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Rob Pullella  
Access Arrangement Review  
Electricity Access  
Economic Regulation Authority  
PO Box 8469  
Perth BC WA 6849

Dear Mr Pullella,

**Western Power's Proposed Revised Access Arrangement – Submissions on Reference Services**

Synergy appreciates this opportunity to provide further comments on Western Power's proposed Access Arrangement revisions.

Synergy makes the following submissions on the Reference Services submitted by Western Power under its proposed revised access arrangement (**PRAA**). Unless otherwise specified, words in italics in this submission have the same meaning as in the Electricity Networks Access Code (**ENAC**).

**Overarching Considerations**

In providing its comments Synergy believes it is important to first highlight the fundamental aims and objectives of the Electricity Networks Access Code 2004 (**ENAC**). The ENAC aims to:

1. provide *access to services* and to give effect to the *Competition Principles Agreement* (presumably so that the ENAC is capable of certification as an effective access regime under Part IIIA of the *Trade Practices Act 1974* (Cth)); and
2. establish a framework for third party *access* to electricity transmission and distribution networks with the objective of promoting the economically efficient investment in, and operation and use of, *networks* and *services of networks* in Western Australia in order to promote competition in markets upstream and downstream of the *networks*.

In addition, it is also important to note that section 2.2 of the ENAC relevantly requires the Minister and the Economic Regulatory Authority (**ERA**) to have regard to the *Code objectives* when performing a function under the ENAC, whether or not the provision refers expressly to the *Code objectives*.

#### **A7. Reference Services**

Under sections 5.2(b), (c) and (d) of the ENAC Western Power must, in its PRAA;

“(b) specify a *reference service* for each *covered service* that is likely to be sought by either or both of:

- (i) a significant number of *users* and *applicants*; or
- (ii) a substantial proportion of the market for *services* in the *covered network*;

and

(c) to the extent reasonably practicable, specify *reference services* in such a manner that a *user* or *applicant* is able to acquire by way of one or more *reference services* only those elements of a *covered service* that the *user* or *applicant* wishes to acquire; and

(d) for the *covered network* that is *covered* under section 3.1 - specify one or more *reference services* such that there is both:

- (i) a *reference service* which enables a *user* or *applicant* to acquire an *entry service* at a *connection point* without a need to acquire a corresponding *exit service* at another *connection point*; and
- (ii) a *reference service* which enables a *user* or *applicant* to acquire an *exit service* at a *connection point* without a need to acquire a corresponding *entry service* at another *connection point*.”

In addition, for each *reference service* under the *standard access contract* section 5.3 of the ENAC requires that;

“A *standard access contract* must be:

- (a) reasonable; and
- (b) sufficiently detailed and complete to:
  - (i) form the basis of a commercially workable *access contract*; and
  - (ii) enable a *user* or *applicant* to determine the value represented by the *reference service* at the *reference tariff*.”

#### **A7.1 Determining Reference Services For a Substantial Proportion of the Market**

Synergy submits that the PRAA does not demonstrate how Western Power has determined that the proposed reference services within the PRAA meet the requirements of 5.2(b) of the ENAC. Consequently, Synergy submits that it would be difficult for the Authority to determine that the PRAA meets the requirements of 5.2(b) of the ENAC.

In addition, Synergy submits that there is no mechanism in the PRAA to determine what *services* a significant number of *users* or a substantial proportion of the market wants. Under the current framework any request for a *service* by a *user* or applicant will be treated as a request for a non-reference service.

Synergy submits that it is important that the PRAA contain a mechanism, by which Western Power, within an *access arrangement period*, to consult with *users* of the Western Power's *network* on the scope and requirements of *reference services*. This mechanism should also include a requirement to advertise and request submissions from consumers supplied using this *network*.

#### **A7.2 Small Scale Renewable Energy Systems (SRES)**

Section 5.2(b) of the ENAC requires the PRAA to contain a *reference service* that is likely to be sought by a significant number of *users* and *applicants* or a substantial portion of the market.

Western Power currently provides a mechanism for consumers to apply to have a SRES system installed and connected to the *network*. This application can be made independently of the retail *user*. However, the nominated retail *user* is provided a copy of the approval.

Synergy currently has over 1800 customers with a SRES that is connected to the *network* and this number is growing. In addition, Synergy anticipates that the rate of growth will increase significantly with the proposed introduction of a feed-in tariff for SRES.

