



Economic Regulation Authority

Determination on the proposed 2025/26 price list for the Western Power network

16 May 2025

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We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

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1. Determination

On 8 April 2025, Western Power submitted a proposed 2025/26 price list for its electricity network services for approval under chapter 8 of the *Electricity Networks Access Code 2004*.

Western Power's proposed price list has been submitted in accordance with the amended access arrangement that applies to Western Power's electricity network for the fifth access arrangement period (2022/23 to 2026/27).

Based on the target revenue approved in the ERA's final decision on Western Power's access arrangement published on 31 March 2023, prices were projected to increase between 7 to 8 per cent over the access arrangement period. Western Power's proposed price list results in an average increase in prices of 7.18 per cent.

Apart from generators and some very large customers, the network charges are not directly charged to end users. The network charges are paid by retailers. The retailers decide how those charges will be passed on to end users along with wholesale electricity and other related costs.

Most households and small businesses are supplied by Synergy. The State Government sets Synergy's retail tariffs as part of the State Budget.

The ERA has assessed Western Power's proposed 2025/26 price list and considers that it complies with the requirements of Western Power's approved access arrangement (including the tariff structure statement) and the Access Code.

Details of the ERA's assessment are set out in the following sections.

Consistent with the requirements of section 8.11, the approved amended price list will take effect from 1 July 2025.

2. Assessment

2.1 Compliance with the Access Code

Chapter 8 of the Access Code sets out the process and requirements for the ERA to approve and publish the price list. The ERA must approve the price list if it is satisfied that:

- The price list complies with Chapter 7 and Chapter 8 of the Access Code and the service provider's access arrangement including the tariff structure statement.
- All forecasts associated with the price list are reasonable.

Chapter 8 of the Access Code details the required contents of the price list. The ERA has assessed the annual price list submitted by Western Power on 8 April 2025 to ensure it includes the following content requirements set out in section 8.12:

- The proposed reference tariffs, including the charging parameters and the elements of service to which each charging parameter relates, for each reference service included in the approved access arrangement.
- The nature of any variation or adjustment to the reference tariff that could occur during the course of the pricing year and the basis on which it could occur.
- Demonstration of compliance with the Access Code and the approved access arrangement and tariff structure statement.
- Demonstration how each proposed reference tariff is consistent with the forecast price change for that reference tariff as set out in the relevant reference tariff change forecast, or explanation of any material differences between them.
- A description of the nature and extent of change from the previous pricing year and demonstration that the changes comply with the Access Code and the approved access arrangement.

The ERA is satisfied that the proposed price list includes the required content.

The pricing requirements in Chapter 7 of the Access Code are incorporated in the tariff structure statement included in the approved access arrangement. Compliance with the access arrangement and tariff structure statement is considered in the following sections.

2.2 Compliance with the access arrangement

The access arrangement contains the price control that determines the target revenue Western Power can earn for the pricing year.

Western Power has set out its calculation of maximum target revenue in section 1.4 of the proposed price list. The ERA has reviewed the calculation and parameters Western Power has used and is satisfied that it is consistent with the requirements of clause 5.7 of the access arrangement.

2.3 Compliance with the tariff structure statement

The tariff structure statement sets out the pricing methods that will be used during the access arrangement period including:

- The structure of each reference tariff.
- The charging parameters for each reference tariff.
- A description of the approach that will be taken in setting each reference tariff in each price list during the access arrangement period.

The ERA has compared the tariff structures and charging parameters included in the price list with the tariff structure statement and is satisfied that they are consistent.

Appendix A to the proposed price list includes information demonstrating Western Power has complied with the tariff structure requirements for setting each reference tariff. This includes:

- Demonstrating that the allocation of costs to each reference tariff is consistent with the method set out in the tariff structure statement (Tables A.5 to A.7)
- The results of the cost allocation for the 2025/26 year (Table A.2).
- Demonstrating that the forecast revenue for each reference tariff is in line with the cost allocation and that the sum of the forecast revenue for each tariff is equal to the total maximum target revenue (Table A.3).
- Demonstrating that the proposed reference tariffs are between the avoidable and stand-alone cost of service provision (Table A.1).
- Demonstrating that the incremental cost of service provision is recovered by tariff components that vary with usage or demand. (Table A.4).

