of a reference tariff under the ENAC, F&A and access arrangement.

The ENAC also defines a reference tariff as "…the tariff specified in a price list for a reference service". In addition, it is important to note the ENAC:

- Section 5.1(e) requires the access arrangement to include a tariff structure statement and reference tariff change forecast under Chapter 7
- Section 5.3(b)(ii) requires a standard access contract must enable a user or applicant to determine the value represented by the reference service at the reference tariff
- Section 7.1A requires a tariff structure statement of a service provider of a covered network must include the structures, charging parameters and a description of the approach the service provider will take in setting each proposed distribution reference tariff
- Section 7.3J requires a reference tariff must comply with the ENAC and all relevant written laws and statutory instruments.

As part of the TSS engagement Synergy raised the following matters in relation to how the disincentive charge will be implemented:

- The magnitude of the disincentive charge and how it operates in relation to the current excess network usage charge mechanism (ENUC) which permits users to reasonably exceed CMD
- Whether metered demand customers will be impacted

[47] Synergy's submission to the ERA, Western Power Access Arrangement No.5 Reference Services, 20 April 2022, sections 6.5 to 6.9.

- Whether DER import/export and bi-directional services will be affected
- How a "material disincentive" will be determined by WP and what scenario, constitutes a "potential adverse impact"
- Whether any warning will be issued for the first non-compliance before the disincentive charge is levied noting the current ENUC mechanism legally permits customers to exceed contracted capacity
- What is the disincentive charge calculation methodology
- Will the disincentive charge apply to entry services.

WP has not sought to accommodate Synergy's issues in the TSS. This is inconsistent with the requirements in ENAC sections 4.2, 4.3(b)(ii), 7.1A and 7.3K(a)&(b) and the pricing principles in 7.3F and 7.3I.

It also appears WP considers the penalty component a charge that falls outside of the regulatory requirements for a reference tariff and may be determined arbitrarily. Synergy considers this to be an incorrect interpretation of the ENAC and considers that the matter must be regulated under AA5.

Further it is not clear from the information WP has provided in relation to TSS whether the ENUC is the "disincentive charge" under ENAC section 7.3K, or whether there is an additional charge or "penalty" that WP intends to impose in addition to the ENUC. Synergy submits the ERA should request WP to clarify whether references throughout the TSS to a "penalty mechanism" are intended to be references to the ENUC or an additional "penalty mechanism" as a separate and distinct mechanism from the ENUC.

If there is an additional penalty mechanism on top of the ENUC, Synergy considers ENAC sections 7.1A and 4.2, require WP to clearly set this out in the TSS, including:

- The basis on which WP intends to impose such a penalty (noting there are legal limitations on "penalties"
- How WP will calculate the penalty charges and how those charges comply with the Code objective and the requirements in ENAC sections 7.3K(a) and (b), particularly given that the ENUC is an increasing, sliding charge.

Synergy considers a 'disincentive mechanism' that best meets the Code objective and the requirements in ENAC sections 7.3K(a) and (b), is one where the costs of exceeding contracted capacity become greater and is proportional to the amount the customer exceeds contracted capacity (such as the ENUC).

The TSS contains insufficient detail about what services will incur a disincentive charge. This is inconsistent with the requirements in ENAC sections 7.1A and 4.2 and the pricing principle in section 7.3I. For example, as outlined below under the high voltage CMD service WP suggests the TRT1 reference tariff will include a penalty. However, the TRT1 reference tariff (under 5.1.1) makes no mention of a penalty.

5.1.1 Transmission load tariff (TRT1)

Our load tariff for transmission customers consists of multiple location specific, cost-reflective prices. This tariff is individually calculated for each transmission connected load and so can differ in structure between customers.

In general, the transmission load reference tariff consists of:

- a fixed, daily charge for access to our network that reflects the costs of providing connection assets;
- a fixed, daily metering charge per meter;
- variable charges that apply to the contracted maximum demand (CMD) of the individual customer that reflect their use of system, contribution to common services and use of control system services; and
- excess network usage charges (ENUC) calculated in accordance with our ENUC principles for transmission connections.

