Our ref: EDM 56842851
Contact: Jonathon Mizen

28 July 2021

Electricity Access Team
Economic Regulation Authority
Level 4, 469 Wellington Street,
Perth WA 6000

Submitted via electronic lodgement to info@erawa.com.au

Dear Sir / Madam

Re: Framework and approach for Western Power's fifth access arrangement review – Request for feedback on draft decision

Western Power welcomes the opportunity to respond to the Economic Regulation Authority of Western Australia's request for stakeholder feedback regarding its draft decision on the framework and approach that will apply in relation to Western Power's fifth access arrangement review.

Western Power's response considers the relevant draft decision as well as various matters raised by stakeholders in public submissions, which were received in response to the framework and approach issues paper and the draft decision. It also aims to promote a common understanding of Western Power's intentions for its fifth access arrangement proposal.

If the Economic Regulation Authority of Western Australia would like to discuss any aspect of the attached response, please contact Jonathon Mizen

Yours sincerely

Jacqui Hall
Chief Financial Officer

Cc: Zahra Jabiri, Head of Regulation

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Contents

1. Executive Summary

Western Power welcomes the recent[1] release by the Economic Regulation Authority of Western Australia (**ERA**) of its draft decision on the framework and approach for Western Power's fifth access arrangement review (**Draft Decision**).[2]

Western Power supports the ERA's view in its framework and approach scoping paper[3] that the establishment of an effective framework and approach is an important step towards ensuring that Western Power's fifth access arrangement (**AA5**) will be able to accommodate industry, market, and regulatory changes to provide the network services required to satisfy the long-term interests of consumers.

As noted in Western Power's response to the framework and approach issues paper on 4 May 2021[4], AA5 and the related framework and approach will need to have regard to changes in the energy landscape, and the challenges and opportunities to meet our ever-changing customer and community requirements. It is important to note that the changes are largely driven by customer behaviour, decarbonisation of the electricity system, and technological advancement in the energy sector. By way of example, such changes include the fact that:

- more than one in three homes in Western Australia have rooftop solar PV
  - over the past year (April 2020 to March 2021) there was an average of 4,825 residential solar PV installations per month,
  - over 1,357 MW of residential solar PV is currently installed on the Western Power network;
- a further 460 MW of large-scale renewable energy projects (wind, solar and waste-to-energy) are currently under development in the South West Interconnected System (SWIS);
- currently, there are more than 2,900 batteries connected to or forming part of the network;
- standalone power systems are being installed to replace traditional network infrastructure in areas where such systems are financially prudent to be used to continue to meet or improve the supply requirements of customers; and
- other recent technological advancements, including electric vehicles and behind-the-meter solutions, also offer our customers greater choice regarding how to optimise the generation, storage and use of energy.

As AA5 is the first access arrangement review for which a framework and approach will be developed and approved, ensuring that its content is clear and unambiguous will be key to its success. As required under section 4.A2 of the Access Code, the Draft Decision has been made to address the following matters:

- classification of services;
- reference services;
- method for setting service standard benchmarks;
- form of price control;

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1 Released on 11 June 2021

2 A copy of the Draft Decision can be accessed online at https://www.erawa.com.au/cproot/21996/2/Western-Power-AA5-Review---Framework-and-approach---Draft-decision.PDF

3 A copy of the Scoping Paper can be accessed online at https://www.erawa.com.au/cproot/21538/2/Western-Power-AA5-Review---Framework-and-approach---Scoping-paper.PDF

4 A copy of Western Power's response can be accessed online at https://www.erawa.com.au/cproot/21900/2/Western-Power1.pdf

- investment adjustment mechanism;
- gain sharing mechanism;
- service standards adjustment mechanism; and
- demand management innovation allowance mechanism.

For ease of reference, the various decisions the ERA has proposed in relation to each of the above matters has been included in Appendix A of this response.

Western Power's feedback in this paper considers the Draft Decision and the matters raised by stakeholders in public submissions received in response to the framework and approach issues paper and the Draft Decision and aims to promote a common understanding of Western Power's intentions for the AA5 proposal. Western Power has limited our feedback to the matters required to be considered under the framework and approach, as set out earlier.

In general, Western Power supports the amendments included in the Draft Decision. Western Power's support is, however, subject to the following exceptions:

- **Reference services** - the Draft Decision on time of use periods includes a proposed weekday variant. Western Power has noted in stakeholder responses to the Draft Decision that users would prefer peak and shoulder periods to apply consistently across all seven days. Western Power supports consistent time of use periods to apply every day to deliver intended price signals to users. Additionally, if peak and shoulder periods were to apply every day, doing so may result in more consistent usage of the network and, ultimately, reduce the requirement for network augmentation to address significant peaks or lows;
- **Method for setting service standard benchmarks** - the Draft Decision regarding service standard benchmarks (**SSBs**) requires the removal of the force majeure exclusion for those benchmarks. Although Western Power supports the idea that exclusions relating to SSBs ought to be better defined, Western Power considers that the existing force majeure exclusion should be retained as not all extreme events that are outside Western Powers control, and currently covered under force majeure, will be dealt with via the major event days exclusion or the proposed new exclusion included in the Draft Decision. Examples of such events are provided in Section 2.2 of this response. Western Power is of the view that the removal of the force majeure exclusion would not be in the long-term interests of consumers as it may result in additional investment to address infrequent extreme events; and
- **Form of price control** - the Draft Decision regarding the form of price control demonstrates the ERA has not supported Western Power's proposed amendment[5] to the form of price control to include a revenue uncertainty adjustment mechanism for those instances where there has been material under- or over-recovery of revenue. Instead, the ERA considers the trigger event provisions in the access arrangement can address significant and unexpected demand volatility in period. Western Power does not support this position and maintains that an adjustment mechanism presents a more efficient option than in-period reviews of the access arrangement.

