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Economic Regulation Authority
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Framework and Approach for Western Power's Sixth Access Arrangement Review – Issues Paper

Thank you for the opportunity to provide feedback to inform the framework and approach for Western Power's (WP) sixth access arrangement review. WP's transmission infrastructure is critical to ensure the ongoing security and reliability of electricity supply and enable the State's energy transition. The ERA's continued regulatory oversight of network services and investments is critical to facilitate certainty for industry, ensuring WP's monopoly position is balanced by regulatory obligations that deliver efficient, transparent and accountable outcomes for all West Australians.

Alinta Energy acknowledge the ERA for constructively engaging with the early feedback process and for accurately reflecting the input provided in the Issues Paper. The responsiveness demonstrated in shaping the issues set out in the consultation Paper supports a more transparent and collaborative regulatory approach. We broadly agree with the challenges highlighted, the high-level adaptations identified, as well as the need for WP's AA6 proposal to consider the longer term and provide full transparency of costs and assumptions, to ensure the access arrangement framework evolves in a manner that effectively addresses the emerging needs and complexities of the future energy landscape.

Alinta Energy provides the following recommendations for the ERA's consideration:

1. **Strengthen the Access Arrangement by introducing mechanisms that improve integration and alignment with evolving government policy and system-wide planning activities.**
2. **Improving the connection process to reduce connection times for generators, large businesses, industrial and mining customers should continue to be an area of focus, with clear performance targets imposed through the Access Arrangement.**
3. **Strengthen Service Standards and data management processes to improve billing accuracy, data quality and operational efficiency.**
4. **Make electricity supply to EV charges and street lighting contestable.**
5. **The weighted average cost of capital should be recalibrated to reflect Western Power's low-risk, regulated monopoly position, ensuring return allowances are proportionate and support affordability and reliability for customers.**
6. **A holistic review of all transmission related charges should be undertaken to ensure transparency, prevent over recovery and avoid cross subsidisation between users as transmission investment grows.**

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1. **Strengthen the Access Arrangement by introducing dynamic mechanisms that improve integration and alignment with evolving government policy and system-wide planning activities.**

The increasing number of policy and planning initiatives is creating uncertainty that is undermining the effectiveness of the Access Arrangement framework, which is recognised as the primary regulatory mechanism designed to ensure efficient, prudent and customer focused network services and development. A recent example is Energy Policy WA's proposal to introduce a Fixed Capital Charge (FCC) of $100,000 per megawatt for connections above 10 MW, replacing WP's existing "shared asset" contribution arrangements set out in the ERA approved Contributions Policy. The proposed commencement date for the FCC of 1 July 2026 is misaligned with the timing of WP's Access Arrangement review processes, raising concerns that a major component of the cost-recovery framework may be introduced outside the structured process overseen by the ERA. In addition, the release of the *South West Interconnected System Transmission Plan: Powering our State's Future* occurred without a formal consultation process, despite the Plan establishing long-range transmission development priorities that should ordinarily form part of the coordinated planning inputs underpinning Access Arrangement assessments and network tariff structures. These examples illustrate a growing divergence between wider policy initiatives and the structured regulatory framework intended to support the ERA's evaluation of efficient and prudent expenditure by WP.

In parallel, key planning instruments that historically supported the ERA's regulatory determinations have become uncertain or delayed. The Whole of System Plan (WOSP) which is central to long-term forecasting, scenario development and system-wide investment alignment has been delayed to late 2027, effectively removing a clear and wholistic system planning baseline at a time when major investment decisions are required to support the energy transition. Compounding this, WP did not deliver its 2025 Transmission System Plan, despite the requirement in the ESM Rules that it be developed as an annual publication to provide visibility into emerging network constraints, opportunities and potential investment solutions. These gaps impair the ability to assess future expenditure proposals against a coherent planning baseline and heighten the risk of inefficient or poorly sequenced investment that does not optimally serve the long-term interests of the Western Australian public.

