

Shire of *Manjimup*

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Dear Robert,

Submission – Western Power's Revised Proposed Access Arrangement for the South West Interconnected Network

Please accept this letter as the formal submission by the Shire of Manjimup in response to the "call for submissions on matters relating to Western Power's Revised Proposed Access Arrangement for the South West Interconnected Network".

1. Current network deficiencies

The Shire of Manjimup is aware of the current limited capacity of the country feeders, particularly at the extremities of the grid at Northcliffe and Walpole.

These limitations result in an unacceptable number of power outages and severely retard new industry development, new subdivision and density infill.

Furthermore, Western Power's current practice requiring the developer to meet the full cost of the network enhancement (rather than merely an extension) is unjust and inequitable. Such a policy discourages regional investment to these communities and places residents in regional and remote communities at a distinct disadvantage as outlined further below.

2. User pays principle

The Shire of Manjimup generally supports the principle of user pays, provided user charges are:

- Directly relevant to the service,
- Related to new service and not addressing existing inadequacies, and
- Reasonable.

Council applies this principle even handed throughout the area of governance, does not discriminate against remote users and shares the cost of service provision evenly amongst users of those services.

Regrettably, the same cannot be said of Western Power through their interpretation of the Electricity Network Access Code.

The issue of developer contributions for use (and expansion) of Shire infrastructure has recently been considered by Council. The most pragmatic approach requires applications to be considered on a case by case basis to ensure demands on infrastructure are not ignored or omitted, taking into account reasonable planning considerations such as:

- Intensity of the development,
- Size of the development,
- Likelihood Council would normally upgrade that infrastructure within the foreseeable future irrespective of the development occurring,
- Standard of existing infrastructure and if upgrading is likely to benefit the broader community,
- Economic viability if reasonable infrastructure conditions are imposed,
- If further development in close proximity is likely and if so the reasonable prospect to recoup costs over the longer term,
- Anticipated future loads
- Legal rights,
- Precedence

Furthermore, when determining costs under the user pays principle, Council also takes into consideration the "capacity to pay" which may result in users making a reasonable contribution and any ensuing shortfall being met by the general ratepayer on the basis that the service is "for the greater benefit of the broader community".

It is suggested that the above considerations are valid for power infrastructure.

3. Current inequities arising under the Electricity Network Access Code

Western Powers' current interpretation / application of the Electricity Network Access Code requires developers to make large upfront capital contributions to meet network enhancement costs. This approach is seen to be inequitable and discriminates against rural communities compared to developed urban communities as outlined below:

- *Small development / subdivision size*
Development in communities such as Walpole or Northcliffe are typically small compared to say subdivisions on the Perth fringe or around Bunbury / Busselton (which run into the thousands of lots).

The proportional cost imposition for enhancements to the core electricity network to service such developments are disproportionately large due to:

- i. The small number of lots developed against which fixed costs are to be distributed,
- ii. The substandard condition of existing country feeders,

- iii. The distance between gazetted townsites and the developed grid,
- iv. The lower realisable value of land and hence capacity to absorb.

- *Existing substandard Network condition and capacity*

It is suggested that the condition and capacity of country feeders to towns such as Walpole and Northcliffe are already substandard by any normal urban measure. Network expansion (as compared to mere network extension) in urban areas has historically been borne by the State and individual urban users have not had to meet upfront capital costs as the network developed. It is unfair to deny network expansion to rural areas when at the same time quietly expanding the urban areas.

It is also suggested that current urban users are not individually required to meet the upfront capital cost of expanding the network capacity to meet escalating power demands driven by:

- Urban infill programs
- Greater use of air-conditioners
- Greater use of plasma televisions
- Increased community lighting and other social infrastructure etc

The urban network capacity has been gradually improved with the costs absorbed by the broader community. This unfortunately is not the same approach applied to rural communities where it is convenient for Western Power and perhaps less politically sensitive to isolate costs and use this as a rationale for not upgrading already deficient network infrastructure.

