To: Economic Regulation Authority of WA

Date: 6 February 2026

Subject: Submission on Framework and Approach for Western Power's Sixth Access Arrangement Review (AA6)

1. Introduction

Thank you for the opportunity to respond to the Issues Paper for Western Power's Sixth Access Arrangement Review (AA6).

I am a member of the Western Australian Expert Consumer Panel, and have represented small use customers on the Market Advisory Committee (MAC), Gas Advisory Board (GAB) and Pilbara Advisory Committee (PAC). This submission is informed by engagement with the Expert Consumer Panel (ECP), the WA Advocacy for Consumers of Energy (WA ACE) Forum, and discussions with a broad range of stakeholders including the Western Australian Council of Social Service (WACOSS), Electrify Everything WA, and the Regional Chambers of Commerce and Industry.

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2. Consumer issues and priorities

Insights from WACOSS reveal a growing cohort of Western Australians facing intersecting pressures from energy and housing costs, with trends in energy debt and foodbank usage indicative of the fact that while inflation has moderated, the cost of essentials remains historically high, eroding the financial resilience of the most vulnerable members of the community.[1] Energy affordability is also a top priority for Western Australians in vulnerable circumstances. Energy Consumers Australia's data indicates that nearly 77 per cent of Western Australian households are 'extremely' or 'quite' concerned over electricity costs, and 75 per cent of small businesses identify electricity as a primary overhead.[2]

This affordability context goes a long way to explaining the popularity of rooftop solar, PV, and now home batteries, in Western Australia, as households and small businesses do what they can to get more control over their energy use and costs. Since the dual launch of the WA

[1] WACOSS, Cost of Living Report 2025, p 1, https://wacoss.org.au/wp-content/uploads/2025/12/WACOSS-2025-Cost-of-Living-Report.pdf
[2] Energy Consumers Australia, Consumer Energy Report Card, December 2025 https://energyconsumersaustralia.com.au/our-work/surveys/consumer-energy-report-card-data#heading-1609

Residential Battery Scheme and the Federal Cheaper Home Batteries Program on July 1, 2025, Western Australia has seen a significant surge in distributed energy storage. As of January 2026, more than 22,000 households and businesses have installed battery systems—averaging over 100 installations per day and more than doubling the state's residential storage capacity in just six months.[3] With a long-term target of 100,000 rebated households, this rapid uptake, coupled with Virtual Power Plant (VPP) enrollment requirements and new technical standards coming into effect from May 1, 2026, creates an immediate opportunity for the network to leverage consumer assets for grid stability and peak demand management during the AA6 period.

While the South West Interconnected System (SWIS) maintains high aggregate reliability, reliability for rural long feeders during the 2023/24 period has deteriorated significantly, with this category recording System Average Interruption Duration Index (SAIDI) of 851.9 minutes and a System Average Interruption Frequency Index (SAIFI) of 5.89 interruptions, both of which substantially exceeded their respective AA5 benchmarks of 290.0 minutes and 4.45 interruptions. This performance reveals a stark "reliability divide" when compared to the state's best-performing areas, such as the Town of Cottesloe, which achieved a SAIDI of only 7 minutes, and the Shire of Katanning, which led regional performance with a SAIDI of 28 minutes. Western Power characterises 2023/24 as an "extraordinary year" defined by concurrent severe weather events - including the January 2024 supercell storm that accounted for 65% of major event day outages - which underscores the growing threat that climate change and extreme weather pose to network reliability.[4]

In these areas, the compounding effects of climate change—specifically the increased frequency and intensity of extreme heatwaves and summer storms—have transformed power outages from a mere inconvenience into a critical threat to health and wellbeing. Findings from the WACOSS Heat Vulnerability Project highlight that many regional populations, characterised by higher proportions of elderly residents and socio-economically disadvantaged households, possess limited "adaptive capacity" to manage indoor temperatures when electricity supply fails. [5] The Western Australian Department of Health[6] and CSIRO[7] have both warned that during extreme heat events, the loss of active cooling and the failure of refrigeration for essential

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[3] Western Australians leading the charge with home battery rebates, Roger Cook and Amber-Jade Sanderson, Media Release, 17 November 2025, https://tinyurl.com/3dkh3wdt https://tinyurl.com/3dkh3wdt