5.4.3 High voltage contract maximum demand tariff (RT7)

Our high voltage contract maximum demand tariff is distinct from other business tariffs in that the customer must nominate a contracted maximum demand (CMD) that reasonably reflects their expected annual peak demand. Consistent with that seen for transmission loads (TRT1), any demand utilised in excess of CMD will incur a penalty.

5.4.4 Low voltage contract maximum demand tariff (RT8)

Our low voltage contract maximum demand tariff is similar to our high voltage contract maximum demand tariff (RT7).

Consistent with our high voltage contract maximum demand tariff, this tariff requires customers to nominate a CMD, exceedance of which will result in penalty charges. Similarly, charges are applied per kVA to incentivise customers to manage their power factor as close to unity as possible.

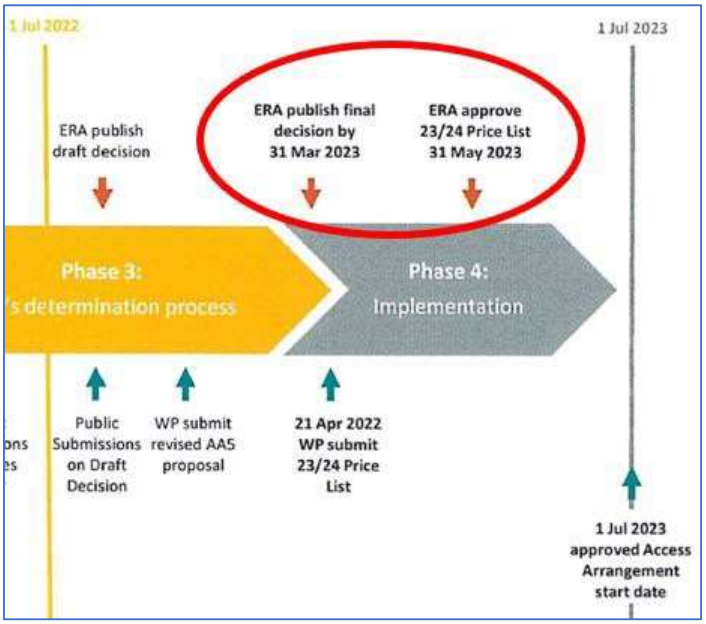
Given the material business and financial impact this mechanism can cause customers there needs to be substantially more transparency and information in the TSS. Therefore, Synergy recommends the ERA require WP to comply with ENAC sections:

1. 4.2, 7.1A and the pricing principle in section 7.3I by ensuring the TSS contains clear information on the disincentive charge structure and application including, how it will be calculated and applied and to which reference services it will be applied.
2. 4.3(b)(ii) and the pricing principles in sections 7.3F and 7.3I by addressing the matters outlined above that Synergy raised with WP as part of its TSS engagement.

6.11 Timeframe to implement reference tariff changes

It is reasonable for the TSS to work in conjunction with WP's price list obligations and timeframes for implementing new and updated reference tariffs.

Based on WP's proposed schedule below, the approved price list is expected to be published on 31 May 2023. This would give users approximately 1 month to assess pricing, make system changes to pass through the new prices to customers and to communicate the changes to customers.



Synergy understands from its discussions with WP, it is not planning to provide any proposed (or draft) tariffs to users prior to 31 May 2023. It is also important to note WP's consultation with Synergy had not sought to finalise pricing prior to submitting its access arrangement revision proposal to the ERA[48].

Therefore, unlike previous access arrangement revisions, users will not be able to commence any early work in relation to system changes.

Synergy requires at least 3 months to contractually notify customers and make system changes to support the new AA5 price list and accordingly notify customers of the changes. The proposed time frame of 31 May 2023 will not provide Synergy (or potentially other users) with sufficient time to undertake the necessary system changes and customer communications for an AA5 commencement on 1 July 2023. Synergy considers these circumstances, unless otherwise mitigated by WP publishing its price list at an earlier date, should trigger the ERA's power under ENAC section 8.11 to specify a later date from which the price list is to take effect.

Alternatively, ENAC section 4.26 requires the ERA must specify a start date for AA5 which must be consistent with the Code objective and at least 2 months after the final decision. In addition, to pricing changes AA5 will contain a range of matters that will require additional operational and system implementation by users. For example, to cater for new reference services and metering services. Therefore, Synergy requires the ERA, in specifying a start date for AA5, to give consideration to the time required for users to implement the changes in AA5.