The tariff structure statement approved as part of the ERA's decision fifth access arrangement describes how Western Power will set prices such that the revenue recovered from each tariff will move closer to the efficient cost target, avoids unacceptable bill impacts on end users and is between the standalone and avoidable cost of providing the service.

In addition, the tariff structure statement describes how Western Power will transition to more cost reflective tariffs if a significant price change is needed to recover the efficient costs. The tariff structure statement specifies that when an increase in the revenue allocation is required for a customer class to transition to its efficient allocation, to manage bill impacts, it will endeavour to limit the increase in revenue per end-user to two per cent on top of the baseline adjustment.

The ERA has reviewed the information provided by Western Power and considers that the proposed price list complies with the matters listed above.

Comparison with 2024/25 tariff forecast increases for 2025/26

As set out in Table 1.4 of the proposed price list, the proposed increase in tariffs is higher than forecast in 2024/25. This is due to the Tariff Equalisation Contribution being higher than forecast.

As discussed below, the 2024/25 forecast increases for the discontinued business time of use tariffs was already high compared to other tariffs. Consequently, the forecast increases for those tariffs has been broadly maintained at the level forecast in 2024/25 and the increase resulting from the higher than forecast TEC has been applied to the other tariffs.

Tariff increases for distribution connected customers have been set around the overall average increase of 7.18 per cent with variations of up to 2 per cent above that level for tariff rebalancing for the continuing and new tariffs. Tariff increases for transmission connected customers are lower as the Tariff Equalisation Contribution does not apply to them.

Discontinued time of use tariffs

As set out in the AA5 final decision, new time of use tariffs have been introduced that include a super off-peak rate for the low demand period when distributed solar generation is at its maximum between 9 am to 3 pm. The pre-existing time of use tariffs have been closed to new users as they are based on time periods that no longer reflect network usage patterns.

As was the case in 2024/25, the proposed increases to the old time of use tariffs are higher than the increases to the anytime energy and new time of use tariffs. Western Power has also applied differential increases to the individual elements of the old time of use tariffs to better align them with the new time of use tariffs.

As discussed above, Western Power's comparison of the proposed 2025/26 tariff increases with the 2024/25 forecast tariff increases (Table 1.4 of the proposed 2025/26 price list) shows that the proposed increases to the old business time of use tariffs are broadly in line with the 2024/25 forecast.

Although tariffs for the old time of use tariffs have increased more than other tariffs, the customer effects analysis of typical consumption profiles provided by Western Power in the proposed price list (Table A8 to A21) shows that the new time of use tariffs will be cheaper. This should encourage users on the old time of use tariffs to transition to the new time of use tariffs.¹ This will incentivise more efficient use of the network.

2.4 Reasonableness of forecasts

Western Power's price control is a modified revenue cap. When Western Power updates its tariffs each year, it must ensure that the forecast revenue from those tariffs is equal to the target revenue determined by the price control formula.

Unlike a standard revenue cap, the price control does not include an adjustment for any under-recovery or over-recovery of actual revenue compared with forecast revenue from previous years. In addition, forecast customer numbers and energy volumes must be consistent with the demand forecast approved in the access arrangement decision. This ensures Western Power is exposed to demand risk rather than guaranteeing it a fixed level of revenue and passing on the costs (or returning revenue) to users.

The forecast customer numbers and energy volumes that Western Power must use are set out in Table 47 of the approved access arrangement. Western Power's proposed price list is consistent with those forecasts.

¹ Unlike the National Electricity Market, Western Power is not able to allocate users to specific tariffs.

While staying within the overall customer and volume forecasts, Western Power must estimate the charging quantities for each reference tariff.

To inform its forecast for each tariff, Western Power has used hourly metering data extracted from 600,000 advanced meters. This has enabled it to estimate the average customer volumes and demand profiles for customers currently on each tariff.

Unlike the National Electricity Market, Western Power is not able to allocate users to specific tariffs. Consequently, Western Power needs to predict the tariffs users will select in its revenue forecast. Western Power has used the demand profile information from the metering data noted above to estimate the number of customers that are likely to switch to a different tariff during 2025/26.

The ERA has reviewed the data and forecasts and considers they are reasonable based on the most recent data available.