



Knowledge Influence Support

CHAMBER OF COMMERCE AND INDUSTRY

WESTERN AUSTRALIA

Western Power's Proposed Revisions to the Access Arrangement for the Western Power Network
Economic Regulation Authority
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To Whom It May Concern

RE: Western Power's Proposed Revisions to the Access Arrangement for the Western Power Network

CCI thanks the Economic Regulation Authority (ERA) for the opportunity to comment on the Issues Paper on Western Power's proposed revisions to the access arrangement for the Western Power Network (hereon in the 3rd Access Arrangement or AA3).

CCI is the leading business association in Western Australia and the second largest organisation of its kind in Australia. CCI has a membership of more than 6,500 organisations in all sectors of the economy. About 80 per cent of members are small businesses, and members are located in all geographical regions of WA. Our members include most major participants in the WA electricity market including Western Power, as well as major generators, retailers and large and small users of electricity. A number of members will be making their own submissions.

The AA3 proposal is a complex document that sets out both Western Power's proposed investment programme as well as proposals for how its revenue requirement should be determined. It also outlines the regulatory framework around which its performance might be judged. These are difficult issues for business and we urge the ERA to thoroughly engage with interested parties moving forward. Recognising that the ERA's issues paper is the first step in a lengthy process, we look forward to seeing more detailed analysis from the ERA that can help business understand the implications of the various proposals.

In the most recent Commonwealth Bank – CCI Survey of Business Expectations a large proportion of businesses (22 per cent) rated energy infrastructure as an area in need of attention. For business it is particularly important that Western Power is able to invest in the electricity network in support of WA's growth while also promoting the *Electricity Networks Access Code 2004* objective. This balance is unlikely to be achieved through the ERA's process alone and requires strategic planning from the State Government to recognise a wider range of benefits from investment in electricity networks.

CCI forecasts economic growth in WA to rise towards 7 per cent in 2012-13, led by large business investment in the resources sector. While these figures reflect some activity outside the Western Power Network, many of the State's growth areas are closely linked to this network. This underlines the need for a forward looking approach to the AA3 investment programme.

In this context we are broadly supportive of a revenue requirement for Western Power that recognises this need for growth and enables appropriate, efficient and realistic investment in the network.

It is also vital that customers are provided with a reliable and secure service from the electricity network. Network operators need appropriate incentives and disincentives to deliver efficient services without lowering standards. The current gain sharing mechanism appears to remove all incentives to improve performance when one, even minor standard, is not met. CCI therefore welcomes efforts to improve the operation of the gain sharing mechanism. The ERA should examine Western Power's proposal alongside the approaches taken in other jurisdictions and consider which fits best with WA's circumstances.

At this point we would also welcome further analysis from ERA to:

- clarify the impact of different accounting treatments on potential private and public operators of electricity networks, and how these are applied in other jurisdictions;
- clarify the impact of Western Power's proposals for applications and queuing to connect to the network, on upstream and downstream competition; and
- clarify the costs and assumptions (discount rates etc.) of the current approach to deferred revenue from the AA2 and Western Power's proposed changes.

We would like to acknowledge the ERA and Western Power for the transparent approach taken in the AA3. We look forward to engaging further in the process as it moves forward and we welcome any opportunity to discuss our views in more detail. For more information or assistance, please contact Drew Pearman (CCI Senior Policy Adviser, Resources, Energy and Environment) on 9365 7720 or drew.pearman@cciwa.com.

Yours Sincerely

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