



16 December 2022

Economic Regulation Authority
Level 4, Albert Facey House,
469 Wellington St, Perth WA 6000

Submitted via: <https://www.erawa.com.au/consultation>

Access Arrangement for Western Power's Network 2022-2027 – Draft Decision and Revised Proposal

Alinta Energy appreciates the opportunity to provide feedback on the proposed revisions to the access arrangement for Western Power's network.

We consider that Western Power's revised proposal does not put the SWIS on track to achieve a reliable and least cost transition:

- It does not plan the investment the SWIS will require within the next Access Arrangement period, nor does it analyse or articulate the challenge to deliver this infrastructure on time and at least cost.
- It has not substantially reformed the connection process (via the AQP), which will require significant improvements to connect the capacity the SWIS urgently requires to maintain reliability and prevent further shortfalls.

Finally, we reiterate our recommendations that have not been addressed by the revised proposal, including our recommended reforms to transmission costs. We also recognise and support the changes that have been made to incorporate industry feedback and suggest changes to the reference services eligibility criteria.

The revised proposal does not adequately address the transmission challenge facing the SWIS

Alinta Energy remains concerned that the revised proposal does not include plans indicating how Western Power will address the urgent need for transmission capacity to enable the energy transition and maintain reliability. We refer to our submission on the Transmission System Plan which outlines why we consider transmission capacity is urgently required:

- o Synergy has flagged a requirement for 800MW wind and 2000MWh of storage within the next 8 years to cover its coal retirements, which (we infer from the TSP) will exhaust much of the remaining network capacity with access to the most viable wind resources.
- o The WA State Government has committed to an 80% emissions reduction target by 2030, further increasing the level of renewable energy required. Water Corp alone has flagged it will need [400MW of renewable energy](#) to achieve this target.

Alinta Sales Pty Ltd ABN 92 089 531 984
PO Box 8348, Perth BC, WA 6849

T +61 8 9486 3170 **F** +61 8 9266 4688 **W** alintaenergy.com.au

- Per their public plans to substitute from thermal generation, large industrial loads like [Boddington Gold Mine](#), [South 32](#), and [Alcoa](#), could significantly increase demand for renewable energy further still.
- Even if the above factors were ignored, the SWIS already urgently requires new capacity, both to cover the coal supply issues (which may persist), and to avoid the shortfall forecast by [AEMO's 2022 ESOO](#) (p.8), which predicts the excess to be near zero by 2024 and become increasingly negative thereafter. Further, we note that this forecast may be understated, considering:
 - AEMO's 2021 peak demand forecast for last summer was exceeded 17 times in early 2022, despite it ostensibly having a 1-in-10-year probability of exceedance.
 - The TSP forecasts that peak demand will grow two thirds faster than AEMO's per annum prediction.
 - AEMO's NEM ISP forecasts demand to double by 2050 in all net zero scenarios in the NEM, which is much faster than the forecast growth rate of the WEM.¹

We recognise that the revised proposal includes proposals to investigate investments in the North and East Regions to support government policy, states that: "Western Power is cognisant of the delivery challenges presented by the current global workforce and supply chain challenges and has developed targeted strategies to mitigate these accordingly."

However, given the factors outlined above, we recommend further work and analysis is required within this access arrangement period to give assurance that transmission bottlenecks will not cause substantial barriers to investment, undue delays, and cost pressures in the energy transition.

Western Power must identify and pursue "no regrets" transmission investments immediately.

If Western Power identifies regulatory impediments to this work, (for example, the restrictions imposed by the NFIT, or the implications of such investments for network costs to customers), these must be articulated quickly to deliver timely regulatory changes.

Access and Queuing Policy – the need to expedite the connections process

We consider that Western Power's revised proposal does not adequately address the required amendment that:

"The timelines in the applications and queuing policy must be defined clearly and as short as reasonably possible with requirements to provide updates to applicants on progress and likely time to completion."

While Western Power's summary of responses states that it has implemented this amendment, we note that it has proposed to publish "indicative" timelines on its website instead of in the AQP.

ERA should not accept this. If reasonably binding timeframes are not applied, customers will continue to experience delays in the connection process.

We reiterate the importance of expediting the connection process and consider that failing to do so would:

¹ According to the ISP, this will require 10,000km of new transmission (or increase by 25%) capacity by 2050.

- Undermine the key objective of the constrained access reforms: to allow more renewable generation readier access to the network. Removing the need to supply unconstrained access was meant to substantially simplify the work required to connect new capacity. However, since the reforms, we have not observed any changes in the connection process or timeframes to reflect this.
- Risk reliability, considering the capacity urgently required to cover the expected shortfalls and planned retirements; and to decarbonise the SWIS in line with net zero targets.

We note that our request is consistent with the standards held by other Australian TNSPs and suggest ElectraNet's timeframes for large connection applications (outlined below) be used as a guide. We have can attest to the usefulness of this guide and note that ElectraNet provides a clear and reasonably binding² schedule for the connection process at the outset of an application which can be referenced in future updates ('Event B' in the table).³ This approach would be invaluable in the SWIS, and we recommend a similar requirement for Western Power to provide a preliminary schedule for a connection application within 20 Business Days, ahead of finalising it within the 30 Business Days following. We also recommend that this program is referenced in updates required under 19.4 to cover the second part of the required amendment – that is, a requirement for regular updates.