[4] ERA WA, Western Power Second Annual Performance Report, July 2025, p 25-30, https://www.erawa.com.au/sites/default/files/western-power-second-annual-progress-report.PDF

[5] WACOSS (2024–2026): *Heat Vulnerability Project:* Mapping the intersection of socio-economic disadvantage and heat-related health risks in regional Western Australia. https://heatvulnerabilityproject.org.au/wa-heat-vulnerability-map/

[6] WA Department of Health (2025): *Climate Change and Health: Heat-related impacts in Regional WA:* Highlighting the link between power stability and mortality during extreme weather. https://www.health.wa.gov.au/~/media/Corp/Documents/Reports-and-publications/Climate-change-heat-related-health-impacts/Projecting-heat-related-health-impacts-under-climate-change-in-Perth_Final.pdf

[7] CSIRO (2024): *National Heat Vulnerability Framework:* Exploring the risk of electricity supply loss for vulnerable populations in rural environments. https://research.csiro.au/heat-and-los/

medications can lead to rapid escalations in heat-related morbidity. These risks underline the importance of network hardening and the deployment of non-network solutions such as Stand-Alone Power Systems (SPS) and community batteries to mitigate these life-threatening risks and ensure that regional Western Australians are not left disproportionately vulnerable to a changing climate.

The core challenge for the 2027-2032 period is ensuring the AA6 framework effectively reconciles the state's electrification and decarbonisation targets with the ongoing cost-of-living pressures facing households and small businesses.

3. General Approach and the DSO Transition (Issue 1)

Technology change and Government policy is driving fundamental changes in Western Power's operating context and role that must be reflected in its access arrangement. At the top of the list is Western Power's transition from a traditional Distribution Network Operator (DNO) to a Distribution System Operator (DSO), a shift formalised by the Electricity System and Market Amendment (Tranche 9) Rules 2025. Gazetted in December 2025, these reforms officially designate Western Power as the DSO and provide the statutory framework required for the active system orchestration of distributed energy resources (DER).

A critical milestone in its DSO evolution within the current AA5 period is the introduction of the Wholesale Electricity Market (WEM) Procedure for Standard Small User Facilities, effective from 1 May 2026, which mandates remote orchestration and technical compliance for new solar and battery installations up to 30 kVA. This regulatory evolution, supported by the Parent Aggregator framework, establishes a requirement for Western Power to invest in the network visibility and communication infrastructure necessary to manage a bidirectional grid consistent with its DSO role.

As the technical framework for the DSO role progresses, there is a risk that Western Power's access arrangement and the associated set of service standards, incentives, and other mechanisms fail to keep up. It is critical therefore that the framework and approach for AA6 reflects Western Power's new role, and is structured to deliver an active, service-oriented customer-centric business plan. This includes significant adjustments to the traditional building block model, moving away from a bias to capital expenditure and toward a Totex framework that incentivises the procurement of 'non-network' flexibility services to complement traditional network reinforcement. International precedent, specifically the UK's RIIO-ED2 framework, also demonstrates that this transition is most effective when supported by specific (in Ofgem's terminology) 'DSO Performance Incentives' and 'Price Control Deliverables' that link funding to measurable outcomes in grid visibility, market facilitation, network utilisation and consumer-led grid support.[8]

[8] Ofgem (2025), *Distribution System Operation (DSO) Incentive Governance Document*: This document outlines the DSO Output Delivery Incentive (ODI). It explains how a "Performance Panel" of independent experts assesses the DSO's effectiveness in market facilitation and data transparency, providing a model

A network planning approach that fully integrates distributed energy, virtual power plants, and advanced grid technologies will increase grid utilisation, and in doing so prevent unnecessary grid overbuild, and buy additional time while Western Power, the State Government and wider industry address local network constraints and potential near-term capacity shortfalls issues.