Each of the abovementioned exceptions is discussed in more detail in Section 2 of this response.

In addition to the exceptions to Western Power's support of the ERA's proposed amendments included in the Draft Decision, Western Power notes that the following amendments require further clarification by the ERA in the final decision:

[5] Western Power's response to framework and approach issues paper, p.29

- **Classification of services** - the Draft Decision states that services provided by batteries are excluded services. Until an excluded services determination is undertaken by the ERA under section 6.33 of the Access Code, Western Power considers that the final decision must clearly state that storage-related services are covered services;
- **Reference services** - the Draft Decision requires Western Power to update the eligibility criteria for a combined remote load control/load limitation service to address three phase connections and clarify the requirements to obtain the service. Western Power considers the existing remote load control and load limitation services do not exclude three-phase connections;
- **Service standard benchmarks** - the Draft Decision states that the method for calculating the SSBs should continue to be based on the 97.5th (or 2.5th) percentile of actual performance over the previous period. Western Power understands that the 97.5th percentile only applies to those measures that are subject to a statistical approach for setting the SSB and which are subject to the service standard adjustment mechanism (**SSAM**) (i.e. have a service standard target (**SST**) applied to it). Other benchmarks not subject to a statistical approach will continue to be set on the relevant methodology for that benchmark. This methodology is the same as that which applied under the fourth access arrangement. Western Power considers the final decision should specify the methodology that will apply for each SSB. In addition, in accordance with the Draft Decision, Western Power will justify any appropriate step changes to the SSBs in its AA5 submission;
- **Service standard adjustment mechanism** - the Draft Decision states that rewards and penalties for transmission service standards must be based on the revenue attributable to customers who are connected to the transmission network and who receive reference services and that further consideration be given to whether the Australian Energy Regulator (**AER**) Value of Customer Reliability data can be used instead. Western Power will seek to propose incentive rates for transmission reference service customers in the AA5 submission that drive the right incentive for Western Power to invest where it is valued by customers.

Each of the above matters is discussed in more detail in Section 3 of this response.

Western Power anticipates the framework and approach final decision will include a complete list of services and a complete list of SSBs that will apply in relation to AA5. Based on the Draft Decision, Western Power has provided our understanding of the list of services in Appendix B (titled "Reference Services") and list of SSBs in Appendix C (titled "Service Standard Benchmarks") of this response.

With regard to the list of services, Western Power notes that the number of services defined as reference services has been expanding in each access arrangement. The greater the number of reference services, the more resources it takes to support them which can be inefficient in circumstances where demand for several of the services is low. Western Power considers it is important to achieve a balance between the number of reference services provided and ensuring there is a clear demand for those services (as required by 5.2(b) of the Electricity Networks Access Code). In addition, some of the reference services required of Western Power in recent access arrangements are beyond traditional reference services which provide users with network access. Some of these newer reference services provide for a few of the different activities which Western Power undertakes for its customers. Western Power considers it would be appropriate to review the definition and classification of services in line with Stage 2 of the State Government's Energy Transformation Strategy[6].

[6] Refer to https://www.wa.gov.au/government/announcements/western-australias-energy-transformation-strategy-moves-its-next-stage

2. Matters Western Power does not support

In general, Western Power supports the amendments included in the Draft Decision. Western Power's support is, however, subject to the following exceptions:

- **Reference services** - the Draft Decision on time of use periods includes a proposed weekday variant. Western Power has noted in stakeholder responses to the Draft Decision that users would prefer peak and shoulder periods to apply consistently across all seven days. Western Power supports consistent time of use periods to apply every day to deliver intended price signals to users. Additionally, if peak and shoulder periods were to apply every day, doing so may result in more consistent usage of the network throughout the day and, ultimately, reduce the requirement for network augmentation to address significant peaks or lows;
- **Method for setting service standard benchmarks** - the Draft Decision regarding service standard benchmarks (**SSBs**) requires the removal of the force majeure exclusion for those benchmarks. Although Western Power supports the idea that exclusions relating to SSBs ought to be better defined, Western Power considers that the existing force majeure exclusion should be retained as not all extreme events that are outside Western Powers control, and currently covered under force majeure, will be dealt with via the major event days exclusion or the proposed new exclusion included in the Draft Decision. Examples of such events are provided in Section 2.2 of this response. Western Power is of the view that the removal of the force majeure exclusion would not be in the long-term interests of consumers as it may result in additional investment to address infrequent extreme events; and
- **Form of price control** - the draft decision regarding the form of price control demonstrates the ERA has not supported Western Power's proposed amendment to the form of price control to include a revenue uncertainty adjustment mechanism for those instances where there has been material under- or over-recovery of revenue. Instead, the ERA considers the trigger event provisions in the access arrangement can address significant and unexpected demand volatility in period. Western Power maintains its position that an adjustment mechanism presents a more efficient option than in-period review of the access arrangement.

