



Landfill Gas and Power

9 September 2009

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

By email: publicsubmissions@era.wa.gov.au

Dear Sir / Madam

SUBMISSION ON DRAFT DECISION ON WESTERN POWER'S PROPOSED ACCESS ARRANGEMENT REVISIONS

Thank you for the opportunity to make a submission on the Authority's draft decision on Western Power's proposed access arrangement revisions and for the extension to the closing date.

LGP broadly supports the Authority's decision and makes selected comments on the 46 required amendments below.

In particular, we strongly support the Authority's decision to reduce the WACC by 21% compared to Western Power's proposal. We reiterate our early comments that this value is the key driver of the network charges paid by the economy as a whole and it is imperative that they be fit for purpose; properly keeping Western Power financially whole for the services it provides, while not burdening industry with the costs of grandiose visions or gold-plated engineering.

Required Amendment 1 The proposed access arrangement revisions should be amended such that one or more reference services provide for single connection points to function both as entry points and exit points. This revision will cater for the requirements for network services that arise where small-scale renewable energy systems connect to the network and where electricity consumers participate in the Renewable Energy Buyback Scheme.

In respect of the discussion on "Requirements for Exit and Entry Services (clause 3.1(b))" LGP supports Synergy's contentions at paragraph 103. In particular, it is unreasonable to require the User to supervise and potentially take action against the customer for the benefit of the Network Operator. We regret that the Authority is constrained to implement the letter of the rules, for better or worse, per paragraph 105, therefore facilitating the continuation of this practice. In particular, we perceive that the State Government clearly intends to encourage small scale renewable energy systems and, by extension, inappropriate responsibilities and barriers should be avoided.

Required Amendment 8 The proposed access arrangement revisions should be amended to delete clause 3.8 of the electricity transfer access contract or to amend clause 3.8 to make any reduction in a user's contracted capacity subject to agreement with the user.

LGP welcomes the Authority's correction of the record at paragraph 150 in respect of Western Power's claim of LGP having provided "in principle support" of Western Power's proposal to be given power to reduce a User's contracted capacity. We reiterate that we "are very concerned about the prospect of Western Power being given un-reviewable discretion" and we support the Authority's decision on this issue.

Required Amendment 10 The proposed access arrangement revisions should be amended such that clause 6.1(e) of the electricity transfer access contract requires only that the user uses reasonable endeavours to procure that a controller enter into a connection contract with Western Power.

LGP welcomes implementation of the principle that the entity controlling the remedy should be responsible for its implementation.

Required Amendment 11 The proposed access arrangement revisions should be amended such that clause 6.2(a) of the electricity transfer access contract is made subject to a provision that the user is not required to commence, maintain or continue legal proceedings to procure compliance of a controller with obligations under the access contract unless Western Power provides an indemnity for all of the user's costs of and relating to such proceedings.

LGP welcomes implementation of the principle that the entity controlling the remedy should be responsible for its implementation.

Required Amendment 12 The proposed access arrangement revisions should be amended such that clause 7.1 of the electricity transfer access contract includes a provision dealing with the determination of amounts payable by the user where there is a change in the charges payable under a reference tariff during a billing period. The provision must represent a reasonable balance between the interests of the user and Western Power.

LGP welcomes implementation of the principles that the rules should reflect actual accepted practice in circumstances where it is impracticable for the letter of the rules to be complied with and that the rules should represent a reasonable balance between the parties.

Required Amendment 13 The proposed access arrangement revisions should be amended such that clause 10 of the electricity transfer access contract clearly applies only in respect of a contribution payable by the user.

LGP welcomes implementation of the principle that a User should be required to provide security only for contributions owed by the User and not by third parties.

Required Amendment 14 The proposed access arrangement revisions should be amended such that clause 12.1 of the electricity transfer access contract is consistent with clause 6.2 and limits the obligation of the user to ensure that any other person or person's equipment complies with the Technical Rules only to the extent: that is reasonably practical for the user; and that Western Power provides an indemnity for all of the user's costs of and relating to proceedings against any other person for the purposes of ensuring compliance.

LGP supports Synergy's contention at paragraph 228 that it is unreasonable to require a retailer to establish a network inspection service in order to ensure compliance of its end-users with the Technical Rules. We welcome the implementation of the principle that accountability should be allocated to the party possessing the expertise to manage it.

Required Amendment 20 The proposed access arrangement revisions should be amended so that clause 29.3(b) of the electricity transfer access contract requires that Western Power act reasonably in determining a location for a meeting for resolution of a dispute.

LGP supports the decision to require Western Power to act reasonably in this matter. We further note the Authority's comment that the Electricity Access Transfer Contract does not obligate Western Power to act as a Reasonable and Prudent Person, and would welcome imposition of such a requirement.

Required Amendment 29 The target revenue should be revised to reflect a real pre-tax WACC value of 7.06 per cent, subject to revision of the risk free rate and debt margin at a date to be advised and prior to the Authority's final decision.

LGP supports the Authority's required WACC value, being an increase on that of the previous regulatory period and a substantial reduction on Western Power's proposal. We further note that this figure is the central issue of the entire review, driving as it does the network charges. It is extremely important that this figure be kept as low as fiscally responsible as it feeds directly into the tariffs paid by customers and by extension is a key input into the State economy. Insofar as the increases are passed through in gazetted tariffs (or not, as the case may be), this figure also contributes significantly to the efficacy of retail competition.

Required Amendment 38 The proposed access arrangement revisions should be amended to resolve inconsistencies between clause 10 of the applications and queuing policy and clauses 3.4 and 3.5 of the electricity transfer access contract in relation to changes to covered services, including increases or decreases in contracted capacity at a connection point.

LGP supports the Authority's comments at paragraphs 1071 and 1072 regarding the "first-come first-served" queuing principle which, in combination with the wholesale electricity market, does not promote efficient investment. We welcome the Authority's recognition that whereas it is required to determine only whether the principle is properly implemented in accordance with the requirements of the Access Code, the Authority nonetheless advocates that the matter should be reviewed by the Office of Energy as part of a broader strategy.

Regarding queuing policy more generally, while LGP congratulates Western Power on its parallel initiative to liaise with industry to review the queuing policy in its entirety, we feel that the interests of the whole electricity market and by extension, the economy in general would be better served if this matter is instead managed by an arms-length body with a broader perspective.

If you require further information please contact Dr Steve Gould on 0412 508 291.

Yours faithfully

GRAEME ALFORD
CHIEF EXECUTIVE OFFICER