4. Services offered and payments for those services

Network Tariff Structures and Barriers to Innovation

A primary concern for the AA6 period is the restrictive design of Western Power's business demand tariffs, specifically RT5, RT6, RT7 and RT8, along with transmission-level equivalents. These tariffs currently act as a significant barrier to the uptake of behind-the-meter (BTM) batteries because they are based on any-time maximum demand, rather than a customer's demand at the time of the system (or local network) maximum demand periods. By penalising customers for peak demand that occurs outside the network peak times, the tariffs fail to recognise the system value and flexibility that storage can provide. As a result, they discourage customers from shifting load away from network peak periods and from investing in BTM batteries and other DER technologies that can assist them to reduce demand for short periods of time, when the grid will be best serviced by such a reduction. To assist customers to fully unlock customer-side flexibility, these tariffs must be revised so they actively support, rather than deter, the deployment of BTM storage.

Addressing Retailer Misalignment and Tariff Selection

Newer network tariffs are generally better at reflecting network cost drivers and costs than older, legacy network tariffs, and provide more effective price signals to encourage better utilisation of the network and reduce network peak demands that drive costs. The process of rationalising and phasing out inappropriate network tariffs is already underway in AA5, but retailers still have too many customers on network tariffs that need to be phased out.

Retailers currently determine which network tariff is charged to the retailer for a customer [or will need to be changed if it is based on an entire customer class], based primarily on what improves the retailer's commercial position. This allows misalignment between retailer network costs and network efficiency objectives and produces several adverse outcomes:

- Network price signals get distorted – customers receive retail tariffs that do not reflect the underlying network costs or constraints.
- Customers unknowingly consume at inefficient times – for example, a business may remain on an anytime demand tariff even though its load could be shifted away from network peak periods.
- Local constraints worsen – in constrained areas, retailers may avoid assigning more cost-reflective tariffs that encourage load shifting, because simpler tariffs are easier to market.
- Behind-the-meter solutions are discouraged – when retail tariffs do not reward flexible load or storage, customers have little financial incentive to invest in BTM batteries or

for how the ERA might move beyond purely mechanical reliability metrics.
https://www.ofgem.gov.uk/sites/default/files/2025-01/DSO_Incentive_Governance_Document_v1.1.pdf

demand-shifting technologies.

A more aligned tariff assignment framework, which is not retailer-led, is essential to ensure customers face clear, consistent signals that encourage efficient use of the network. If the access arrangement does not allow change to how a network tariff is selected, then it is suggested that the process of phasing out inappropriate network tariffs be accelerated and that better network tariffs are offered that more-effectively encourage demand-shifting and lower use during periods of network peak demand.

5. Service Standards and Regional Accountability (Issue 5)

While Western Power now reports reliability data at a more granular, sub-regional and feeder level as required under AA5, these disaggregated metrics continue to mask the reality that service standard targets remain set at a broad, aggregate level. In 2023/24, Western Power incurred the maximum service standard penalty of $14.2 million as performance on nearly all reliability measures worsened compared to the previous year.

The "reliability divide" is stark: rural long feeders recorded a SAIDI of 851.9 minutes and a SAIFI of 5.89, both of which substantially exceeded their AA5 benchmarks. To address these chronic regional disparities, we encourage the ERA to explore the appropriateness of formalising sub-area service standards and incentives for the AA6 period, drawing on international precedents such as the UK's "Worst-Served Customer" (WSC) framework.

Benefits of exploring a WSC-style mechanism include:

- Targeted Incentives: Rather than relying on discretionary "targeted capex" as seen in AA5, a formal mechanism would use the existing sub-regional data to set specific, data-driven thresholds (e.g., specific frequency of outages over a multi-year period) that trigger mandatory improvement plans for the most affected clusters of customers.

- Incentivising Innovation: A defined sub-area focus would encourage Western Power to prioritise non-network solutions, such as Stand-Alone Power Systems (SPS) or microgrids, specifically where traditional network reinforcement is uneconomical.

- DSO Integration: This approach aligns with the DSO transition by identifying priority zones for flexibility services, where local storage or demand management can be deployed to bolster stability for the most vulnerable parts of the grid.

Accountability and Executive Remuneration:

We note that under the AA5 final decision, the ERA agreed to waive penalties for rural long feeder under-performance on the condition that Western Power develop and implement a comprehensive regional reliability plan. However, despite this reporting requirement, Western Power is yet to demonstrate that these plans have been developed and effectively translated into the required service improvements, as evidenced by the significant 2023/24 benchmark failures.

