



## **SUBMISSION**

TO THE

**ECONOMIC REGULATION AUTHORITY**

IN RESPONSE TO THE

## **ACCESS ARRANGEMENT PROPOSED BY WESTERN POWER FOR THE SOUTH WEST INTERCONNECTED NETWORK**

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## **WA SEA INC SUBMISSION – ACCESS ARRANGEMENT PROPOSED BY WESTERN POWER FOR THE SOUTH WEST INTERCONNECTED NETWORK**

The Western Australian Sustainable Energy Association (**WASEA**) Inc. is pleased to provide this submission on Western Power's Proposed Access Arrangement (the **Access Arrangement**) for the South West Interconnected System (**SWIN**).

WASEA's particular interest in the Access Arrangement is to see that it:

- provides mechanisms which encourage the development of renewable energy projects, both large and small in the SWIN (consistent with the objectives of Part 9 of the *Electricity Industry Act 2004* (WA)); and
- encourages the efficient use of electricity in the SWIN.

Our submission focuses on the following key elements of the Access Arrangement:

- whether the proposed applications and queuing policy accommodates the interests of existing and prospective renewable energy users (including timing and capital contributions);
- the interim arrangements proposed by Western Power in sections 10.8 and 10.9 of the Access Arrangement in the event that the wholesale market measures do not commence as expected;
- Western Power's proposed capital expenditure relating to the SWIN and the accommodation made for renewable energy developments;
- the network planning approach adopted by Western Power, the assumptions in relation to load growth and the mechanisms used to minimise the high load, low capacity factor growth;
- whether the discounts offered for distributed generation encourage the siting of renewable energy generators at 'corners' of the network;
- whether references services to be offered by Western Power:
  - facilitate the connection of renewable energy developments to the SWIN (both large and small);
  - encourage sufficient pricing signals to loads to conserve energy and appropriately use distribution infrastructure; and
  - provide any disincentive for the addition of high load (peak), low capacity factor loads that are continuing to manifest as the major growth on the SWIN.

## Key Points of Submission

### 1.0 Whether the proposed applications and queuing policy accommodates interests of the service provider, users and prospective users (submission no. 69)

This aspect of the Access Arrangement is of particular interest to WASEA. We have long held the view that the existing application and queuing process for access to the SWIN has not been supportive of the renewable energy industry.

The Electricity Networks Access Code (**ENAC**) provides that the new application and queuing policy must, amongst other things, 'facilitate the operation of Part 9 of the Act'. One of the key elements of Part 9 is to provide non-discriminatory conditions for the facilitation of renewable energy in the SWIN. The new policy provides some benefits over the existing process, but many concerns we have with the current access arrangement, continue with the new Access Arrangement. Following, we outline some of those concerns.

Up to this point, there has been limited capacity on the SWIN for new renewable energy projects, particularly those which provide intermittent generation. This circumstance is applicable to the SWIN as a whole and also on particular parts of the SWIN.

The queuing policy, being based on a "first come first served basis" can have particularly deleterious effects on renewable energy proponents, the key issues being:

- limited network capacity for intermittent generation sources can prohibit new developments for proponents beyond the first place in the queue; or
- expose proponents not in the first place in the queue to disproportionate augmentation costs, thus making projects unviable.

We acknowledge that this is partly a network planning issue and provide more detail on this aspect in a later point.

Further concerns we have with the existing policy, which carry over to the new policy are as follows.

- Renewable energy projects, particularly small operations, currently need to firm up their proposal well in advance of an access application. Although the new application policy provides for information to be provided about the status of the queue, this is only available to applicants. The informal communications process can provide some relevant information about the

capacity, but the practical outcome for some proposed applicants is that by the time they firm up their proposal by satisfying many of the long lead time items and approvals, there is a significant risk that they may be left with an unfavourable position in the queue upon application.

