



Media Statement

20 February 2020

Microgrids inquiry report an important step forward

The Economic Regulation Authority welcomes the release of the final report from the parliamentary inquiry into microgrids and associated technologies in Western Australia.

ERA Chair Nicky Cusworth said that the Economics and Industry Standing Committee's report reflected the ERA's long-held view that more flexibility was needed to incorporate new technologies into the Western Australian energy market.

"We have been saying for some time that the rules that govern Western Australia's energy sector were written for a world that no longer exists," Ms Cusworth said.

"As the independent regulator, we do not have the power to change those rules, meaning that we are limited in how we can view and assess new technologies like microgrids, distributed energy resources and batteries."

"We look forward to the Government's response to this report, along with the outcomes of its Energy Transformation Strategy, so that Western Australian consumers have more opportunities to secure sustainable, innovative energy services, and ultimately, lower energy prices."

The inquiry report also refers to the ERA's decision to not allow Western Power to recover the costs of rolling out communications infrastructure for advanced metering infrastructure – also known as smart meters.

Every five years, the ERA reviews Western Power's access arrangement and approves the capital and operating expenditure that Western Power can recover through charges to its customers.

"Under the current regulatory framework, the ERA can approve Western Power passing the cost of new technologies on to consumers only if the economic benefits to consumers of those technologies exceed their costs," Ms Cusworth said.

"We discussed the smart meter expenditure with Western Power many times, but ultimately concluded that the proposed expenditure did not meet the requirements of the rules.

"The Government's planned changes to the *Electricity Networks Access Code 2004*, discussed in this report, will allow the ERA much greater flexibility to consider the broader benefits of these technologies for Western Australian consumers."

About the ERA

The ERA is Western Australia's independent economic regulator. We aim to ensure the delivery of water, electricity, gas and rail services in Western Australia is in the long-term

interest of consumers. The ERA also undertakes inquiries, which provide recommendations to government on economic issues that are likely to have significant implications for the people and businesses of Western Australia.

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