Table 3-1 – Timeframe for negotiation

	Event	Indicative timeframe
A	Receipt of a written application for a LDCA Service and a written confirmation from the Service Applicant that it has submitted a <i>connection</i> enquiry to ElectraNet (in its capacity as the <i>Primary Transmission Network Service Provider</i> of the <i>transmission network</i> to which the Service Applicant's <i>facility</i> will be connected into (via the LDCA and any <i>identified user shared assets</i>)) pursuant to rule 5.3.2 of the NER relating to its proposed <i>connection</i> to ElectraNet's <i>transmission network</i> .	X
B	Parties meet to discuss a preliminary program with milestones for the LDCA Service that represents a reasonable period of time for commencing, progressing and finalising negotiations for the provision of the LDCA Service (having regard to the TCA Preliminary Program)	X + 20 Business Days
C	Parties finalise the preliminary program for commencing, progressing and finalising negotiations for the provision of the LDCA Service, which must align with the TCA Preliminary Program and may include, without limitation, milestones relating to: • the request by ElectraNet, and provision by the Service Applicant, of Commercial Information; and • notification and consultation with AEMO and / or any affected <i>Network Users</i>.	X + 30 Business Days
D	ElectraNet provides the Service Applicant with an offer for the LDCA Service.	X + 120 Business Days
E	Parties finalise negotiations	X + 160 Business Days

Applications and Queuing Policy and Contributions Policy – the need for transparent costs

We recommend that the AQP and Contributions Policy include requirements for Western Power to include adequate detail in how it determines the costs of progressing enquiries and the

² A "Preliminary Program" can only be advised by agreement between the parties.

³ ElectraNet, [Large Dedicated Connection Access Policy](#), Dec 2020.

forecast costs of connection works. Applicants require appropriate itemisation of costs to discern whether they are "reasonable" as required by the ENAC and Contributions Policy.

We note that Electranet provides a [connection fee guide](#) outlining how its connection fee costs are formed and used in determining fees based on materials and costs, and offers negotiated fixed rates. We suggest a similar approach be considered for Western Power's connection process.

We note that similarly detailed itemisation of forecast connection costs is even more crucial given their potential magnitude.

Improving cost reflectivity of TR2 annual connection costs and removing perverse incentives

Alinta Energy reiterates its recommendation that Western Power's *Price Setting for New Transmission Nodes Policy* and the TR2 reference service is reformed to avoid users being required to pay disproportionate costs and remove perverse incentives to inflate connection capital costs.

The current policy sets the annual connection costs (the user specific charges of the TR2) at 1.88% of the "full capital cost" of the connection.⁴

This method is inappropriate because it does not reflect the O&M costs of the connection. There are many capital costs that do not relate to ongoing O&M costs – for example, costs caused by contingencies during construction, including delays or costs incurred to fast-track progress. Alinta Energy considers that good industry practice for estimating maintenance cost is to apply a percentage to the capital cost of the maintainable items, rather than all capital costs. Benchmarking with the O&M costs of other networks may also improve cost-reflectivity.

Alinta Energy would be pleased to provide details of its own transmission asset O&M costs and experience managing high voltage transmission assets in the Pilbara to demonstrate the inaccuracy of the current method compared to actual O&M costs.

Another reason why the current method requires reform is that it provides a perverse incentive to inflate the capital costs of the connection to generate higher annual O&M payments. This would present a barrier to entry for users seeking connection to the transmission network.

Transmission storage service tariff

We recognise and appreciate Western Power's work to incorporate feedback on its proposed transmission-connected storage service and support the approach of charging storage facilities like generators, noting that this would minimise costs and avoid incentives that may interfere with storage facilities operating in the best interests of the system.

⁴ [2021 Price List Information](#) p.88

Outstanding reference service matters

We recognise and support Western Power's response to our feedback on high voltage and demand time of use services, and capacity allocation services

However, we note that the following recommendations remain outstanding from our initial submission:

Clarifying the price list and including AQP variable fees

Service	Recommendation
<u>RT5/6</u>	Clarifying that rolling demand periods commence when the tariff is effective (note, this is consistent with current processes).
<u>RT5/6/19/20</u>	Aligning the billing period with the read route so that network and retail charges are also aligned, which is important in ensuring accurate demand-based charges.
<u>RT34/35/36/37</u>	Unlike the existing tariffs, these new tariffs have odd numbers for the business tariffs and even for the residential. For consistency, we recommend having odd numbers for the new residential tariffs and even numbers for the new business tariffs.
<u>N/A</u>	Standardising tariff and service names to avoid confusion. For example, removing alternative references including 'LVMD' for the RT6.
<u>N/A</u>	To improve transparency, Alinta Energy recommends that the "variable fees" are explicitly defined in section 9 of the Price List.

We plan to engage Western Power to discuss further potential improvements to the capacity allocation service.

Reducing charges for de-energised sites for customers on rolling demand services.

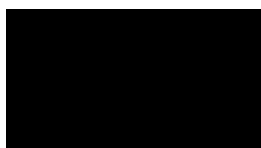
Alinta Energy notes that de-energised sites may have lower costs to serve compared to non-consuming energised sites. If is the case, Alinta Energy suggests that this be reflected in the reference services cost structure, per 7.3 of the ENAC. We note that changes to lower the costs for non-energised sites could deliver significant savings for customers using rolling demand services.

Including aged care homes as a voluntary/charitable organisation

We suggest that aged care homes are considered a voluntary/charitable organisation in the references services eligibility criteria, allowing them to access residential network services. We consider that this is appropriate because their load profiles tend to be more consistent with a residential customer, compared with a business customer, meaning residential tariffs may be more cost reflective and fit for purpose.

Thank you for your consideration of Alinta Energy's submission. Should you wish to discuss this further please contact me at [REDACTED] or on [REDACTED]

Yours sincerely



Oscar Carlberg
Wholesale Regulation Manager