- Related to this is the extensive amount of information that is to be provided and cost that may need to be incurred as part of the access application process. The new application policy provides for a significant number of matters that need to be addressed by an applicant prior to making an application for access. This leads to a more onerous outcome for small renewable energy proponents.
- The issue that has been of most concern to date has been the requirement for Western Power to undertake system studies for the purpose of assessing system capacity. In the past, these have been very costly. We note that a new test is proposed by Western Power relating to the costs that may be charged for this service. We consider that the Authority should be concerned to inquire about the real difference that this will make to the ultimate costs for this service that remains in-house and may not be substitutable by an external provider of such services. The costs for these and other services provided as part of the application process may be payable up front and impose a significant burden on renewable energy proponents seeking access. WA SEA requests that the network application fee be sensitive to the small scale nature of many renewable energy projects and the fact that they are often developed by non traditional energy sector companies including community based groups with limited capital. Innovative payments schemes or reduced rates for renewable energy projects will assist in the delivery of community and government renewable energy objectives. This will increase the diversity of the state's generation portfolio and encourage participation by a wider cross section of the community.
- The area of spare capacity allocation or partial spare capacity allocation is unclear and requires further consideration and explanation. Take into consideration gas access where you can have guaranteed capacity and then interruptible capacity. There doesn't seem to be a mechanism within the Access Arrangement that accommodates this. For example, a wind farm developer makes an access arrangement for 100MW and elects to proceed based on 50MW but makes provision to develop the full 100MW. Thereby leaving 50MW in the queue. Another developer higher in the queue may lapse their application freeing up the additional 50MW. It's not

clear how an incremental generation (or load albeit) is managed in the queuing policy under these types of scenarios.

- It appears the concept of interruptible capacity to maintain network design limits has not been developed. This mechanism would enable additional interruptible capacity to be installed which is intermittently curtailed by the network operator when capacity limits are exceeded.

## **2.0 Whether the proposed applications and queuing policy sets out a reasonable timeline for the completion of access contract negotiations (submission no. 70)**

We note that in relation to a class 3 applications, there is no time limit for Western Power to make an access offer. However, once an access offer is received, the parties must negotiate and agree any changes to the access offer (and appropriate conditions) within 30 business days of the access offer. Under the present access regime, Western Power has the ability to agree extensions to the period for acceptance of an access offer, whereas under the proposed application policy, this option is no longer available.

WASEA supports efforts to reduce the opportunities for applicants to 'sit' on applications (and thus access) and therefore reduce the capacity that is tied up in the queuing process. However, some thought should be given to whether the period provided to finalise an access arrangement (once an offer has been made) is realistic, as past practice suggests that more time will be required. This is particularly true for renewable energy projects which typically have long development lead times due to their prominent nature and the need for a drawn out consultative process. It may be intended that many of the matters that are typically dealt with post access offer (eg. technical matters including any necessary derogations from the technical rules, requirements of project financiers and the like), are to be dealt with prior to the access offer being made.

[We also note that apart from the limit of 6 months that is imposed for the satisfaction of any conditions of agreement, there does not appear to be any upper limit on the amount of time that ultimately may be agreed between Western Power and a proponent for the commencement of supply of access services. WASEA consider that it would be appropriate to reintroduce a renewable energy friendly workable upper limit on the period of time that may elapse between an application for access services to the actual provision of those services.]

**3.0 The possible interim arrangements proposed by Western Power in sections 10.8 and 10.9 of the Access Arrangement (submission no. 84)**

WASEA notes Western Power's comments in the Access Arrangement, that in the absence of the Market Rules not being in operation at the time the Access Arrangement is operational, that some 'interim arrangements' may be required. We are not certain what is meant by Western Power stating that the interim arrangements will reflect 'working practices immediately prior to the commencement of this Access Arrangement'. However WASEA strongly urges that the interim TUAS arrangements should continue to operate in the event that the Market Rules are not operative when the Access Arrangement commences operation.

