CHANGEENERGY
Change Energy Pty Ltd
ACN 610 674 881
10 Milly Court, Malaga WA
P 1300 924 140 F 08 9249 9288
www.changeenergy.com.au

16 December 2022

Ms Elizabeth Walters
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street, Perth WA 6000
Lodged electronically at: https://www.erawa.com.au/consultation

Dear Ms Walters

Draft decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27

Change Energy welcomes the opportunity to comment on the Economic Regulation Authority's (ERA's) draft decision on Western Power's fifth access arrangement (AA5) review.

Change Energy is a small electricity retailer, with customers connected to Western Power's network. Change Energy is also part of the Solargain family of companies, which has installed over 35,000 solar photovoltaic (PV) systems in Western Australia over the last decade. Our comments on Western Power's proposal are made in this context.

Network tariffs make-up around 40-50% of our customers' bills. This makes Western Power's proposed investment plans put forward as part of the AA5 review of paramount importance to Change Energy.

Many of the issues we raised in our submission on Western Power's initial proposal remain valid and we still feel strongly about them. Western Power has done little to address many of the issues we raised. For example, we remain concerned that Western Power continues to insist on designing products for end users rather than its actual customers – retailers. We reiterate that we would like to see a stronger push for demand-based products, which Western Power states are too complicated for end users. While we understand Western Power's eagerness to engage with end users, it is ultimately the retailer that owns the relationship with electricity consumers, and it is retailers that create the products and services electricity consumers use and pay for.

Change Energy notes the ERA's draft decision reduced expenditure significantly, citing a lack of evidence that Western Power's forecast expenditure could be considered prudent and/or efficient. While Western Power has accepted many of the ERA's reductions to forecast expenditure, it appears Western Power has done little to address the ERA's finding that many of the programs and projects lacked justification. Moreover, where it has accepted expenditure reductions, in most instances, Western Power has merely substituted these projects and programs for new ones. For example, Western Power accepted a ~$120 million reduction in standalone power system only to introduce a new program to improve long rural service performance. This more than offset the ERA's reduction at ~$180 million and is a program Western Power admits is not valued by end users.

In the current economic environment, and with a view to help moderate prices, we would have expected Western Power to be conservative developing its investment plans. Given the impact of high inflation and the weighted average cost of capital on its proposed revenue requirement (a ~$1 billion increase), we would have expected Western Power to look to pull as many levers as possible to reduce target revenue and consequently the burden on tariff payers. However, Western Power has in many instances instead increased its forecasts by adding new projects and programs.

We urge the ERA to apply the same scrutiny to these new projects and programs as it has done in its draft decision and satisfy itself they can be deemed as prudent and efficient, and therefore end users should pay. This is particularly important as many of these increases are significant[1], and have a direct impact on prices not only in the AA5 period but also well into the future.

Change Energy appreciates the ERA's proposed application of the Investment Adjustment Mechanism (IAM) to some less certain and/or more optimistic programs of work. However, this will only mitigate the initial impact on prices (and mitigate the risk of windfall gain for Western Power). It does not address questions over whether these investments are prudent or the cost is efficient. If the ERA cannot satisfy itself that the requirements of the Access Code have been met, we suggest these forecasts are removed as we do not consider the ex-post review can or should be used in such a heavy-handed manner as part of the next AA review.

If the Southwest Interconnected System is expected to host the necessary renewable generation and facilitate the electrification of loads to achieve the State's net zero target by 2050, Western Power will need to focus its efforts on prioritising the network spend on those investments that are absolutely necessary. If this does not happen, costs will increase prohibitively, meaning customers will look elsewhere for a reliable source of energy. This will drive costs up for those least able to become self-sufficient and will consequently leave many behind.

We expect the ERA will address the matters above to ensure end-users do not pay more than is absolutely necessary over the next five years and into the future.

If you have any questions or would like to arrange a meeting to discuss any aspect of this submission, please contact me on [redacted] or at [redacted]

Yours Sincerely

[redacted]

Geoff Gaston

CEO

[1] For example the additional ~$110 million of new operating expenditure step changes and ~$180 million long-rural feeder program.