Capital Contributions Policy

ELECTRICITY NETWORKS CORPORATION
(“WESTERN POWER”)

ABN 18 540 492 861

[Outline: This capital contribution policy is included in Western Power’s access arrangement in accordance with section 5.1 of the Code.]
CONTENTS

1. Introduction 3
   1.1 Definitions 3
   1.2 Where new facilities investment meets modified test 6
   1.3 Interpretation 6
2. Application of this capital contributions policy 6
3. Lowest sustainable cost 7
4. Applicant must make contribution 7
   4.1 Applicant must make contribution 7
   4.2 Applicant must provide security for new revenue 7
5. Amount of Contribution 7
6. Where modified test does not apply 8
   6.1 Calculation of contribution 8
   6.2 Reasonable time 8
   6.3 Amount of forecast costs 8
7. Calculation of contribution where modified test applies 9
   7.1 Supply extension scheme applicants 9
   7.2 Residential customers qualifying for a pole to pillar connection 9
   7.3 Public road street lighting 9
   7.4 Subdivisions 9
8. General provisions 10
   8.1 Connection assets 10
   8.2 Non-capital costs 10
   8.3 Works over and above standard works 10
   8.4 Costs related to technical rules compliance 11
   8.5 Temporary supplies 11
   8.6 Relocation or underground of network assets 11
9. Manner of contribution 11
   9.1 Options for payment 11
   9.2 When applicant may choose periodic payment 11
   9.3 Terms and amount of periodic payment 11
10. Rebates and recoupment 12
    10.1 Parties may negotiate rebate 12
    10.2 New applicants must pay rebate 13
1. Introduction

1.1 Definitions

In this capital contributions policy, unless the contrary intention is apparent:

“access contract” means an agreement between Western Power and another person for that person to have access to covered services.

“access arrangement” means the current access arrangement approved in respect of the network under the Code.


“alternative option contribution” means a contribution made, or to be made, by an applicant in respect of an alternative option.

“alternative option test”, in respect of the network, means the test set out in section 6.41 of the Code.

“applicant” means a person (who may be a user, a customer or a developer) who has lodged, or intends to lodge, a connection application.

“applications and queuing policy” means the applications and queuing policy in the access arrangement.


“connection application” means an application lodged with Western Power under the applications and queuing policy that has the potential to require a modification to the network, including an application to:

(a) connect facilities and equipment at a new connection point; or
(b) increase consumption or generation at an existing connection point; or
(c) materially modify facilities and equipment connected at an existing connection point; or
(d) augment the network for any other reason,

(Note: this might be, for example, to service a subdivision.)

and includes any additional information provided by the applicant in regard to the application.
“connection point” means an exit point or an entry point identified or to be identified as such in an access contract.

“consumption”, for a connection point, means the amount of electricity consumed at the connection point, and is measured in Watt-hours.

“contracted capacity” means the maximum rate at which a user is permitted to transfer electricity at a connection point under the user’s access contract.

“contribution” means a capital contribution or an alternative option contribution, or both as applicable.

“contributions rate of return” means the rate of return most recently approved by the Authority for use in price control for the network.

“customer” has the meaning given to it in the Act.

“developer” means a person who has applied to the Western Australian Planning Commission for approval to subdivide a property.

“entry point” has the meaning given to it in the applications and queuing policy.

“exit point” has the meaning given to it in the applications and queuing policy.

“forecast costs” means the forecast new facilities investment or the alternative option costs, or both, as applicable, to be incurred by Western Power with regards to works.

“generation”, for a connection point, means the amount of electricity generated at the connection point, and is measured in Watt-hours.

“greenfield development” means a new installation of network assets without the requirement of significant integration with the existing network.

“Metering Code” means the code made under Section 39(1) of the Act in respect of a matter referred to in Section 39(2)(a) of the Act, and includes any service level agreement, metering data agency agreement, communications rules, metrology procedure, mandatory link criteria and registration process developed under that code.

“minimum practical works” with regard to covered services sought by an applicant, means the minimum works Western Power must undertake, acting efficiently in accordance with good electricity industry practice, to provide only those covered services required by that applicant.