Synergy submits that the Reference Services do not adequately provide a *service* for use of SRES and consequently does not meet the requirements of section 5.2(b) of the ENAC. In particular, there is no clear mechanism in the PRAA that describes how imports and exports of electricity at a *connection point* will be managed and charged. The lack of an appropriate *reference service* restricts the *user's* ability to effectively introduce products and to manage a *customer's* use at a *connection point*.

The ENAC defines an *exit point* and *entry point* as;

**"exit point"** means a point on a *covered network* identified as such in an *access contract* at which, subject to the *access contract*, electricity is more likely to be transferred out of the *network* than transferred into the *network*."



“**entry point**” means a point on a *covered network* identified as such in an *access contract* at which, subject to the *access contract*, electricity is more likely to be transferred into the *network* than transferred out of the *network*.

However, in circumstances where a SRES is *connected* to the *network* it can be difficult to determine whether or when electricity is more likely to be *transferred* into or out of the *network*. It is not clear how the PRAA deals with this. In addition, an implementation under the PRAA which allows a *connection point* to dynamically change its classification will create other regulatory and contractual issues in the supply chain, including the calculation of the notional wholesale meter.

Therefore, Synergy submits there is a need for a dedicated *reference service* in accordance with sections 5.2(d)(i) and (ii) of the ENAC that enables a *user* or *applicant* to acquire an *exit* or *entry service* at a *connection point* without a need to acquire a corresponding *entry* or *exit service* at another *connection point*.

The ambiguity associated with SRES connected to the network is complicated further because its use in the market is also not contemplated for by the Electricity Transfer Access Contract (ETAC). The standard access contract and reference service restricts the use of a connection point as both an *entry point* and *exit point*.

Clause 3.1(b) of the ETAC states that:

“The User\* must not:

- (i) transfer electricity out of the Network\* at a Connection Point\* unless it has an Exit Service\* for that Connection Point\*; and
- (ii) transfer electricity into the Network\* at a Connection Point\* unless it has an Entry Service\* for that Connection Point\*.”

Synergy reiterates its submissions on the ETAC, dated 16 December 2008, to the effect that this clause in the ETAC is not sufficiently detailed and complete to form the basis of a commercially workable *access contract*, and submits an example is SRES connected to the *network*. In addition, under the current framework, it is difficult for a *user* or *applicant* to determine the value represented by any Reference Service that might be applicable to SRES.

In addition, the ETAC and Reference Services preclude a *user* from both importing and exporting energy to and from the *network*, despite the requirements of section 5.2(d)(i) and (ii) of the ENAC. Nevertheless Synergy has over 1800 customers who utilise SRES which are *connected* to the *network*. These Synergy customers are deemed by Western Power to be operating exclusively on an *exit service*, at an *exit point*. However, it is not clear in the PRAA how this determination is made or managed.

Therefore, Synergy submits that in order to support the significant portion of the market that has SRES connected to the *network*, the PRAA should;

1. in accordance with sections 5.2(d)(i) and (ii) of the ENAC, contain an appropriate *reference service* that enables a *user* or *applicant* to acquire an *exit* or *entry service* at a *connection point* without a need to acquire a corresponding *entry* or *exit service* at another *connection point*;

2. contain a *reference service* that provides a basis and give *users* the flexibility and choice to implement mechanisms for monitoring and settling the energy that is exported and imported to and from the *network*; and
3. contain a *reference service* that is sufficiently detailed and complete to form the basis of a commercially workable *access contract* and enable a *user* or *applicant* to determine the value represented by the *reference service*, in accordance with section 5.3 of the ENAC. This also includes the requirement to define the metering eligibility criteria.

### **A7.3 Policies for Covered Services Associated with Connection Points that Import and Export from the Network**

Synergy refers to its submissions to the ERA dated 16 December 2008 on Western Power's proposed ETAC in relation to the need for a *reference service* to cater for *consumers* participating in the Renewable Energy Buyback Scheme. Synergy reiterates these submissions and its submissions set out above in relation to the SRES, and submits that, based on the requirements of sections 5.2(b) and (d) of the ENAC, it is clear there is and will continue to be a need for Western Power to provide a *reference service* at a *connection point* where electricity is "likely to be transferred" both into and out of the *network*. At the very least there needs to be a *covered service* in the PRAA to cater for this situation.