To ensure the "reliability divide" is treated with the necessary urgency, we recommend the ERA explore if performance standards for AA6 can be explicitly linked to Western Power's executive remuneration, and if so that such a framework be introduced. Formalising this link (along with other key performance indicators on grid visibility, market facilitation, network utilisation and consumer-led grid support) would provide a direct incentive for senior leadership to ensure that more granular reporting leads to tangible community outcomes, rather than simply documenting recurring failures.

6. Connecting Customers Faster and the Data Opportunity (Issue 6)

The time taken for new connections remains a critical pain point that requires mechanisms beyond simple reporting. While average queuing times reduced slightly in early 2025, the volume of capacity sought has nearly doubled since the start of AA5. To manage this demand, the ERA should incentivise Western Power to publish granular, feeder-level "Traffic Light" Capacity Maps. These maps would empower EV and DER providers to identify "plug-and-play" locations independently, reducing the volume of speculative enquiries that currently congest the queue.

Western Power should also be required to maintain an API-accessible "Presumed Open" Data Register. Borrowing from the UK's "Data Best Practice," this register would include asset location, age, and hosting capacity. Shifting to a "Presumed Open" principle places the burden on the utility to justify why data should *not* be shared, fostering a more innovative and transparent environment for market entrants. Note, The Australian Renewable Energy Agency (ARENA) and DIgSILENT Pacific have submitted a rule change request on this matter to the AEMC.

7. Price Control and Incentive Reform: (Issue 7)

The TOTEX Framework

The current Building Block Model acts as an artificial barrier to efficient grid solutions. As Western Power transitions to a Distribution System Operator (DSO) model, the most efficient solution to a network constraint is often a flexibility service (Opex) rather than physical reinforcement (Capex). However, separate opex and capex treatments create a perverse incentive to favour capital-heavy solutions to grow the Regulated Asset Base (RAB).

To eliminate this capitalization bias, the ERA should move toward a Total Expenditure (TOTEX) approach. This would align with modern regulatory standards where the RAB becomes a purely financial construct determined by a fixed capitalization rate—the split between "fast money" (operating costs) and "slow money" (costs added to the RAB).

The Failure of the D-factor Mechanism

We specifically point to the ERA's own past commentary regarding the D-factor scheme. While the D-factor was designed to allow Western Power to recover non-capital costs (opex) for

demand management that defers capex, its effectiveness has been hampered by:

- High Compliance Burden: As noted in previous access arrangement reviews (e.g., AA4 and AA5), the D-factor requires granular, project-specific business cases and "demonstration to the ERA's satisfaction" that costs are purely opex-for-capex swaps.
- Asymmetric Risk: Unlike capex, which is largely "shielded" once added to the RAB, opex-based solutions under the D-factor face higher scrutiny and a lack of parity in incentive strength.
- Administrative Friction: The ERA has historically questioned whether the D-factor is too reactive. By the time a D-factor application is approved, the opportunity for a nimble, "flexibility-first" solution may have passed.

Moving to a TOTEX model ensures Western Power is financially indifferent between building physical lines and paying a household or business to shift its energy load. We advocate for equalized sharing ratios between the Efficiency Benefit Sharing Scheme (EBSS) and Capital Expenditure Sharing Scheme (CESS) to remove the incentive to favor RAB growth over operational efficiency.

8. Managing Uncertainty and SPS Delivery (Issue 8)

Western Power is increasingly reliant on Standalone Power Systems (SPS) to manage regional risks, yet delivery has consistently fallen short. As of June 2024, only 216 units had been deployed against a cumulative AA5 forecast of 1,010 units.

The AA6 framework must incorporate agile "trigger events." We agree with the ERA's stance in the AA6 Issues Paper that waiting until the formal proposal in 2027 to address regional reliability plans is "too late." Proactive, mid-period consultation is essential to pivot toward non-network solutions like SPS and BTM storage when physical builds face delays.

A 'flexibility-first' approach supported by TOTEX is a vital mechanism for "buying time." As noted by international regulators like Ofgem, flexibility is a "virtual asset." This is critical given that Australian transmission project costs have surged by approximately 30% since 2022 due to global supply chain constraints and a workforce shortfall projected to reach 300,000 workers by 2027.