“modified test” means the modified test (as defined in the Code) approved in respect of the access arrangement.
“network” means those parts of the SWIS that are owned, operated or owned and operated by Western Power in respect of which access is given or sought under Western Power’s access arrangement.

“new revenue” means the anticipated incremental revenue or additional revenue or both, as applicable, with respect to works.

“non-capital costs” means the non-capital costs (as defined in the Code), but excluding alternative option costs, to be incurred by Western Power with regards to works.

“pole to pillar connection” means the provision of an underground 415 V or 240 V supply to a residential customer in an area otherwise serviced by an overhead network.

“primary producer” means a person assessed as a primary producer under the Income Tax Assessment Act 1997 or equivalent enactment, and includes a person who carries out or is engaged in the business of farming or grazing on land that is

(a) zoned for rural purposes under a town planning scheme; and

(b) used solely or principally for agricultural or grazing purposes or for a combination of those purposes.

“reasonable time” means the time determined in accordance with clause 6.2.

“residential customer” has the meaning given to it in the Code of Conduct.

“retailer” has the meaning given to it in the Act.


“technical rules” means the technical rules (as defined in the Code) applying from time to time to the network under Chapter 12 of the Code, as modified in accordance with the Code.

“unmetered connection”, with respect to a connection point, has the same meaning as the term “type 7 connection point” when that term is used in the Metering Code.

“user” has the meaning given to it in the Code.

“works” means all works that Western Power is required to undertake to provide the covered services sought by an applicant to the applicant, including works associated with:

(a) augmentation of connection assets; and

(b) augmentation of shared assets; and
(c) alternative options; and
(d) other non-capital works.

1.2 Where new facilities investment meets modified test

Where Western Power is required to make a new facilities investment in response to an access application:

(a) for a new streetlight; or
(b) for an unmetered connection; or
(c) for a pole to pillar connection; or
(d) by, or on behalf of, a primary producer or residential customer seeking to connect to a scheme; or
(e) by, or on behalf of, a developer in relation to the distribution system,

then the new facilities investment meets the modified test under section 6.53 of the Code.

1.3 Interpretation

(a) Unless the contrary intention is apparent:
   (i) a rule of interpretation in the Code; and
   (ii) the Interpretation Act 1984,

   apply to the interpretation of this capital contributions policy.

(b) Unless:
   (i) the contrary intention is apparent; or
   (ii) the term has been redefined in clause 1.1,

   a term with a defined meaning in the Code has the same meaning in this capital contributions policy.

2. Application of this capital contributions policy

This capital contributions policy applies if it is necessary for Western Power to perform works to provide covered services.
3. **Lowest sustainable cost**

A contribution with respect to covered services sought by an applicant must not exceed the amount that would be required by a prudent service provider acting efficiently, in accordance with good electricity industry practice seeking to achieve the lowest sustainable cost of providing the covered services.

4. **Applicant must make contribution**

4.1 **Applicant must make contribution**

If the application of this capital contributions policy in relation to the works produces a contribution amount that is greater than zero, Western Power is not required to undertake works in respect of an application for a covered service until the applicant enters into a contract with Western Power under which the applicant agrees to provide the contribution to Western Power in accordance with this capital contributions policy.

4.2 **Applicant must provide security for new revenue**

(a) Where the forecast costs are greater than $50,000, Western Power may require the applicant to procure before the commencement of the works, and maintain for a period of 12 months after the commencement of the associated exit service or entry service, an unconditional, irrevocable bank guarantee, or equivalent financial instrument, in terms acceptable to Western Power (acting as a reasonable and prudent person), guaranteeing the portion of new revenue that is expected to come from providing an exit service or entry service using the works, and that was used to calculate the contribution.

(b) Where an applicant has provided security under clause 4.2(a), then after 12 months, Western Power may:

(i) redetermine the contribution under this capital contributions policy, and recover from, or rebate, to the applicant any difference from the amount of the original contribution; or

(ii) require the applicant to maintain the bank guarantee or equivalent financial instrument for a further 12 months before redetermining the contribution in accordance with clause 4.2(b)(i).

