



Economic Regulation Authority

 WESTERN AUSTRALIA

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*Promoting fair prices, quality services and choice.*

## NOTICE

### 2009/10 Price List Determination

The Authority has approved Western Power's 2009/10 price list for the South West Interconnected Network (SWIN). The new prices, which come into effect on 1 July 2009, are available on the Authority's [web site](#), together with the Authority's determination.

The changes in individual reference tariff charges (from those established for 2008/09) are within the range of CPI plus or minus five per cent, as allowed under the current access arrangement.

The changes comprise increases of:

- between 6.5 and 7.5 per cent for distribution reference tariffs; and
- 7.5 per cent for transmission reference tariffs.

These increases will not directly affect retail electricity prices for residential and small business customers, but these customers will experience price increases as a result of the Western Australian Government's decision on 23 February 2009 to increase electricity retail tariffs, which followed the release of the [Office of Energy's](#) final recommendations report on the electricity retail market review.

In approving Western Power's submission, the Authority found the proposed prices complied with the price control and pricing methods set out in the existing access arrangement for the SWIN.

### BACKGROUND

On 24 April 2009, Western Power submitted its proposed 2009/10 price list for the Authority's approval under the terms of the current access arrangement for the SWIN. Clause 3.10 of the access arrangement required the company to submit a proposed price list at least 45 business days before the start of the 2009/10 pricing year.

The current access arrangement began on 1 July 2007 and remains in effect until proposed revisions are approved by the Authority, and the revised access arrangement starts.

As the Authority has not completed its assessment of the proposed revisions, initially submitted by Western Power on 1 October 2008 (with a target start date of 1 July 2009), the current access arrangement remains in effect and the proposed price list for 2009/10 must comply with the price control and pricing methods of the current access arrangement.

## **Price Control**

The current access arrangement establishes revenue cap price controls for Western Power's transmission and distribution networks, and a side constraint on price changes of plus or minus "CPI + 5 per cent" per annum.

Western Power estimated ranges of maximum transmission and distribution regulated revenue, and increased the value of reference tariff charges by the allowable side constraint (of approximately 7.5 per cent).

Given the circumstances and taking into account an estimated range of maximum reference service revenue, forecast revenue from the proposed 2009/10 reference tariffs and the changes in reference tariffs relative to the side constraint, the Authority was satisfied that the proposed price list complied with the price control of the current access arrangement.

A value of required revenue for the 2009/10 year will be determined as part of the Authority's assessment of Western Power's proposed access arrangement revisions. To the extent that the price list for 2009/10 results in an under-recovery or over-recovery of revenue relative to the value of required revenue, there will be a compensating correction to the required revenue and price list for 2010/11.

## **Pricing Methods**

Western Power asserted that compliance with the pricing methods was met on the basis that there had been no changes to the structures of reference tariffs, or the relativities of reference tariffs, when compared with the tariffs that were approved for 2008/09.

Taking into account the circumstances in which the price list for 2009/10 is being approved, the Authority accepted that the proposed price list complied broadly with the pricing methods of the current access arrangement.

For further information contact:

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