6.12 Other matters

TSS tables 5.7, 5.12 and 5.15 contain several typographical errors relating to the off-peak period. The off-peak period should be from 11pm to 6am and not 6am to 11am.

[48] Refer to item 3 in section 4.

Appendix A – Applicable ENAC requirements

"**average cost of service provision**", in relation to a *customer* or group of *customers*, a *covered service* and a specified period of time, means that part of *approved total costs* that is associated with providing the *covered service* to the *customer* or group of *customers*, during the period of time.

"**reference tariff change forecast**" means, for a *service provider*, the forecast of price changes as referred to in section 7.1D.

2.1 The objective of this Code ("**Code objective**") is to promote efficient investment in, and efficient operation and use of, *services* of *networks* in Western Australia for the long-term interests of *consumers* in relation to:

(a) price, quality, safety, reliability and security of supply of electricity;

(b) the safety, reliability and security of *covered networks*; and

(c) the environmental consequences of energy supply and consumption, including reducing greenhouse gas emissions, considering land use and biodiversity impacts, and encouraging energy efficiency and demand management.

Access arrangement information

4.2 *Access arrangement information* must enable the *Authority*, *users* and *applicant*s to:

(a) understand how the *service provider* derived the elements of the *proposed access arrangement*; and

(b) form an opinion as to whether the *proposed access arrangement* complies with the *Code*.

4.3 *Access arrangement information* must include:

(a) information detailing and supporting the *price control* in the *access arrangement*; and

(b) information detailing and supporting the *pricing methods* in the *access arrangement,* including:

(i) a description (with supporting materials) of how the proposed *tariff structure statement* complies with the *pricing principles* including:

A. a description of where there has been any departure from the pricing principles set out in sections 7.3D to 7.3H; and

B. an explanation of how that departure complies with section 7.3B; and

(ii) a description of how the service provider has engaged with users and end-use customers in developing the proposed tariff structure statement and has sought to address any relevant concerns identified as a result of that engagement; and

(c) if applicable, information detailing and supporting the measurement of the components of approved total costs in the access arrangement; and

(d) information detailing and supporting the service provider's system capacity and volume assumptions; and

(e) any other information specified in the guidelines made under section 4.5.

4.8 The Authority may, to the extent necessary to make access arrangement information comply with sections 4.2 and 4.3, require the *service provider* to amend and resubmit *access arrangement information* to the *Authority* within a reasonable time specified by the *Authority*, which time must not exceed 5 *business day*s.

4.34 Subject to section 4.35, the *Authority* must not approve a *proposed access arrangement* which would, if approved, have the effect of depriving a person of a contractual right that existed prior to the earlier of the *submission deadline* for the *proposed access arrangement* and the date on which the *proposed access arrangement* was submitted.

'Pricing methods' defined

7.1 In this Code "**pricing methods**" means the structure of *reference tariff*s included in a *tariff structure statement* under this Chapter 7, which determines how *target revenue* is allocated across and within *reference services.*

Form of pricing methods

7.2 A *tariff structure statement* may contain any *pricing methods* provided they collectively meet the objectives set out in sections 7.3 and 7.4 and otherwise comply with this Chapter 7.

{Examples:

- The *pricing methods* may result in *tariffs* which distinguish between:
    - voltage levels; and
    - classes of *users* or *users* by reference to their *end-use customers*.
- The *pricing methods* may result in *tariffs* which relate to specific *connection point*s, and may result in *tariffs* which involve a combination of fixed and variable amounts related to one or more of the following elements:
- demand levels (maximum kW or kVA per period);
    - energy quantities involved (kWh or kVAh per period); and
    - time of use.
    - If the *pricing methods* use quantities in determining *tariffs*, they may use minimum,
- maximum or actual quantities.}

Tariff structure statements

7.1A A *tariff structure statement* of a *service provider* of a *covered network* must set out the *service provider*'s *pricing methods*, and must include the following elements:

(a) the structures for each proposed *distribution reference tariff*;

(b) the *charging parameters* for each proposed *distribution reference tariff*; and

(c) a description of the approach that the *service provider* will take in setting each *distribution reference tariff* in each *price list* of the *service provider* during the relevant *access arrangement period* in accordance with sections 7.2 to 7.12.

