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ERA Submission - Power. ATB

Mr Robert Pruella
Executive Director
Competition, Markets and Electricity
Economic Regulation Authority WA

Dear Robert

RE: Submission on Revised Proposed Access Arrangement for the South West Interconnected Grid

Thank you for the opportunity to comment on Western Power's revised proposed access arrangement for the South West Interconnected Grid (SWIG).

This submission relates to items 2 Capital Contributions and 3 Headworks Charges of the proposal.

It is generally acknowledged that the current pricing structure can pose a significant financial barrier to subdivision and land release in regional and remote Western Australian. Further, the existing mechanism is not equitable. This is particularly the case where infrastructure is at or near capacity.

The requirement for Capital Contributions has hampered the release of land in the South West. Our consultancy is aware of specific cases involving residential and industrial lots in Walpole, Denmark, Bremer Bar and Hopetoun in both small and large scale subdivisions.

- WAPC ref 131753. Application for 3 additional residential lots in Bremer Bay REFUSED on the grounds of "insufficient electricity capacity".
- Walpole – proposed Light Industrial land released stalled ($17million power upgrade required)
- LandCorp land releases in Frankland, Ravensthorpe and Hopetoun hampered/delayed.
- LWP – 175 lot special residential subdivision west of Denmark delayed. Only 43 lots are able to be created at this stage
- Various subdivisions in Denmark delayed due to lack of power, including small scale subdivisions and approximately 300 residential lots within the Rockford road precinct. Notably this area on the development front is adjacent to existing residential areas and has been identified in the Denmark Settlement Strategy for more than a decade. as future residential

The problems are exacerbated by the apparent lack of forward planning in infrastructure provision/extension together with the significant underestimation of rural townsite growth.

In principle, the concept of introducing the equivalent of a headworks charge for what is presently deemed Capital Contribution has merit. The theory of sharing the upfront cost across end users is quite reasonable and has the potential to be more 'affordable'.

Concerns, however, over such a mechanism include:

- Relies on accurate calculation of costs in the first instance
- Requires comprehensive strategic planning and participation in forward planning processes (evidence of 'whole of government' approach and inter-agency cooperation is distinctly lacking)
- Accountability and transparency – it is inappropriate to have the service provider setting the price, calculating the costs and distributing charges.
- One inherent danger is escalating price. With an emphasis on cost recovery, headworks charges generally only ever increase.
- Real risk of loss of diversity, reduction in the number of participants in the industry as small time and 'one-off' subdividers are squeezed out.

- state wide application of policies, formulae and standards fails to recognise the significant differences between metropolitan and regional land release (scale, take up rate, relative cost, tighter margins)
- serves as a disincentive to State provision of infrastructure and capital investment
- Equity of cost recovery/user pays mechanism – it is recognised that infrastructure and services are not 'viable' for many rural and remote areas, however there is an underlying community service obligation to provide essential services.
- whichever methodology is used to attribute costs, (private developer or Government agency) ultimately it is the landowner/tax payer who bears the cost

Provision of infrastructure has traditionally been the domain of government, rather than private enterprise. This is a major factor in economic growth and regional development. Current and proposed pricing structures and mechanisms, with an emphasis on financial return, address only one element of triple bottom line i.e. Economic. Community/Social and Environment are not even in the equation.

By its own admission (as set out in the discussion paper) Western Power is guided by "Commercial Objectives" and "returns on investment' and is "not in a position nor has the mandate to assess social and regional development issues and priorities" (p4)

There is no question that essential services, in particular power underpin economic growth and regional development. Chronic problems and shortages are being experienced across the South West and can be attributed to underspending, and lack of investment in upgrade, maintenance and extensions. A review of the current pricing and costing mechanism may well be part of the solution, particularly where inequitable financial barriers can be replaced with suitable cost sharing arrangements.

Ultimately what is required is the installation of compressively planned, efficient power infrastructure that will meet short and long term needs. The community and the economy will benefit more highly when resources are dedicated to installation, rather than being tied up in incessant re-negotiations and constant challenges over who pays. Good governance is important, but not at the expense of on-the -ground works and on-going maintenance.

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