5. **Amount of Contribution**

(a) Where the modified test does not apply in respect of the forecast costs of any works, the contribution for that part of the forecast costs which does not meet the new facilities investment test or the alternative option test, as applicable, in part or in whole, is calculated under clause 6 and clause 8.
(b) Where the modified test applies in respect of the forecast costs of any works, the contribution is calculated under clause 7 and clause 8.

6. Where modified test does not apply

6.1 Calculation of contribution

The contribution is calculated by:

(a) determining the appropriate portion of the forecast costs of the works to allocate to the applicant under clause 6.3; and

(b) deducting the amount likely to be recovered in the form of new revenue gained from providing covered services to the applicant, or, if the applicant is a customer, to the customer’s retailer, as calculated over the reasonable time, at the contributions rate of return.

6.2 Reasonable time

For the purposes of this clause 6, the reasonable time is to be determined by Western Power, as a reasonable and prudent person, having regard to:

(a) the anticipated commercial life of the works, up to a maximum of 15 years; and

(b) the purpose for which the applicant requires the covered services.

(Note: For example, if the applicant is proposing to build a plant with an expected 5 year operating life, then the reasonable time might be 5 years.)

6.3 Amount of forecast costs

(a) Western Power may, acting as a reasonable and prudent person, determine that the amount of the forecast costs to be allocated to the applicant for the purposes of clause 6.1(a) is:

(i) the full amount of the forecast costs; or

(ii) an amount determined under clauses 6.3(b) to 6.3(e).

(b) If Western Power chooses to undertake works in excess of the minimum practical works to provide covered services sought by an applicant, then Western Power will determine that the amount of costs allocated to the applicant are the forecast costs of the minimum practical works.
(c) If Western Power reasonably expects to receive tariff income from future applicants, because of works to provide covered services sought by an applicant, within a period of 5 years of the original applicant’s application, then Western Power will apportion the forecast costs based on the relative use of the works by the applicant compared to the relative use of the works expected to be sought by those future applicants.

(d) If Western Power has received more than one application requiring the same works, then Western Power may negotiate with the applicants under the applications and queuing policy to apportion the forecast costs of the works between the applicants, based on the relative use of the works sought by each applicant.

(e) If works to provide covered services to an applicant provide specific savings to Western Power in performing its legal obligations, then Western Power will determine that the costs to be allocated to the applicant are the forecast costs less the amount saved.

7. Calculation of contribution where modified test applies

7.1 Supply extension scheme applicants

The contribution to be paid by an applicant who is, or acts on behalf of, a primary producer or residential customer seeking to establish a new exit point within a scheme is an amount calculated under section 61 of the Energy Operators (Powers) Act 1979 plus any rebate due to previous applicants who have paid a contribution in respect of the scheme.

7.2 Residential customers qualifying for a pole to pillar connection

The contribution to be paid by an applicant who is, or acts on behalf of, an individual residential customer qualifying for a pole to pillar connection is the amount published by Western Power on its website for a pole to pillar connection.

7.3 Public road street lighting

The contribution to be paid by an applicant who seeks a modified or new streetlight is an amount equal to the full forecast costs of the required works, including the provision of the streetlight asset.

7.4 Subdivisions

A developer who seeks to augment the distribution system to service a subdivision, and who does not qualify for a pole to pillar connection, may, at the developer’s election:
(a) if the subdivision is a greenfield development, procure the augmentation itself, in which case the developer shall vest the network assets comprised in that augmentation in Western Power upon commissioning of the network assets; or

(b) request Western Power to build the augmentation, in which case the contribution to be paid is an amount equal to the full forecast costs of any works required to provide the augmentation, to be paid as an upfront payment, and

(c) clauses 9 and 10 of this capital contributions policy do not apply.

8. General provisions

8.1 Connection assets

The applicant must pay the full forecast costs of any works to provide connection assets.

8.2 Non-capital costs

The applicant must pay to Western Power the full amount of any non-capital costs that Western Power incurs in performing works, which in any case must not exceed such costs that would be incurred by a prudent service provider acting efficiently in accordance with good electricity industry practice.