A TOTEX model allows the network to remain operable by utilizing existing residential batteries and smart meter data to navigate these unavoidable industrial bottlenecks without being forced into expensive, delayed capital projects.

9. Potential items to consider as part of the AA6 process

Whilst not part of the Framework and approach issues paper and consultation, the ECP has identified a number of potential approaches that Western Power and the ERA may wish to consider as AA6 is prepared and moves through the approvals process. For instance, there is a range of new approaches that may reduce the need for additional network build, or improve

customer outcomes, which may need further consideration. These include:

- Providing customers (or their authorised agents) with access to real time data, as per what has been approved in the NEM.
- Incentivising Western Power to place EV chargers on their street lighting, power pole and/or other infrastructure or, if the network rules do not allow for this and/or if there are concerns that this could monopolise EV charging in the SWIS, then potentially bringing in a reference service tariff (along with a template contract/standard conditions) for EV charging providers (including local government) to be able to access Western Power infrastructure.
- How life support customers can have their household electricity supply further reinforced, with consideration for even providing a small battery backup system onsite. AA6 may also want to consider what can be applied from Horizon Power's 'Life Support Outage Management Project' across to Western Power's network.
- How non-traditional approaches (for instance using home or business energy efficiency improvements) can be facilitated as a non-network solution for constrained parts of the network.
- If AA6 needs to allocate further funding for community benefits as part of any new transmission build.
- If any of the approaches that some of the Victorian networks have introduced to reduce bushfire risk should be considered/applied in areas of high bushfire risk in the SWIS.
- If dynamic line ratings, advanced conductors and other technologies as outlined in table 1 in the Pathways to Commercial Liftoff: Innovative Grid Deployment report can be introduced, or further utilised within the SWIS.
- If smart meters that get rolled out during the AA6 period have an additional metering element (or elements) or other hardware upgrades.
- Potentially considering options for new ownership or financial arrangements for properties where it is financially viable (from a Western Power perspective) to have a standalone power system installed. For instance, WAFarmers have advocated in the past for the option that when a standalone power system is being supplied to a property owner, that the property owner be paid out instead, so they can purchase their own system for which they will be responsible for ongoing maintenance and replacement.
- How the SWIS undergrounding program could be accelerated.

10. Conclusion

The Sixth Access Arrangement Review (AA6) is a critical period for Western Australian household and small business energy consumers. As the SWIS evolves from a traditional one-way network into a dynamic, bidirectional grid, our regulatory framework must adapt. To ensure a fair, affordable, and cleaner energy transition, we recommend the ERA prioritise the following structural reforms for AA6:

- **Implementation of a TOTEX Framework:** By removing the inherent bias towards capital-heavy solutions, the ERA can incentivise Western Power to utilise consumer-owned assets and flexibility services as genuine alternatives to network reinforcement.
- **Active DSO Orchestration:** The framework should explicitly support Western Power's

formal role as a Distribution System Operator, ensuring that investments in grid visibility and communication infrastructure deliver measurable benefits to consumers.

- **Enhanced Regional Accountability:** We encourage the ERA to explore formalised sub-area service standards, drawing on international precedents like the UK's worst-served customer mechanism, to ensure that granular reporting translates into actual reliability improvements for regional communities.
- **Executive Alignment:** The ERA should consider linking performance standards to executive remuneration to ensure that priority initiatives and needed improvements such as grid visibility, market facilitation, network utilisation and consumer-led grid support, are met with the necessary urgency.
- **Agile Uncertainty Management:** Incorporating "trigger events" and flexibility-first strategies will allow the network to navigate global supply chain constraints and workforce shortages without imposing unnecessary costs on households.

The rapid surge in home battery installations and the popularity of rooftop solar demonstrate that Western Australians are eager to lead their own energy future. By adopting a more agile, accountable, and customer-centric model, AA6 can deliver a network that is as stable, sustainable, and, most importantly, affordable for all households and small businesses.

Please do not hesitate to get in touch if you would like to discuss this submission further.

Yours sincerely,

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