Synergy also submits that the PRAA must contain such a *reference service* otherwise, for the reasons set out below, the current *technical rules* will not be consistent with *good electricity industry practice*, *relevant laws* and *statutory instruments*.

Sections 12.1(c) and (d) of the ENAC require that the *technical rules*;

- "(a) are reasonable; and
- (b) do not impose inappropriate barriers to entry to a market; and
- (c) are consistent with *good electricity industry practice*; and
- (d) are consistent with relevant *written laws* and *statutory instruments*."

Clauses 3.7.1 and 3.7.4 of the *technical rules* contemplate that electricity will be *transported* into and out of the *network* and relevantly require that the *user* "...must make provision for both an import and export meter" when connecting a SRES "...to the *Network Service Provider's* low voltage *distribution system* via inverters".

Synergy submits that, if (as Synergy says should be the case) Western Power is required to provide a *reference service* or a *covered service* for a bidirectional *connection point*, the Application and Queuing Policy, the Reference Services, the ETAC and the Pricing List should be amended to address the following:



1. how an *applicant* applies for a bidirectional *connection point* and the associated *capacity* for transferring electricity into and out of the *network*;
2. the rules for determining, assigning and tracking these *connection points* on the *network*;
3. the rules for determining the *charges* associated with transferring electricity into and out of the *network*;
4. the duration or period that a bidirectional *connection point* can operate for;
5. how bidirectional *connection points* are managed under the ETAC, including how the maximum extent of any liability will be determined; and
6. how a bidirectional *connection point* will be transferred between ETACs in accordance with the *Customer Transfer Code*.

#### **A7.4 Service Standard Benchmarks For Reference Services**

Section 5.1(c) of the ENAC states that an *access arrangement* must "include *service standard benchmarks* under section 5.6 for each *reference service*".

Section 5.6 of the ENAC requires:

"A *service standard benchmark* for a *reference service* must be:

- (a) reasonable; and
- (b) sufficiently detailed and complete to enable a *user* or *applicant* to determine the value represented by the *reference service* at the *reference tariff*."

Most of the Reference Services described in the PRAA typically consists of the following three elements:

- an *exit* or *entry service* combined with,
- a *connection service*; and
- a "Standard Metering Service" (as that term is defined in the model service level agreement most recently approved by the ERA under the Metering Code).

All *users* must pay for these Standard Metering Services under the PRAA. However, Synergy notes that the PRAA does not list any *service standard benchmarks* for the Standard Metering Services component of the Reference Services; in particular there are no *service standard benchmarks* for the following:

- Establishment & Energisation of Metering Connection Point
- Meter Upgrade
- Scheduled Bi-Monthly Meter Reading
- Scheduled Monthly Meter Reading
- Card Meter Reading
- Customer Meter Reading
- Manually Collected Energy Interval Data (Monthly)
- Remotely Collected Energy Interval Data (Monthly)
- Historical energy interval data (up to 12 months or part thereof)
- Standing Data Provision

Synergy submits that this is not reasonable within section 5.6 of the ENAC and that the PRAA must also describe the *service standard benchmarks* for these aspects of the Reference Services.

#### **A7.5 Service Standard Performance For Reference Services**

The ERA is required to monitor the *service standard* performance of these *services* in accordance with sections 11.2 to 11.5 of the ENAC.

Sections 11.2 to 11.5 of the ENAC states that:

"11.2 The *Authority* must monitor and, at least once each year, *publish* a *service provider's* actual *service standard* performance against the *service standard benchmarks*.

11.3 The *Authority* may, acting reasonably, request a "**service standard performance Report**" from a *service provider* for the purposes of monitoring the *service provider's* actual *service standard* performance and the *service provider* must provide the *Authority* with a *service standard performance report* within the time specified by the *Authority* in its request, which time must not be less than 20 *business days*.

11.4 In a request under section 11.3 the *Authority* may specify:

- (a) a period of time which must be covered in the *service standard performance report*; and
- (b) criteria to be addressed in the *service standard performance report*; and
- (c) the format required for the *service standard performance report*, and the *service provider* must comply with the *Authority's* specifications.