Each of the above matters are discussed in further detail below.

2.1 Reference services – time of use periods

The Draft Decision requires the time of use periods "must be modified to reflect forecast demand patterns for AA5"[7] and states that" [t]he required time periods are:

- Super off-peak – 9am to 3pm – every day
- Peak – 3pm to 9pm – Monday to Friday
- Shoulder – 6am to 9am and 9pm to 11pm – Monday to Friday
- Off–peak – all other times."[8]

Western Power supports the proposed time of use time periods, however, does not support the application of the proposed weekday variant for time of use periods. Western Power has noted in stakeholder responses to the Draft Decision that users would prefer peak and shoulder periods to apply consistently across all seven days.

[7] Draft Decision, p.25
[8] Ibid.

As noted in Western Power's response to the issues paper[9], the objective of setting appropriate time of use periods should be to deliver more consistent usage of the network in order to avoid significant peaks and lows and, ultimately, to reduce the requirement for network augmentation to address those peaks or lows. Western Power is currently observing system peaks in the late afternoon and early evening period, with lows occurring in the middle of the day, aligned with the increased prevalence of solar photovoltaic systems. In order to deliver the intended price signals to users of a multi-part time of use service, Western Power agrees with users that the proposed time of use periods should be consistently applied across all seven days of every week.

In addition, Western Power notes, and supports, Synergy's response to the proposed time of use periods, which response is set out in the Draft Decision as follows:

> "Synergy in its previous submission had requested the time periods and corresponding pricing structure applies to all 7 days in a week. However, Synergy notes the ERA has proposed that the peak and shoulder time periods should only apply from Monday to Friday.
>
> Synergy requests the ERA reconsider this decision, giving regard to ENAC clause 7.3I, and require that the peak and shoulder time periods to operate every day. Clause 7.3I requires:
>
> > 'The structure of each reference tariff must be reasonably capable of being understood by customers that are currently on that reference tariff, including enabling a customer to predict the likely annual changes in reference tariffs during the access arrangement period…'
>
> Synergy considers having the peak and shoulder time periods operating every day better achieves the requirements of clause 7.3I because it provides customers a simpler time period structure to understand the operation of the tariff and manage changes in their energy use behaviour. Particularly if the customer is seeking to invest in DER solutions."[10]

Western Power agrees that a consistent seven day pricing structure will provide a more simple tariff structure for customers to understand and manage their energy use.

In addition to the above, Western Power notes the ERA's comments that "[t]he tariff structure statement will also need to address how existing time of use periods will be transitioned to the revised time of use periods."[11] Western Power's intention, consistent with similar situations in prior access arrangements, is to continue to provide users with existing time of use reference services if the services were provided at the relevant connection points as at the AA5 effective date and those services have continued to be provided from the AA5 effective date. However, as at the AA5 effective date, the current time of use services will be closed for new nominations and existing connection points under those services will transition to the new time of use service over time as users transition connection points to alternative services.

2.2 Method for service standard benchmarks – force majeure exclusion

The Draft Decision requires "[t]he force majeure exclusion must be deleted."[12] The ERA is of the view that the current exclusion of force majeure is not required as it is adequately dealt with under the major event day (**MED**) exclusion or via a proposed new clause aimed at excluding "load interruptions caused or extended by a total fire ban or direction from a local or state government body or state or

[9] A copy of Western Power's response can be accessed online at https://www.erawa.com.au/cproot/21900/2/Western-Power1.pdf
[10] Draft Decision, p.10
[11] Ibid, p. 20
[12] Ibid, p.35

federal emergency services, provided that a fault in, or the operation of the network did not cause, in whole or part, the event giving rise to the direction"[13] (**New Clause**).

Through discussions with the ERA following release of the Draft Decision, Western Power sought clarification that deleting the force majeure exclusion applies to the system average interruption duration index (**SAIDI**) and System average interruption frequency index (**SAIFI**) service standard benchmark measures only.

Western Power considers that it will be in the long-term interests of consumers for the force majeure exclusion to be retained as the full impact of a force majeure event is not adequately dealt with via the MED exclusion or the New Clause.

Under Section 11.1 of the Electricity Networks Access Code[14], Western Power is required to comply with the SSBs. Therefore, Western Power considers that if the force majeure exclusion is deleted for SAIDI and SAIFI service standard benchmarks, doing so could lead to outcomes that are not in the long-term interests of customers, including:

- incentivising Western Power to increase its level of investment to reduce the impacts of extreme events with additional costs being passed through to users and end-customers, which Western Power does not believe would be valued by either; and
- setting AA5 targets at a lower standard due to inclusion of force majeure events, which may in turn lead to undesirable rewards and penalties, for example, rewards for performance in AA5 if the magnitude of force majeure events is less than that seen in AA4.

When considering an event as force majeure, Western Power takes into account the MED exclusions and any other exclusions, including the proposed New Clause in future, and only those impacts that have not already been excluded will be considered under the relevant force majeure exclusions.

