

The Western Australian Farmers
Federation (Inc)

Submission

to

Economic Regulation Authority WA

on

Matters Relating to Western Power's
Revised Proposed Access Arrangement for
the South West Interconnected Network

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Introduction - Background Information

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The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents West Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers and beekeepers. WAFarmers has recently expanded its membership base to incorporate rural small business owners.

It is estimated that collectively our members are major contributors to the forecast \$5.6 billion gross value of production (on average) that agriculture in its various forms contributes to Western Australia's economy. With an average of \$4,500 million exported.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

Electricity Transmission & Distribution - SWIN

The South West Integrated Network (SWIN) for electricity transmission and distribution has reached its use-by date for a significant amount of the network in rural and regional areas. While the Western Australian economy is predominantly reliant on exports for its economic well being and with the primary industry –agricultural production sector being a substantial contributor with both real and renewable export \$Dollars the electricity supply in terms of quality and quantity has been fixed and of a dubious nature for sometime now and this is creating a divide. The city/rural divide that has developed over the last decade and the resulting impact on government spending in this particular area has seen a shift in rural communities, lost jobs and the demise of infrastructure to create new jobs.

In addressing the relevant infrastructure issues in question WAFarmers submits the following objectives for consideration and adoption.

Matter 1

A proposed provision (under the standard access contract for reference services) that will allow Western Power to unilaterally determine to reduce a network user's contracted capacity at a connection point.

While Western Power is now only concerned with transmission and distribution of electricity to now introduce a mechanism that will allow it to unilaterally reduce a contracted and paid for supply of electricity is a clear indication of planning and replacement of infrastructure failure.

The first question that needs to be answered is that of electricity provision to consumers – is it still deemed an essential service and to be supplied by government or is it to be a fully deregulated market driven user pays system. What we are seeing at the moment is a positioning of the various players in the electricity market of WA entrenching their place for future capitalisation in a full commercial sense.

The compounding issue with electricity is that it suffers some of the elements of the 'commons' problem but not all.

In this matter the existing mechanisms of regulation and access control should be utilised and where they have minor deficiencies these should be amended and adapted, not develop a whole new system.

Matter 2

The treatment of capital contributions under the proposed access arrangement.

Any capital contributions that are directly invested into the transmission and distribution network should add to the capital base upon which the annual use/access charges are calculated on. The clear objective here is to ensure

that asset renewal is able to be undertaken in a planned manner that does not engender a massive capital requirement from the users yet again.

Where a user of the system is required to contribute any capital over and above the annual use/access charge then a prorated equivalent reduction in the use/access charge should be applied.

Matter 3

The ability of Western Power to require payment of capital contributions in the nature of “headworks” charges.

The very nature of ‘headworks’ charges needs to be very transparent and represent value for money otherwise investment decisions will be made by electricity consumers particularly in rural and regional areas that will be counter productive to that particular network segment and power generation as a whole. These decisions will also have a significant impact on managing emission levels and the efficient use of any mitigating mechanisms.

For example:

A rural property has built a new house on it and is looking to connect into SWIN. The existing distribution line for the property is 800 m from the house. The quote provided by Western Power for the connection was \$17,500. While the quote has been broken up into labour, materials and plant hire it is totally over the top. A more realistic cost would be \$8,500. This means that the farmer pays the full cost of capital for the new poles, transmission wire and transformer and yet they still pay an annual access charge.

The formula for new connections is a blatant grab of capital from consumers and as for matter 2 a prorated reduction on the access charge should be applied along with published material charges so that people can plan and make good decisions. At the moment it is the black box formula that only the engineers are allowed to know about and apply in a monopoly situation, plus you pay a hefty amount for the privilege of a quote.