In addition, government initiatives aiming to support economic diversification through changes to WP's procurement, investment and delivery obligations are also occurring outside the Access Arrangement framework. WP's role in supporting broader State Government objectives such as decarbonising the economy, developing local supply chains and enabling industrial growth must be carefully balanced to ensure these priorities complement, rather than complicate, the efficient delivery of the energy transition. As the scale and urgency of transmission augmentation increases, policies that affect WP's procurement or delivery model must be designed to avoid inadvertently increasing the cost or timeframes for critical works impacting the system security and reliability of the SWIS including new and upgraded connections.

Taken together, these recent developments highlight the critical need for tight and rigorous integration and alignment between government policy interventions, system-wide planning activities and the Access Arrangement framework. Maintaining a predictable, credible and efficient planning and connection environment, anchored in coordinated whole-of-system inputs, is essential for ensuring that WP's network services and development is well targeted, cost-effective and aligned with the long-term interests of electricity consumers. Strengthening the discipline around how planning information, policy changes and procurement directives interface with the Access Arrangement process will improve regulatory certainty, support efficient investment timing and sequencing, and ensure the SWIS evolves in a manner that delivers reliability, affordability and decarbonisation outcomes without imposing unnecessary risks or costs on industry, consumers or taxpayers.

The ERA has an integral role in ensuring that WP's investment, service delivery and cost recovery occur in a manner that is efficient, prudent and aligned with the long-term interests of electricity consumers. However, the growing disconnect between government policy developments, system-wide planning instruments, and the timing and structure of the Access Arrangement process has created inefficiencies and uncertainty. It is therefore recommended that the Access Arrangement is strengthened by introducing mechanisms that improve integration and alignment with evolving government policy and system wide planning activities. There are potentially several practical and structural reforms the ERA could consider in

evolving the access arrangement to strengthen alignment and integration with broader system planning including:

- Formalise the link between the access arrangement and system wide planning instruments to ensure WP cannot develop an AA proposal in isolation. This can be achieved by setting a system-wide planning baseline that WP would be required to use in the development of its access arrangement proposal limiting the potential for divergence from whole-of-system priorities.
- Clarify the treatment of Government driven policy that are not specific to the energy sector by establishing a clear principle in the access arrangement, for example that economic diversification costs should not be recovered through network charges, and requiring full separation of costs that provide direct network benefits and those costs incurred to satisfy broader non-network economic policies.
- Establish formal adjustment mechanisms to enable specified parts of the approved access arrangement to be revisited and adjusted when something material changes such as major policy shifts, new government directives or significant forecasting errors.

By evolving the Access Arrangement framework through improved governance, stronger integration with system-wide planning instruments, clearer treatment of policy influences, and more flexible regulatory mechanisms, a more stable, predictable and credible planning and investment environment for the SWIS can be established supporting efficient transmission development, reducing unintended cost impacts on connection applicants and electricity consumers, improving sequencing and prioritisation of network augmentations, and ensure government policy complements rather than complicates the energy transition.

2. Improving the connection process to reduce connection times for generators, large businesses, industrial and mining customers should continue to be an area of focus, with clear performance targets imposed through the Access Arrangement.

Improving the connection process to reduce connection timeframes for generators, large businesses, industrial users and mining customers should remain a core priority for WP and be clearly reflected in the AA6 framework. While the AA5 decision included special focus areas requiring actions to be progressed, further focus is required given the scale and urgency of new connections required to support decarbonisation, electrification and industrial transformation across the SWIS.

It is noted that WP implemented a revised connection process on 1 July 2024, which represents a valuable starting point, but should now be reviewed to assess whether it is genuinely improving timeliness, providing adequate visibility to potential connection applicants, and has removed avoidable delays. In addition, to drive continuous improvement, innovation and flexibility in the connection process strengthened performance targets must be established and enforced through the Access Arrangement. Any performance targets set should serve the purpose of incentivising WP to streamline activities, remove internal bottlenecks and embrace modernised, fit-for-purpose approaches to connection management.

To improve transparency and accountability, we maintain that WP should be required to publish the actual timeframes for each phase (or milestone activity) of the connection process. This should include performance against the defined targets, to meaningfully improve transparency and accountability. This will be particularly important as the SWIS evolves to accommodate rapid renewable generation growth, large-scale electrification of industry, and new loads such as critical minerals processing and advanced manufacturing. Greater transparency on connection performance will not only increase confidence among investors and project developers but also allow the ERA and stakeholders to identify systemic issues early and ensure network planning, procurement and augmentation activities evolve in step with the needs of the energy transition. These enhancements are essential to enabling a more responsive, efficient and customer centric connection environment that supports the long-term interests of consumers.