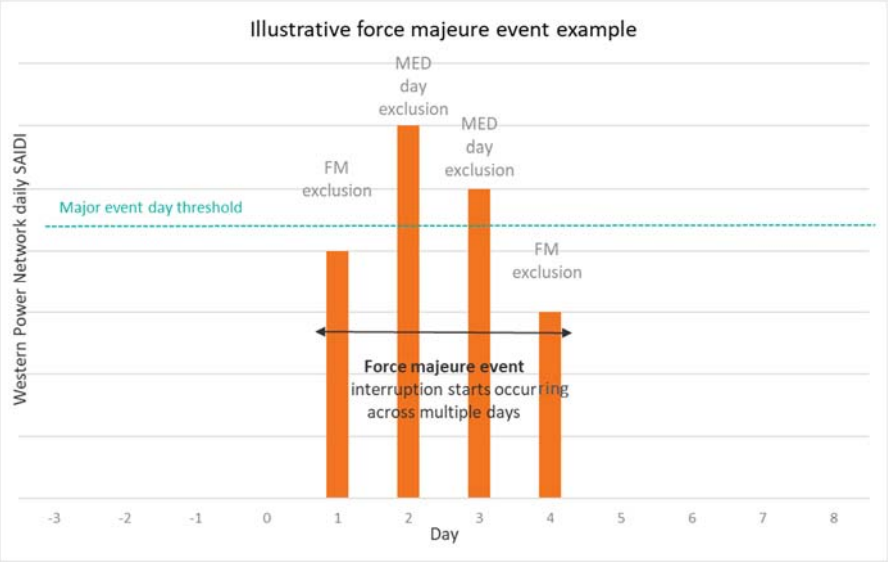
Examples of where the total impact of a force majeure event is not excluded under the major event day exclusion or other exclusions include:

- if a force majeure event occurs across multiple days, for example, an extreme storm with multiple fronts, the major event day exclusion may not exclude all the days related to the force majeure event as the major event day is calculated when the threshold is surpassed for daily system SAIDI performance. Daily system SAIDI performance for MED is calculated based on interruptions that began on that day, for the 24-hour period from midnight to midnight. However, for the same event, the MED calculation does not include interruptions that begin on another day. Two specific examples of how this may occur are:
  - force majeure event starts at 11pm on Day 1 and finishes at 2am on Day 4 with interruptions beginning throughout that time period. Day 2 and Day 3 may meet the major event day threshold, but Day 1 and Day 4 may not. This is illustrated in the chart below:

[13] Ibid.

[14] Electricity Networks Access Code 2004 (unofficial consolidated version) 18 September 2020: Section 11.1 – Service provider must comply with service standards: A service provider must provide reference services at a service standard at least equivalent to the service standard benchmarks set out in the access arrangement.

Figure 2.1: Illustrative force majeure event example



– six hour force majeure event that starts at 9pm one day and finishes at 3am the next day – if all interruptions were in a single 'day' (daily system SAIDI) this could have surpassed the major event day threshold, however if the interruptions are split across the two days it may no longer meet the major event day threshold on the two individual days. As such, without the force majeure exclusion this force majeure event would not have been excluded. In this instance, the felt experience to customers is the same but with two different reporting outcomes.

- If a force majeure event is not adequately dealt with under the major event day exclusion and there are no total fire ban days (TFB) or directions received from local authorities, the proposed new clause will also not adequately deal with the force majeure event. These force majeure events could include (but not limited to) extreme cyclone or extreme storm events

Force majeure exclusions can only be used for events that meet the force majeure definition[15]. Reporting on force majeure events and exclusions from SAIDI and SAIFI performance is transparent and available to customers in Western Power's annual Service Standard Performance Report to the ERA. As such, customers can understand SAIDI and SAIFI performance both with and without the exclusions through the Service Standard Performance Report[16]. The ERA acknowledges Western Power's reporting on force majeure events through the publication of the Service Standard Performance Report. The force majeure events are approved by the ERA through the access arrangement determination process.

Western Power therefore proposes that the force majeure exclusion for SAIDI and SAIFI service standard benchmarks should be retained.

15 "Force Majeure", in respect of a Party, means an event or circumstance beyond the Party's control, and which the Party, acting as a Reasonable and Prudent Person, is not able to prevent or overcome. Western Power Electricity Transfer Access Contract p. 11

16 See Section 7.1.5 of the 2019/20 report: https://www.erawa.com.au/cproot/21552/2/2019-20-Service-Standard-Performance-Report.PDF

2.3 Form of price control

Western Power acknowledges the ERA's Draft Decision in relation to the form of price control that will apply under AA5.

In Western Power's response[17] to the ERA's issues paper, Western Power proposed a revenue uncertainty adjustment mechanism to share demand risk between Western Power and customers in those instances where there has been material under- or over-recovery of revenue due to a significant increase or decrease in demand. Western Power is of the view that the revenue certainty that this would provide is in the long-term interests of consumers and that some sharing of demand risk beyond an appropriate threshold would be optimal.