(Note: these costs might include, for example, adjusting protection settings, reprogramming computer equipment and so on.)

8.3 Works over and above standard works

If an applicant seeks a covered service that is better or different in some respect than an equivalent service in the technical rules or an equivalent reference service in the access arrangement, then the applicant must pay to Western Power:

(a) a contribution calculated under this capital contributions policy for the equivalent service; and

(b) the difference between the forecast costs of the works required to provide the equivalent service and the forecast costs of the works required to provide the better or different service, to the extent that the better or different service does not otherwise meet those parts of the new facilities investment test dealing with net benefit, safety or reliability.

(Note: this could be, for example, a design philosophy delivering increased security of supply)
8.4 Costs related to technical rules compliance

(a) The applicant must pay a contribution calculated under this capital contributions policy in respect of any works required to upgrade the fault level ratings of network assets, or any other works required to ensure that Western Power complies with the technical rules with respect to the network assets.

(b) The applicant must pay all of its own costs in relation to ensuring that its facilities and equipment comply with the technical rules.

8.5 Temporary supplies

The contribution to be paid by an applicant who seeks a temporary supply is, if no applicable amount is published on Western Power’s website, an amount equal to the full forecast costs of the required works.

8.6 Relocation or underground of network assets

Subject to clause 7.2, the contribution to be paid by an applicant who seeks to have existing network assets relocated, including the undergrounding of overhead network assets, is an amount equal to the full forecast costs of the required works.

9. Manner of contribution

9.1 Options for payment

A contribution may be made:

(a) by the applicant by way of a financial payment comprising either:

(i) periodic financial payments, subject to clause 9.2; or

(ii) an upfront financial payment;

or

(b) by the Western Australian Government under any appropriate government policy.

9.2 When applicant may choose periodic payment

The applicant may not elect under clause 9.1(a)(i) to make the contribution by way of a periodic financial payment unless the total amount of the contribution exceeds $30,000.

9.3 Terms and amount of periodic payment

(a) If the applicant elects to make a contribution by way of periodic financial payment under clause 9.2, then:
(i) the maximum term over which the periodic payments may be made is 5 years; and

(ii) interest will be payable on each periodic payment, at a reasonable commercial rate to be negotiated between Western Power and the applicant.

10. Rebates and recoupment

10.1 Parties may negotiate rebate

(a) Subject to clause 10.1(c), where:

(i) an applicant has paid a contribution, or is paying a contribution in the form of periodic payments, for works with respect to a connection point for which the full forecast costs of the works were allocated to the applicant under clause 6.3; and

(ii) a subsequent applicant associated with a different connection point benefits from the works or a part of the works within 5 years of the date that the contribution was paid in respect of the original connection point,

then Western Power and the applicant may negotiate to require Western Power to provide a rebate.

(b) Any negotiated rebate will be payable to the customer or the user associated with that connection point at the time of the rebate being payable.

(c) A rebate under clause 10.1(a) will not be payable to a developer.

(d) The amount of a rebate given to a user or customer under clause 10.1(a) is determined by apportioning the amortised contribution paid in respect of the original connection point between the user or customer associated with the original connection point and each subsequent applicant based on the relative contracted capacity of each party, where the contribution is amortised completely in a straight line over 5 years.

(e) Where:

(i) an applicant paid an contribution in respect of an exit point within a scheme; and

(ii) a person who is, or acts on behalf of, a primary producer or a residential customer, associated with a different exit point within the scheme, subsequently benefits from the works,
then Western Power must provide a rebate to the customer associated with the original exit point calculated under section 61 of the Energy Operators (Powers) Act 1979.

(f) Western Power is not under any obligation to pay any rebate for a contribution to any user or customer under any circumstance other than that expressly provided for under clauses 10.1(a) and 10.1(e).

10.2 New applicants must pay rebate

Where Western Power must pay a rebate to a user or a customer in respect of a connection point under clause 10.1, each subsequent applicant that triggers such a rebate must pay to Western Power an upfront amount equivalent to the rebate.