7.1B A *tariff structure statement* must comply with:

(a) the *pricing principles*; and

(b) any applicable *framework and approach*.

7.1C A *network service provider* must comply with the *tariff structure statement* approved by the *Authority* and any other applicable requirements in this Code when the *service provider* is setting the *reference tariffs* for *reference services*.

7.1D A tariff structure statement must be accompanied by a reference tariff change forecast which sets out, for each reference tariff, the service provider's forecast of the weighted average annual price change for that reference tariff for each pricing year of the access arrangement period.

Pricing objective

7.3 Subject to sections 7.3K, 7.7 and 7.12439, the *pricing methods* in a *tariff structure statement* must have the objective (the "**pricing objective**") that the *reference tariffs* that a *service provider* charges in respect of its provision of *reference services* should reflect the *service provider*'s efficient costs of providing those *reference services*.

Application of the pricing principles

7.3A Subject to sections 7.3B, 7.3K, 7.7 and 7.12, a service provider's reference tariffs must comply with the pricing principles set out in sections 7.3D to 7.3J.

7.3B Subject to section 7.3K, a service provider's reference tariffs may not vary from the reference tariffs that would result from complying with the pricing principles set out in principles set out in sections 7.3I to 7.3J.

7.3C A service provider must comply with section 7.3A in a manner that will contribute to the achievement of the pricing objective.

Pricing principles

7.3D For each *reference tariff*, the revenue expected to be recovered must lie on or between:

(a) an upper bound representing the stand-alone cost of service provision for customers to whom or in respect of whom that reference tariff applies; and

(b) a lower bound representing the avoidable cost of not serving the customers to whom or in respect of whom that reference tariff applies,

7.3E The charges paid by, or in respect of, different customers of a reference service may differ only to the extent necessary to reflect differences in the average cost of service provision to the customers.

{Examples of factors which may result in the *charge*s paid by different *customers* of a *reference service* differing from each other, include:

- the quantities of *reference service* supplied or to be supplied; or
- a *customer's* time pattern of *network* usage; or
- the technical characteristics or requirements of the
- *facilities and equipment* at the relevant *connection point*; or
- the nature of the plant or equipment required to provide
- the *reference service*; or
- the periods for which the *reference service* is to be supplied; or

- subject to section 7.7, a *customer's* location.}

7.3F The structure of *reference tariffs* must, so far as is consistent with the *Code objective*, accommodate the reasonable requirements of *users* collectively and *end-use customers* collectively.

{Example: *Customers* may prefer more of the *average cost of service provision* to be recovered using *tariff* components that vary with usage or demand than might otherwise be the case under section 7.6.}

7.3G Each *reference tariff* must be based on the forward-looking efficient costs of providing the *reference service* to which it relates to the *customers* currently on that *reference tariff* with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:

(a) the additional costs likely to be associated with meeting demand from endues customers that are currently on that reference tariff at times of greatest utilisation of the relevant part of the service provider's network; and

(b) the location of end-use customers that are currently on that reference tariff and the extent to which costs vary between different locations in the service provider's network.

7.3H The revenue expected to be recovered from each *reference tariff* must:

(a) reflect the service provider's total efficient costs of serving the customers that are currently on that reference tariff;

(b) when summed with the revenue expected to be received from all other reference tariffs, permit the service provider to recover the expected revenue for the reference services in accordance with the service provider's access arrangement; and

(c) comply with sections 7.3H(a) and 7.3H(b) in a way that minimises distortions to the price signals for efficient usage that would result from reference tariffs that comply with the pricing principle set out in section 7.3G.

7.3I The structure of each reference tariff must be reasonably capable of being understood by customers that are currently on that reference tariff, including enabling a customer to predict the likely annual changes in reference tariffs during the access arrangement period, having regard to:

(a) the type and nature of those customers;

(b) the information provided to, and the consultation undertaken with, those customers,

7.3J A reference tariff must comply with this Code and all relevant written laws and statutory instruments.