Western Power notes that final report of Economic Insights Pty Ltd titled "Notes on ERA Issues Paper: Framework and approach for Western Power's fifth access arrangement review" (**Consultant Report**) reached a similar conclusion, namely:

> "If the price cap form of regulation is continued there may be merit in considering whether a threshold (deadband) should be specified such that within the threshold Western Power bears all of the demand risk but beyond the threshold consumers bear all of the demand risk. We understand that the economic literature tends to conclude that some sharing of demand risk is optimal."[18]

Western Power acknowledges the ERA's view that volatility can be addressed through the provisions in the access arrangement for trigger events. Western Power notes that, in accordance with section 8.1.1(c) of the current approved access arrangement, "a trigger event is any significant unforeseen event which has a materially adverse impact on Western Power and which is [amongst other things]so substantial that the advantages of making a variation to this access arrangement before the end of this access arrangement period outweigh the disadvantages, having regard to the impact of the variation on regulatory certainty."[19]

Western Power considers that the issue of regulatory certainty is better addressed through an approved adjustment mechanism rather than an ad hoc in-period variation to the access arrangement. The adjustment mechanism will clearly prescribe the circumstances and thresholds for such an adjustment to occur, thereby creating greater in-period certainty for users, stakeholders and Western Power.

Western Power also considers that an adjustment mechanism presents a more cost-efficient option to address demand volatility when compared to the costs that may be incurred by Western Power and the ERA when making a variation to the access arrangement mid-period, the costs of which are recovered from customers via network tariffs. Western Power therefore proposes that a revenue uncertainty adjustment mechanism will be in the long-term interests of customers.

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17 A copy of Western Power's response can be accessed online at https://www.erawa.com.au/cproot/21900/2/Western-Power1.pdf

18 Economic Insights Pty Ltd "Notes on ERA Issues Paper: Framework and approach for Western Power's fifth access arrangement review" p. 13 available here https://www.erawa.com.au/cproot/21997/2/Economic-Insight-Report.PDF

19 Amended proposed Access Arrangement for the Western Power Network, 28 February 2019, p. 50 available here https://www.erawa.com.au/cproot/21282/2/AA4-Access-Arrangement---Amended-for-Pricing-Corrections-clean-PDF---June-2020.PDF

3. Matters requiring further clarification

In addition to the various exceptions to Western Power's support of the ERA's proposed amendments included in the Draft Decision noted in section 2 above, Western Power notes the following amendments which we consider require further clarification by the ERA in the final decision:

- **Classification of services** - the Draft Decision states that services provided by batteries are excluded services. Until an excluded services determination is undertaken by the ERA under section 6.33 of the Access Code, Western Power considers that the final decision must clearly state that storage-related services are covered services;
- **Reference services** - the Draft Decision requires Western Power to update the eligibility criteria for a combined remote load control/load limitation service to address three phase connections and clarify the requirements to obtain the service. Western Power considers the existing remote load control and load limitation services do not exclude three-phase connections;
- **Service standard benchmarks** - the Draft Decision states that the method for calculating the SSBs should continue to be based on the 97.5th (or 2.5th) percentile of actual performance over the previous period. Western Power understands that the 97.5th percentile only applies to those measures that are subject to a statistical approach for setting the SSB and which are subject to the SSAM (i.e. have a SST applied to it). Other benchmarks not subject to a statistical approach will continue to be set on the relevant methodology for that benchmark. This methodology is the same as that which applied in the fourth access arrangement. Western Power considers the final decision should specify the methodology that will apply for each SSB. In addition, in accordance with the Draft Decision, Western Power will justify any appropriate step changes to the SSBs in the AA5 submission;
- **Service standard adjustment mechanism** - the Draft Decision states that rewards and penalties for transmission service standards must be based on the revenue attributable to customers who are connected to the transmission network and who receive reference services, and that further consideration be given to whether the AER Value of Customer Reliability data can be used instead. Western Power will seek to propose incentive rates for transmission reference service customers in the AA5 submission that drive the right incentive for Western Power to invest where it is valued by customers.

3.1 Classification of services – excluded services (batteries)

Western Power acknowledges the ERA's draft decision in relation to the classification of covered services and services that are not covered. Western Power notes that the Draft Decision requires that, subject to a determination under section 6.33 of the Access Code, services provided by batteries are excluded services.[20]

Western Power understands that, in accordance with section 6.33 of the Access Code, the ERA intends to run an excluded services determination and Western Power welcomes the opportunity to participate in that process. However, until such determination is undertaken, Western Power considers that the framework and approach final decision must clearly state that storage-related services are covered services as doing so is supported by the changes to the definition of "new facility" in the Access Code.

Further to this, Western Power considers that the network support service should be a reference service and that the storage service for network customers should be a non-reference service.

[20] Draft Decision p.15

Western Power considers the implementation and scalability of storage services is key to ensuring the service will meet users' requirements now and into the future. Western Power will work with the ERA and stakeholders to ensure the proposed storage service for AA5 is clear and implementable.

3.2 Reference services - Combined remote load control/load limitation service

For a combined remote load control/load limitation service, the Draft Decision requires Western Power to "[u]pdate the eligibility criteria to address three phase [*sic*] connections and clarify the requirements to obtain the service.[21]" The existing remote load control and load limitation services do not exclude three-phase connections. Western Power considers that the eligibility criteria for obtaining the service is clear, however, given the inherent complexity of the service, Western Power is committed to working with users to identify opportunities to improve clarity and common understanding.

