



Our Reference: DMS 3302982  
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4 November 2009

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

Dear Mr Pullella,

### **Forecast Average Tariff Increases**

Synergy would like to provide further comment on Western Power's additional proposed revisions to the pricing years for the second access arrangement period. Unless otherwise specified, words in italics in this submission have the same meaning as in the *Electricity Networks Access Code 2004* (**ENAC**).

### **1 Background**

On 16 July 2009 the Authority published its draft decision (**Draft Decision**) not to approve Western Power's Revised Access Arrangement (**PRAA**). The Draft Decision also outlined 46 amendments to the PRAA which need to be addressed before the Authority can approve the PRAA. The Authority, in accordance with section 4.14 of the ENAC, has invited public comments on its Draft Decision.

Synergy has been analysing the impact of the proposed network increases on our customers including the corresponding adjustments that would need to be made to the regulated retail tariffs to pass these costs through to the customer.

Consequently, Synergy, in its discussions with the Office of Energy and the Department of Treasury and Finance, has needed to revisit Western Power's revenue outcomes and price increase proposal<sup>1</sup> in order to understand what the likely impact

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<sup>1</sup> Outlined in Western Power's second submission on the Authority's Draft Decision dated 10 September 2009.

would be to the customer with respect to regulated retail tariffs and customer contracts.

## 2 Clarity Required on Forecast Increases

The Authority in its Draft Decision has determined the following forecast average tariff increase:

### Draft Decision – Transmission & Distribution Increases Incorporating the Tariff Equalisation Contribution

For 2008/09 to 2009/10	CPI +16.7%
For 2008/09 to 2009/10	CPI +16.7%
For 2008/09 to 2009/10	CPI +16.8%

Western Power in its submission<sup>2</sup> has proposed the following overall increases which are higher than the values determined in the Draft Decision.

### Western Power – Proposed Transmission & Distribution Increases

For 2008/09 to 2009/10	CPI +15.4%
For 2008/09 to 2009/10	CPI +26.8%
For 2008/09 to 2009/10	CPI +20.1%

Synergy notes that the Draft Decision values incorporate the effect of the Tariff Equalisation Contribution (**TEC**). However, it is not clear from Western Power's submission<sup>3</sup> whether the forecast increases also incorporate the TEC.

Synergy submits that there needs to be clarity on the extent of the increase proposed by Western Power so that users can clearly understand the impacts, including on their customers, and the extent of any price shocks. If Western Power's proposed increases do not incorporate the TEC then the resulting price shock, including to retail customers, may be greater than first anticipated.

## 3 Passing Through Forecast Increases Under Regulated Retail Tariffs

The regulated retail tariffs include a component for network charges<sup>4</sup>. Consistent with state government policy<sup>5</sup> Synergy is required to pass through network charge increases to tariff customers via regulated retail tariffs.

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<sup>2</sup> Outlined in Table 4 of Western Power's second submission on the Authority's Draft Decision dated 10 September 2009.

<sup>3</sup> Ibid.

<sup>4</sup> Including the TEC.

Unless the State Government legislates new retail tariffs that coincide with the proposed increases in network charges, Synergy will not have a right to charge these customers any additional increases in network charges.

Section 4.34 of the ENAC also specifies that the *Authority* must not approve an access arrangement that will deprive a person of a prior contractual right:

"4.34 Subject to section 4.35, the *Authority* must not *approve a proposed access arrangement* which would, if *approved*, have the effect of depriving a person of a contractual right that existed prior to the earlier of the *submission deadline* for the *proposed access arrangement* and the date on which the *proposed access arrangement* was submitted."

Synergy's right to recover network charges from tariff customers is effected by aligning the network component of the regulated retail tariffs to the charges Synergy needs to pay under the access arrangement.

Therefore, if the proposed network increases exceed the network component for the current regulated retail tariffs, Synergy is likely to be deprived of the ability to recover these increases from customers. Unless the State Government makes a timely change to the regulated retail tariffs or provides Synergy with a tariff adjustment payment to compensate for the increased network charges, then Synergy is financially exposed.

Consequently, it is important that any network tariff increase proposal also correspond to the financial provisions under the current regulated retail tariffs and the State Government's timeline for approving new tariffs.

#### **4 Customer impacts**

Regulated retail tariffs were increased on 1 April and 1 July 2009. Furthermore, regulated retail tariffs are proposed to increase on 1 July 2010. In the event that the Authority approves Western Power's additional proposed revisions to the pricing years for the second access arrangement period with a commencement date earlier than 1 July 2010, this will potentially result in yet another regulated retail tariff increase (or the fourth in the period April 2009 to July 2010).

As an advocate on behalf of our customers, Synergy submits that in order to limit price disruption for electricity customers within the SWIS, especially in a period of economic downturn, it is important that adequate notice<sup>5</sup> is provided for a network tariff increase and that such increase should only be scheduled to occur once a year. Accordingly, Synergy advocates that any revised access charge increases should apply on 1 July 2010 and not earlier.

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<sup>5</sup> Refer recommendation 8 of the "Electricity Retail Market Review - Final Tariff Recommendations Office of Energy Report to the Minister for Energy January 2009".

<sup>6</sup> Synergy requires at least 90 business days notice to implement system changes for a network price increase.

## **5 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

**Karthi Mahalingham**  
**Networks Manager**  
**Synergy**

**Simon Adams**  
**Senior Legal Counsel**  
**Synergy**