7.3K Despite sections 7.3D to 7.3H, a reference tariff may include a component, applicable where a user exceeds its contractual entitlements to transfer electricity into or out of the network at a *connection point*, which component is not set by reference to the *service provider's* costs, but instead is set at a level to act as a disincentive to the *user* exceeding its contractual entitlements. Such component should be determined having regard to the following principles:

(a) the component must be set at a level which provides a material disincentive to the user transferring into or out of the network quantities of electricity above its contractual entitlements; and

(b) in determining that level, regard is to be had to the potential adverse impact on the network, other customers and generators, and the service provider of the user transferring into or out of the network quantities of electricity above its contractual entitlements.

7.3L Unless otherwise determined by the Authority, section 7.3K does not apply to connection points servicing end use customers with a contract maximum demand not exceeding 1 MVA or end use customers with solar photovoltaic generating plant not exceeding 1 MVA in capacity.

Tariff components

7.6 Unless a *tariff structure statement* containing alternative *pricing methods* would better achieve the *Code objective*, and subject to section 7.3K, for a *reference service*:

(a) the incremental cost of service provision should be recovered by tariff components that vary with usage or demand; and

(b) any amount in excess of the incremental cost of service provision should be recovered by tariff components that do not vary with usage or demand.

Appendix B – Distribution tariff criteria for variable transmission charges (Examples)

Note: Synergy's marked up changes of WP's TSS are in red.

Note 2: The below changes to WP's TSS are only intended to provide an illustrative example of the changes to the RT1, RT13 and RT6 *reference tariffs* that could resolve the specific issues mentioned in the part of subchapter 6.2 that references this appendix B. these changes are not intended, and do not, reflect the changes synergy consider are required to the TSS in order to resolve all of Synergy's issues with the WP's TSS that relate to the RT1, RT13 and RT 6 *reference tariffs*.

5.2.1 Anytime energy tariffs (RT1 and RT13)
Our anytime energy tariffs are distinct from the other tariff options for residential customers in that they include a single variable charge that does not change throughout the day.

We offer two anytime energy tariffs, one for residential customers that only import energy from our network (RT1) and another for residential customers that both import and export energy from our network (RT13), i.e., that use a bi-directional service. The structure of these two tariffs is the same.

These reference tariffs comprise:

- a fixed, daily charge for access to our network;
- a variable charge that applies to each kWh of energy imported from our network; and
- a fixed, daily metering charge that reflects the metering reference service we provide to these customers.

Our anytime energy tariff contains two possible avenues to reduce the magnitude of the applicable charges, namely:

- The variable transmission charge is not payable in circumstances whereby a customer does not impose any cost on the transmission network. For example, a standalone power system; or
- The variable transmission charge is not payable in circumstances whereby the user can demonstrate through (interval) metering data that it does not impose any cost on the transmission network

5.4.2 Low voltage metered demand tariff (RT6)
Our low voltage metered demand tariff is similar to our high voltage metered demand tariff (RT5). This tariff is eligible for low voltage connections only and contains larger charges to reflect the additional cost of using the low voltage network in addition to the high voltage network.

This reference tariff comprises:

- a fixed, daily charge for access to our network that is based on the rolling 12 month maximum half hour demand (expressed in kVA),18 which is eligible for an energy use related discount;
- a variable demand based charge that applies to the rolling 12 month maximum half-hour demand in excess of pre-determined demand thresholds (expressed in kVA), which is eligible for an energy use related discount;
- a variable charge applied to the electrical distance between the relevant connection point and the closest zone substation, which varies by the measured electrical distance and the rolling 12 month maximum half-hour demand; and

- a fixed, daily metering charge that reflects the metering reference service we provide to these customers.

Our low voltage metered demand tariff contains ~~two~~ three possible avenues to reduce the magnitude of the applicable charges, namely:

- reducing the rolling 12 month maximum half-hour demand in circumstances whereby a customer is able to reduce this value; and
- a discount on the fixed, daily access charge and variable demand based charge based on the proportion of total energy consumed during the off-peak period, capped at a maximum of 30 per cent~~.~~; and
- The variable transmission charge is not payable in circumstances whereby a customer does not impose any cost on the transmission network. For example, a standalone power system; or the user can demonstrate through (interval) metering data that it does not impose any cost on the transmission network