3.3 Service standard benchmarks – method for setting service standards

The Draft Decision states that "[t]he method for calculating the benchmarks should continue to be based on the 97.5th (or 2.5th) percentile of actual performance over the previous period."[22]

Western Power understands the 97.5th percentile only applies to those measures that are subject to a statistical approach for setting the SSB and which are subject to the SSAM (i.e. have an SST applied to it). Other benchmarks not subject to a statistical approach will continue to be set on the relevant methodology for that benchmark. This methodology is the same as that which applied under AA4.

Based on this methodology, the following benchmarks will be based on 97.5th (or 2.5th) percentile of actual performance over the previous period:

- SAIDI;
- SAIFI;
- Call Centre Performance;
- Loss of Supply Event Frequency; and
- Average Outage Duration.

In addition to the above, Western Power notes that the Draft Decision provides that Western Power "must include in its access arrangement proposal details of any planned disruptions, new investment or changes to maintenance activities that would affect service standard performance, so that the service standard benchmarks can be adjusted if appropriate."[23]

In accordance with the Draft Decision, Western Power will justify any appropriate step changes to SSBs in the AA5 submission for example, step changes to call centre performance may be proposed to reflect customers' evolving preferences for engaging with Western Power via alternative means of communication such as SMS or email..

3.4 Service standard adjustment mechanism – method for setting service standards

The Draft Decision states that "rewards and penalties for transmission service standards must be based on the revenue attributable to customers connected to the transmission network and receiving

21 Ibid, p.25
22 Ibid, p.35
23 Ibid.

reference services"[24] and that "[f]urther consideration is being given to whether the AER Value of Customer Reliability data can be used instead."[25]

Western Power acknowledges that rewards and penalties for transmission service standards must be based on the revenue attributable to customers connected to the transmission network and receiving reference services.

Western Power will consider whether it may be appropriate to use AER value of customer reliability data to calculate rewards and penalties for transmission service standards. Western Power will seek to propose incentive rates for transmission reference service customers in the AA5 submission, which rates will incentivise Western Power to invest where doing so will be valued by customers.

[24] Ibid, p.52.
[25] Ibid.

Appendix A: ERA Draft Decision Extract

As required under section 4.A2 of the Access Code the ERA has made a draft decision on the following matters:

- Classification of services
- Reference services
- Method for setting service standard benchmarks
- Form of price control
- Investment adjustment mechanism
- Gain sharing mechanism
- Service standards adjustment mechanism
- Demand management innovation allowance mechanism.

The ERA's draft decision on each of the above matters is provided in this Appendix.

A.1 Draft Decision - Classification of services

Western Power's services must be classified as follows:

- Covered services:
  - Covered services that are included in the price control target revenue:
    - Reference and non-reference connection, exit, entry, bi-directional, reference metering and streetlight maintenance services.
  - Covered services that are not included in the price control target revenue and have fixed fees or are priced on application:
    - Reference and non-reference ancillary services (supply abolishment, capacity allocation swaps, direct load control/limitation, de-energisation/re-energisation, streetlight LED replacements). Prices will be approved in the annual price list.
    - Services under the model service level agreement. Prices will be approved in the model service level agreement.
    - Access applications under the applications and queuing policy. Prices will be approved in the applications and queuing policy.
    - Temporary supply and disconnections, high load escorts and permits, works in vicinity, line relocations. Prices must be consistent with the contributions policy, if relevant, or negotiated in good faith, consistent with the Code objective and reasonable.
- Services that are not covered:
  - Any services that are not covered services and utilise covered assets. Western Power will be required to provide details of any such services, including why the service does not fall within the definition of covered service.
  - Any services that are not covered services and do not utilise covered assets.
- Excluded services:
  - Services provided by batteries (subject to determination under section 6.33 of the Access Code).

A.2 Draft Decision – Reference Services

Western Power must retain the current reference services with the following amendments:

- Modify the following existing services:
  - Entry reference services and capacity allocation swap services must be amended to reflect the introduction of constrained access.
  - The time of use periods must be modified to reflect forecast demand patterns for AA5. The required time periods are:
    - Super off-peak – 9am to 3pm – every day
    - Peak – 3pm to 9pm – Monday to Friday
    - Shoulder – 6am to 9am and 9pm to 11pm – Monday to Friday
    - Off–peak – all other times
  - Amend the business energy-based reference services to allow high voltage end-use customers to access them.
  - Amend the meter reference service description to clarify that a user may agree a date for a scheduled meter reading. Combine the capacity swap reference services into a single service to simplify administrative arrangements and allow the application and use of the service to be addressed under a single electricity transfer application.
  - Combine the remote direct load control and load limitation services and expand to include control of an inverter via the meter. Update the eligibility criteria to address three phase connections and clarify the requirements to obtain the service.
  - Clarify the eligibility criteria for the remote de-energise and re-energise services to explain what the controller/end-use customer is required to do to commence the flow of electricity and arrangements if a controller/end-use customer is not available to commence the flow of electricity.
  - Include manual de-energisation and re-energisation as reference services under the access arrangement, consistent with remote de-energisation and re-energisation services. Remove eligibility criteria that is covered in the standard electricity contract and applications and queuing policy.
- New reference services for:
  - Transmission connected storage systems
  - Distribution connected storage systems
  - Electric vehicle charging points

A.3 Draft decision – Method for setting service standard benchmarks

The method for calculating the benchmarks should continue to be based on the 97.5th (or 2.5th) percentile of actual performance over the previous period.