**4.0 Any other matters interested parties wish to raise in relation to Western Power's capital expenditure proposals for both the transmission and distribution networks (including capital contributions related to the network planning approach of Western Power) (submission no's 9 and 15)**

WASEA is concerned to see that the SWIN is developed in a way which facilitates and encourages the connection of new renewable energy projects. At present, we understand that there is a very limited capacity for the SWIN to accommodate new renewable energy projects, particularly those with intermittent output, both on the system as a whole and in particular areas of the network. We understand that new entrants may be required to make significant capital contributions because of the SWIN's limitations in this regard.

We encourage the Authority to consider whether Western Power's forecast new capital expenditure and their test for new facilities investment, facilitate the objectives of Part 9 of the Electricity Industry Act 2004 and thus encourage the development of sustainable energy projects on the SWIN.

On the issue of capital contributions by loads, we note that Western Power identifies the significant investment that is required because of load growth surrounding the adoption of air-conditioning. This type of load growth has deleterious cost, efficiency and equity impacts on all aspects of electricity generation, transmission and distribution and the return from tariffs.

We encourage the Authority to consider whether measures are being undertaken which encourage the efficient and equitable use of the SWIN and, in particular, encourages behaviour which limits unnecessary load growth of

this type (or at least appropriately imposes costs for its provision). In particular, when reviewing the Access Arrangement, the Authority should consider whether capital contributions and use-of-system charges associated with loads which connect air-conditioning to the SWIN, appropriately recover the actual cost of their impact on the SWIN. We do not believe that this is presently the case.

Western Power states that it will be subject to increased costs for customers requesting interval metering. Time of use charging is an essential tool for facilitating the equitable and efficient use of the SWIN and as such, the Authority should encourage Western Power's own efforts to encourage the adoption of interval metering.

## **5.0 Discounts for distributed generation (submission no's 42-45)**

WASEA makes mention of the desirability of reducing access charges for distributed generation in proportion to their benefits to the SWIN and the wider community. This has the potential to send strong price signals for the development of renewable energy power stations in end of grid or weak grid situations.

The Authority should consider whether the discounts proposed by Western Power provide for this outcome.

## **6.0 Sufficiency of the reference services offered and other comments in relation to the proposed tariffs (submission no's 57 & 58)**

Western Power states that its pricing methods seek to recover the target revenue from users in a manner that is simple, practical and equitable. WASEA consider that the present subsidising of electricity usage insulates customers from appropriate pricing signals and this leads to usage which is inefficient and costly.

WASEA supports time of use tariffs as an important energy use transparency and efficiency measure. However, WASEA requests that the Authority critically analyse whether the rates at which the reference tariffs are set appropriately represent an efficient allocation of costs for network usage, particularly during peak periods.

WASEA is concerned that the difference between anytime use and time of use tariffs is not sufficient to encourage a shift to time of use tariffs. Further, we do not believe that the simple differentiation of peak and off peak charging

appropriately represent the costs associated with the provision of network services, particularly when considering the high peaks of summer. We consider that a more detailed differentiation of transmission and distribution pricing is appropriate and will provide more appropriate price signals to customers.

## **Conclusions**

In closing WASEA is keenly aware that less than 1% of electricity generated in WA comes from renewable sources and that energy efficiency measures are not widespread. However, Government and community are largely supportive of renewable energy projects and energy efficiency practices.

Our comments are firmly aimed at facilitating the growth and development of sustainable energy practices within the WA system. In particular we are anxious to ensure the system does not send signals that result in sustainable energy solutions being denied. For example: cross subsidies that act to deny sustainable energy solutions that may otherwise be viable in an end of feeder or weak grid situation; or practices/codes that make difficult access for renewable energy projects; and charges and penalties that focus on inherent aspects such as small scale nature and/or diurnal or seasonal variability, are all unwelcome.

It is with the growth of WA's sustainable energy industry in mind that the comments contained in this submission have been made.