The following specific changes should be captured for inclusion in the AA6 framework and approach as tangible improvements that could be made to the connection process:

- Enable the Project Scope Definition and Grid Input Package activities to be progressed in parallel as they are not dependent. Under the current process these activities are sequential, despite being unrelated, creating an unnecessary delay within the connection process timeline by around 8-10 weeks.

- Provide applicants with an option to undertake Dynamic and Electromagnetic Transient Studies (EMT) studies within the Scoping or Planning phase, prior to the Access Offer. Enabling these studies to be undertaken earlier in the process would provide greater cost certainty as it will enable proponents to better understand how a project will impact the network. The current process requires an Access Offer before a proponent has all of the information needed to make a final investment decision (FID). Enabling the dynamic/EMT studies to be undertaken earlier within the connection process, at the discretion of the proponent, will enable shorter timeframes for a project to transition from 'proposed' to 'committed'.

- Move to a process that will enable proponents to self-serve all modelling steps/components, rather than relying on WP. This approach will enable the proponent to have greater control and influence over the activities within the connection process and the associated timeline. It will also enable WP to focus on its role as the transmission system provider, only reviewing projects that are at an advanced stage in their development, i.e. they are ready to submit connection application packages. Such an approach is consistent with that adopted in the NEM, where a Transmission Network Service Provider (TNSP) role in the connection process is focused on relevant due diligence and 'model' verification.

- Expand the network data WP makes available in the NCMT interactive network map portal to include:
    - Line/ Substation rated capacity;
    - summer, winter loading;
    - constraint equations; and
    - equipment loading trace (time stamped 30 mins load flow).

  Transgrid provide this network data spatially within its online interactive map, enabling proponents to self serve the information and data required to undertake the necessary early stage location capacity assessments inhouse. Providing this additional information will assist to align project development with system needs, reducing inefficiencies in project planning and connection proposals. When developers can independently better assess the constraints of network location, they will more likely identify grid related red flags at a very early stage itself thereby avoiding unnecessary cost and time which otherwise would have been spent by all stakeholder involved including Western Power in early development phase.

3. Strengthen service standards and data management processes to improve billing accuracy, data quality and operational efficiency.

Accurate, timely, and consistent data exchange is fundamental to the effective functioning of WP's billing, settlement, and consumer-facing processes. Current gaps in service standards and data-handling practices create avoidable inefficiencies, reconciliation delays, and downstream customer impacts. Many of these issues stem from historical inconsistencies, system limitations, or incomplete implementation of previously agreed enhancements.

Improving the handling of non-reference site information, strengthening metering-related data quality, and modernising service order and notification processes will significantly enhance both operational efficiency and market confidence. Addressing these areas will also reduce manual workarounds, improve transparency, and support smoother end-to-end interactions between WP and market participants.

We recommend improved service standards and performance in the following areas:

- Non-Reference Sites - resolve historical inconsistencies to enable accurate reconciliation and maintain data integrity.
    - Establish a consistent and transparent process for categorising and supplying non-reference site data.
    - Ensure this data is provided during Planned Verification Events (PVE) instead of redirecting requests to external channels.

- B2B Notifications - improve visibility for participants and reduce reliance on manual follow-ups.
    - Enable B2B notifications for quoted service order charges.
    - Introduce notifications for grouped demand relationships.

- Missing Meter Data - reduce reconciliation delays and the manual effort required to correct meter data.
    - Strengthen controls to ensure complete meter data.
    - Implement automated exception detection or partial or missing data.
- Meter Exchanges and Reconfigurations - reduce administrative burden associated with multiple event entries.
    - Review PMD restrictions requiring users to raise separate periods for meter exchange start/end dates.
    - Streamline the process to minimise duplication and improve billing data continuity.
- Service Order Request Limits - support scalability for retailers with growing customer or service order volumes.
    - Increase or remove the cap on service order request volumes.
- Contestability Information - improve the accuracy and validation of contestability status for metered sites.
    - Reduce delays in customer transfers and avoid billing adjustments caused by incorrect contestability flags.
    - Enhance overall customer experience and reduce rework for participants.