Western Power must include in its access arrangement proposal details of any planned disruptions, new investment or changes to maintenance activities that would affect service standard performance, so that the service standard benchmarks can be adjusted if appropriate. For example, any forecast improvements in SAIDI and SAIFI due to the installation of stand-alone power systems.

The following changes must be made to specific measures:

- Circuit availability must be removed.
- Western Power must commence preparation for a new service standard based on the market impact component of the AER's service standard performance incentive scheme.
- Transmission unplanned outages affecting distribution connected customers must be included in SAIDI and SAIFI. The transmission service standards must be reviewed to ensure they only include outages affecting transmission connected customers.
- The force majeure exclusion must be deleted.
- A new clause must be added to the relevant measures to exclude load interruptions caused or extended by a total fire ban or direction from a local or state government body or state or federal emergency services, provided that a fault in, or the operation of the network did not cause, in whole or part, the event giving rise to the direction.

A.4 Draft decision – Form of price control

The current form of price control will be retained with the following amendments:

- A single price control will be set.
- The side constraint will be removed.

A.5 Draft decision – Investment adjustment mechanism

The following categories must be removed from the investment adjustment mechanism set out in clause 7.3.7 of the current access arrangement:

- Connection of new generation capacity.
- Connection of new load.
- Augmentations to provide additional capacity.

A.6 Draft decision – Gain sharing mechanism

The current gain sharing mechanism with the following amendments will apply for the fifth access arrangement:

- References to service standard performance must be removed by deleting section 7.4.4 to 7.4.6 of the access arrangement.
- All references to "above-benchmark surplus" in the access arrangement must be replaced with "above-benchmark surplus or below-benchmark deficit" and the formula in section 7.4.3 must be amended so that the adjustment can be less than zero.
- Network growth and customer growth escalators will be considered when reviewing Western Power's forecast operating costs at the access arrangement review. Any network growth and customer growth escalators approved in the ERA's determination of forecast operating costs will need to be reflected in the gain sharing mechanism.
- The exclusion of uncontrollable costs must be deleted.

A.7 Draft decision – Service standards adjustment mechanism

The current service standard adjustment mechanism with the following amendments will apply for the fifth access arrangement period.

- The service standards targets must be set at the average annual level of performance achieved in the fourth access arrangement period, adjusted for anticipated changes in service reliability and where individual penalty caps applied during the fourth access arrangement period. Western Power must include details of any planned disruptions, new investment or changes to maintenance activities that would affect service standard performance, in its access arrangement proposal so that the service standard targets can be adjusted if appropriate. For example, any forecast improvements in SAIDI and SAIFI due to the installation of stand-alone power systems.
- The relevant changes to the methodology for calculating service standard benchmarks must be included in the service standard adjustment mechanism.
- Rewards and penalties for SAIDI and SAIFI must be based on the latest Value of Customer Reliability report prepared by the AER.
- Rewards and penalties for transmission service standards must be based on the revenue attributable to customers connected to the transmission network and receiving reference services. Further consideration is being given to whether the AER Value of Customer Reliability data can be used instead.
- The individual caps on penalties must be removed.
- The overall caps for rewards and penalties are 1 per cent of target revenue.

A.8 Draft decision – Demand management innovation allowance

Target revenue for the fifth access arrangement will include an annual allowance based on 0.08 per cent of approved target revenue (excluding the allowance) for each pricing year.

The allowance can be used during the fifth access arrangement period for projects that meet the eligibility requirements set out in the Access Code and guidelines published by the ERA.

Western Power will be required to provide annual reports to the ERA in accordance with the guidelines published by the ERA. Expenditure claimed against the allowance will be reviewed at the next access arrangement.

Any allowance that is not used will be returned to customers through an adjustment to target revenue at the next access arrangement period.

Appendix B: Reference services

Western Power's understanding of the list of services for AA5 is set out in the tables below, with changes to the current access arrangement tracked for ease of reference.

Western Power will specify 19 reference services at exit points.

Table A.1: Reference services at exit points

Reference service	Notes
Anytime Energy (Residential) Exit Service	
Anytime Energy (Business) Exit Service	
Time of Use Energy (Residential) Exit Service	Transitional
Time of Use Energy (Business) Exit Service	Transitional
High Voltage Metered Demand Exit Service	
Low Voltage Metered Demand Exit Service	
High Voltage Contract Maximum Demand Exit Service	
Low Voltage Contract Maximum Demand Exit Service	
Streetlighting Exit Service (including streetlight maintenance)	
Unmetered Supplies Exit Service	
Transmission Exit Service	
3 Part Time of Use Energy (Residential) Exit Service	Transitional
3 Part Time of Use Energy (Business) Exit Service	Transitional
3 Part Time of Use Demand (Residential) Exit Service	
3 Part Time of Use Demand (Business) Exit Service	
Multi Part Time of Use Energy (Residential) Exit Service	Transitional
Multi Part Time of Use Energy (Business) Exit Service	Transitional
Multi Part Time of Use Energy (Residential) Exit Service	New
Multi Part Time of Use Energy (Business) Exit Service	New

Western Power will specify 3 reference services at entry points.