Remote communities at the end of the grid on poor standard feeder lines are therefore at a cost and service disadvantage to those communities close to urban hubs who have enjoyed historically free network expansion.

- *Not governing equitably and need for Policy review*

The conclusion drawn from the above, is that the current regulatory framework distorts the equities between development in urban areas and development in rural areas.

These distortions may not be consciously applied by Western Power however they are real and in stark contrast to the State governments purported commitment "not to disadvantage rural and regional Western Australia".

It is suggested that Western Power should have a community service obligation to at least provide adequate and reliable power to gazetted townsites to meet normal population growth expectations.

This does not preclude the principle of urban consolidation from being applied. The principle of urban consolidation is a key component of the Shire of Manjimup's Local Planning Strategy.

Expansion immediately abutting existing town boundaries should be supported where the developer meets the cost of extending the town network supply, however isolated and remote expansion should be discouraged. The townsites of Northcliffe and Walpole are gazetted townsites. The State government should not abandon modern standard services to these towns merely because the towns are remote.

4. Developers seeking clear guidelines

Our experience suggests developers seek:

- Clear pricing mechanisms, quantifiable upfront.
- Pricing reflective of the size of the development undertaken.
- Consistent application of pricing structures.

A headworks charge per lot / development based on anticipated load is seen as a fair and reasonable basis for pricing structures to meet the above.

Currently, there is little consistency in quotation by Western Power and evidence of large variations in quotes sought over a relative short time frame. Such practice is not conducive to confidence in Western Power's business systems or general electricity supply pricing policy.

5. Qualified support for submission by the Office of Energy

The general thrust of the Office of Energy's submission that:

"The Economic Regulatory Authority give consideration to include in its Final Decision a requirement that Western Power's Access Arrangement anticipates the possibility of, and does not obstruct, capital contributions for significant network enhancements being charged to future new users on the basis of a forward looking, averaged \$/kVA basis, especially in regional area at the extremity of the network".

is supported based on the user pays principle, conditional upon the comments raised above, and in particular, that the cost of network enhancements to supply to gazetted townsites is not to be included within the calculation of capital contribution but met via a "Community Service Obligation".

Unfortunately the submission by Western Power and discussion paper attached thereto does not provide sufficient detail to form a view as to how Western Power propose to calculate an applicable capital contribution and what broader network obligations are to be met by Western Power.

The Western Power submission in its current form theoretically would allow Western Power to transfer all upgrade costs (including the upgrade of existing substandard supply) onto prospective developers. This approach will clearly retard development of regional towns / communities and continue to provide incentive for developers to compound Perth's urban sprawl (with all of its associated sustainability issues).

6. Specific concerns with the submission by the Office of Energy

Notwithstanding the above, specific concerns with the submission by the Office of Energy surround the following:

- *Definition of Region*
"Region" is not defined and hence prone to abuse. Is it reasonable for a small development in Walpole to meet network enhancements from Albany, particularly when other "regions" will benefit from the enhancement.
- *Clarification of major augmentation capital cost*
As discussed in point 5 above, the "cost" of network enhancements should not include the cost of upgrading networks to gazetted townsites and should be limited to the cost of extending the network from the townsite to the development.
- *Definition of future capacity in determining an "average headworks charge"*
Future capacity also needs to be defined as it has a direct bearing on the calculation of the average headworks charge. Capacity should be viewed based on all possible future use (including indirect use) arising from any upgrade and not limited only to the development triggering the upgrade.

7. Summary

The regulatory framework, in particular the Electricity Network Access Code 2004 New Facilities Test, should be reviewed to:

- i. Include a test that the investment provides for the upgrade of the interconnecting grid and country feeders to a standard sufficient at least to accommodate reasonably anticipated urban expansion in gazetted townsites, and
- ii. Include a mechanism that allows for a reasonable headworks charge to reflect the cost of connecting to or extending the network in that townsite (not for the upgrading of the interconnecting grid).

Please do not hesitate to contact Jeremy Hubble on 08 9771 7712 should you have any queries or require any further information.

Yours sincerely,

Vern McKay
Chief Executive Officer
Shire of Manjimup