4. Make street lighting contestable.

It is recommended that the supply of electricity to street lighting, both currently treated as reference services, be made fully contestable, allowing multiple retailers or accredited providers to supply these loads. These services share characteristics with commercial and large-load customers that already participate in the contestable market, where customers using more than 50 MWh per annum can choose their electricity retailer. Opening street lights to competition would align them with the broader contestability framework and remove an unnecessary monopoly constraint around relatively standard, predictable and increasingly high-volume loads.

Allowing contestability for the street lighting would deliver several benefits. First, competition has been shown to drive efficiency, innovation, and cost-effective delivery of electricity services, as seen more broadly in the contestable components of the Australian electricity market, where tasks performed by accredited third parties foster lower costs and improved service quality. Second, the growth of street lighting technologies (such as LED and smart-lighting systems) relies on flexible commercial arrangements that support innovation, an outcome more easily achieved in a contestable environment. Third, enabling competition would provide local governments, with greater choice, helping them secure more favourable retail pricing, tailored service offerings, and improved responsiveness. By shifting these loads from a monopoly-supplied reference service into a competitive supply category, the market can better support electrification, decarbonisation, and customer-driven investment while maintaining system integrity under the existing access and network-regulation framework.

5. The weighted average cost of capital should be recalibrated to reflect Western Power's low-risk, regulated monopoly position, ensuring return allowances are proportionate and support affordability and reliability for customers.

WP operates as a regulated monopoly, with its revenues determined through the ERA approved access arrangement process, which sets out the services, prices and investment framework for the SWIS network. Given the highly regulated nature of this environment, the cost recovery certainty and the absence of competitive market exposure the risk profile of the SWIS is structurally low. However, the weighted average cost of capital (WACC) applied in AA5 has been comparatively high relative to this risk setting. Because WP's publicly owned, low-risk network operates under a stable, regulated revenue framework, the WACC parameters should be set at levels that align with the State Electricity Objective (SEO) by facilitating lower returns on capital and prioritising affordability and reliability over high returns.

A review of the WACC parameters (cost of equity, cost of debt, and the trailing average debt risk premium) is warranted to ensure they more accurately reflect WP's low-risk, regulated monopoly position and the protections embedded in its access arrangement. The access arrangement framework is designed to promote the long-term interests of consumers by ensuring safe, reliable and efficient services at a fair cost, and aligning the WACC with the true risk profile is central to delivering this outcome. A proportionate, lower WACC would support the achievement of the SEO by reducing unnecessary price pressure on customers,

supporting more efficient capital investment, and providing a better reflection of the stable financial environment in which WP operates.

6. A holistic review of all transmission related charges should be undertaken to ensure transparency, prevent over recovery and avoid cross subsidisation between users as transmission investment grows.

As transmission investment scales to meet decarbonisation and electrification objectives, it becomes increasingly important that funding reforms are assessed against the full suite of transmission related charges borne by network users, particularly user-specific transmission reference tariffs (TRT1, TRT2, TRT3) and the methodology used to calculate operations and maintenance (O&M) charges for WP provided connection assets. A piecemeal approach risks creating overlapping cost recovery pathways, where the same underlying network capability is recovered through multiple mechanisms, reducing transparency and weakening confidence in the revenue framework. In a regulated access context designed to promote efficient investment and efficient use of network services, tariff and charging settings should be comprehensible, consistent, and demonstrably linked to the costs they are intended to recover.

Importantly, the tariff structure must be designed to avoid cross subsidisation, and should be consistent with the core user-pays principle: customers (or project proponents) should pay for the services and assets that are driven by, or provide material benefit to, them. When cross subsidisation occurs it can distort investment signals (encouraging inefficient siting or connection decisions), unfairly burden passive users, and ultimately undermine affordability and trust, especially as larger volumes of new connection and augmentation activity are undertaken.

A holistic review that explicitly maps how transmission reference tariffs, service charges and connection asset O&M charges interact with broader transmission funding settings is necessary to ensure that each charge component recovers only its intended cost base, allocates those costs to the users who drive them, and avoids unintended over-recovery and inappropriate cost shifting as the scale of transmission build accelerates.