Table A.2: Reference services at entry points

Reference service	Notes
Distribution Entry Service	
Transmission Entry Service	
Entry Service Facilitating a Distributed Generation or Other Non-Network Solution	

Western Power will specify 20 bi-directional services as reference services at connection points.

Table A.3: Reference services at bi-directional points

Reference service	Notes
Anytime Energy (Residential) Bi-directional Service	
Anytime Energy (Business) Bi-directional Service	
Time of Use Energy (Residential) Bi-directional Service	Transitional
Time of Use Energy (Business) Bi-directional Service	Transitional
High Voltage Metered Demand Bi-directional Service	
Low Voltage Metered Demand Bi-directional Service	
High Voltage Contract Maximum Demand Bi-directional Service	
Low Voltage Contract Maximum Demand Bi-directional Service	
3 Part Time of Use Energy (Residential) Bi-directional Service	Transitional
3 Part Time of Use Energy (Business) Bi-directional Service	Transitional
3 Part Time of Use Demand (Residential) Bi-directional Service	
3 Part Time of Use Demand (Business) Bi-directional Service	
Multi Part Time of Use Energy (Residential) Bi-directional Service	Transitional
Multi Part Time of Use Energy (Business) Bi-directional Service	Transitional
Bi-directional Service Facilitating a Distributed Generation or Other Non-Network Solution	
Multi Part Time of Use Energy (Residential) Bi-directional Service	New
Multi Part Time of Use Energy (Business) Bi-directional Service	New
Distribution Storage Service[26]	New
Transmission Storage Service[27]	New
Electric Vehicle Charging Service	New

Western Power will specify 9 services at a connection point as a reference service (ancillary).

Table A.4: Reference services at connection points (ancillary)

Reference service	Notes
Supply Abolishment Service	
~~Capacity Allocation Swap (Nominator) (Business) Service~~	To be consolidated
~~Capacity Allocation Swap (Nominee) (Business) Service~~	To be consolidated

[26] As Western Power develops the parameters that will apply to this service, consideration will be given to whether multiple variants are required.

[27] As Western Power develops the parameters that will apply to this service, consideration will be given to whether multiple variants are required.

Reference service	Notes
~~Capacity Allocation Same Connection Point (Nominator) (Business) Service~~	To be consolidated
~~Capacity Allocation Same Connection Point (Nominee) (Business) Service~~	To be consolidated
Capacity Allocation Service	New
~~Remote Direct Load Control Service~~	To be consolidated
~~Remote Load Limitation Service~~	To be consolidated
Remote Load/Inverter Control Service	New
Remote De-energise Service	
Remote Re-energise Service	
Site visit to support remote re-energise service[28]	New
Manual De-energise	New
Manual Re-energise	New
Streetlight LED Replacement Service	

Western Power will specify 18 standard metering services as reference services (metering).

Table A.5: Standard metering services

Reference service	Notes
Unidirectional, accumulation, bi-monthly, manual	
Unidirectional, accumulation (TOU), bi-monthly, manual	
Unidirectional, interval, bi-monthly, manual	
Unidirectional, interval, monthly, manual	
Unidirectional, interval, bi-monthly, remote	
Unidirectional, interval, monthly, remote	
Unidirectional, interval, weekly, remote	New
Unidirectional, interval, daily, remote	
Bidirectional, accumulation, bi-monthly, manual	
Bidirectional, accumulation (TOU), bi-monthly, manual	
Bidirectional, interval, bi-monthly, manual	
Bidirectional, interval, monthly, manual	
Bidirectional interval, bi-monthly, remote	
Bidirectional, interval, monthly, remote	
Bidirectional, interval, weekly, remote	New

[28] This service is proposed to complement the remote re-energise service, for circumstances where the controller/end-use customer requires on-site support to commence the flow of electricity behind a connection point.

Reference service	Notes
Bidirectional, interval, daily, remote	
Unmetered supply, accumulation, bi-monthly, manual	
One off manual interval read	

Appendix C: Service Standard Benchmarks

Western Power's understanding of the SSBs that will apply from 1 July 2023 is set out in the tables below, with changes to the current access arrangement tracked for ease of reference.

Table A.6: Service standard benchmarks for distribution reference services

Service standard benchmark	Notes
System Average Interruption Duration Index (SAIDI)	
System Average Interruption Frequency Index (SAIFI)	
Call centre performance	

Table A.7: Service standard benchmarks for transmission reference services

Service standard benchmark	Notes
~~Circuit availability~~	
Loss of supply event frequency	
Average outage duration	

Table A.8: Service standard benchmarks for street lighting reference services

Service standard benchmark	Notes
Street lighting repair time	

Table A.9: Service standard benchmarks for supply abolishment reference services

Service standard benchmark	Notes
Supply abolishment response time	

Table A.10: Service standard benchmarks for remote de-energise and remote re-energise reference services

Service standard benchmark	Notes
Remote de-energise response time	
Remote re-energise response time	
Site visit to support remote re-energise response time[29]	

[29] This service standard is proposed as a consequence of the proposed new "site visit to support remote re-energise service" which is proposed to complement the remote re-energise service for circumstances where the controller/end-use customer requires on-site support to commence the flow of electricity behind a connection point.

Table A.11: Service standard benchmarks for manual de-energise and remote re-energise reference services

Manual de-energise response time	
Manual re-energise response time	