11.5 The *Authority* may from time to time, for the purposes of monitoring a *service provider's* actual *service standard* performance:

- (a) consult with *users* of the *service provider's network*; and
- (b) *advertise* a request for submissions from *consumers* supplied using the *network*."

Synergy submits that Western Power's "Access Arrangement Service Standard Report" published on the 3 November 2008 does not meet the requirements of the ENAC. The *service standard* performance for Reference Service A9, Streetlighting Exit Service, has been omitted and needs to be included in the report.

*Service standard* performance of the A9 Reference Service continues to be a significant issue for Synergy and its customers and Synergy is keen to know when the revised Service Standard Report for the year ending 30 June 2008 will be published so that Synergy can fully comment on the Streetlighting Exit Service in



light of the PRAA. Synergy is likely to want to make further submissions to the ERA on the PRAA once this report has been published.

Synergy would also like the ERA to describe the mechanism the ERA has put in place in accordance with sections 11.2 and 11.4(b) of the ENAC, for monitoring *service standard benchmarks* and the criteria that Western Power needed to address in its report published on the 3 November 2008. Synergy submits that it is important for *users* and *applicants* to have and review this mechanism to enable them to be in a position "to determine the value represented by the *reference service* at the *reference tariff*" under section 5.6(b) of the ENAC. Synergy is likely to want to make further submissions to the ERA on the PRAA once this material has been made available by the ERA.

Section 11.5 of the ENAC relevantly provides that the ERA may, from time to time, consult with *users* for the purpose of monitoring the *service standard* performance. Synergy currently pays hundreds of millions of dollars annually for Reference Services, which figure will go up significantly if the ERA approves the PRAA. Consequently, Synergy supports a separate consultation process for *service standard* performance and is keen to participate in this consultation process.

#### **A7.6 Proposed Changes to Reference Services A3 and A4**

Sections 4.30(b) and (c) of the ENAC require the ERA, in determining whether to approve the PRAA, to have regard to:

- "(b) contractual obligations of the *service provider* or other persons (or both) already using the *network*; and
- (c) the operational and technical requirements necessary for the safe and reliable operation of the *network*;"

Synergy supports the principal behind the proposed change to the A4 reference tariff, including the specified peak and off-peak times described for the corresponding reference tariff RT4 in the price list.

Synergy supports the principal behind the proposed change to the A3 reference tariff including the specified peak and off-peak times described for the corresponding reference tariff RT4 in the price list. However, Synergy submits that the eligibility of voluntary and charitable organisations for this tariff should be deleted in order to maintain consistency with the Office of Energy's recommendation that charitable organisation tariffs C1/C2 and D1/D2 should be removed with future assistance provided by direct Community Service Obligation payments. Therefore, Synergy recommends that the A3 reference service needs to be changed so that it does not prevent the nomination of charitable businesses against cost reflective business reference services and tariffs.



### **A7.7 Incentive To Comply**

Section 4.30(d) of the ENAC requires the ERA, in determining whether to approve the PRAA, to have regard to:

“(d) to the extent relevant - *written laws and statutory instruments.*”

In the Revised Access Arrangement Information for the Network of the South West Interconnected System, dated 1 October 2008, Western Power has indicated that 100% compliance in a number of areas remains a stretch target. Consequently, Synergy is concerned that despite the significant increase in tariffs proposed under the PRAA *users and consumers* may continue to suffer from poor *service standard* performance.

Synergy submits that in light of the significant proposed increases in tariffs the PRAA needs to contain a mechanism that strictly enforces the *service standard benchmarks*. This may include introducing penalties that create a genuine incentive for the *service provider* to meet *service standard benchmarks*. Alternatively, Western Power could be given a monetary incentive to achieve *service standard benchmarks*.

Clause 4.3, Part A, of the Revised Access Arrangement Information provides a list of the regulatory instruments that Western Power must comply with. Synergy recommends that the following regulatory instruments be added to this list for completeness:

- Electricity Networks Access Code 2004.
- Electricity Industry Metering Code 2005.
- Electricity Industry Customer Transfer Code 2004.
- Code of Conduct for the Supply of Electricity to Small Use Customers 2008.
- Electricity Industry (Obligation to connect) Regulations 2005.

### **Conclusion**

Synergy submits these comments for the consideration of the ERA and would be pleased for the opportunity to meet and discuss these issues in detail.

Yours faithfully

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**Synergy**