Economic Regulation Authority

Final decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27

Attachment 11: Network tariffs

31 March 2023

D258998

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Note

This attachment forms part of the ERA's final decision on proposed revisions to the access arrangement for the Western Power Network for the fifth access arrangement period (AA5). It should be read with all other parts of the final decision.

The final decision comprises all of the following attachments:

Final decision on proposed revisions to the access arrangement for the Western Power network 2022/23 – 2026/27 – Decision Overview

Attachment 1 – Price control and target revenue

Attachment 2 – Regulated asset base

Attachment 3A – AA4 capital expenditure

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1. Summary

This attachment deals with network tariffs.

Western Power's network tariffs are charged to the users of the network, i.e. electricity retailers (such as Synergy), generators and some very large customers connected to the transmission network. Electricity retailers decide how to pass on the network charges they incur to their customers, i.e. households and businesses.[1] However, the way network tariffs are structured, in terms of fixed and variable components (particularly how rates vary with when electricity is consumed) influences how retailers structure their services and ultimately how households and businesses manage their electricity use.

The draft decision noted Western Power had made good progress towards improving the efficiency of its network tariffs. However, further work was needed prior to the final decision.

The draft decision required Western Power to:

- Update the cost allocation and forecast revenue for each reference tariff to reflect the most recent actual and forecast energy and customer numbers and revised target revenue.
- Provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews. Indicative prices for 2023/24 for all reference tariffs must be included.
- Include sufficient detail in the reference tariff change forecast so that customers can understand how much individual components of the tariff are forecast to change and the likely effect on customers with a range of consumption profiles. The reference tariff change forecast must include all reference tariffs (including the proposed new tariffs) and the forecast overall change in reference tariffs.
- Take account of stakeholder concerns about the effect of rebalancing between fixed and variable charges to develop a more gradual transition.
- Include demand-based time of use tariffs for residential and commercial customers. The time of use periods must be consistent with the super off-peak tariffs.
- Modify the proposed tariffs for the storage and electric vehicle charging reference services to take account of the matters raised in the stakeholder submissions received by the ERA.

In the revised proposal, Western Power:

- Stated it updated the cost allocation and forecast revenue for each reference tariff to reflect the most recent actual and forecast energy and customer numbers and revised target revenue and provided forecast changes for all reference tariffs (including the proposed new tariffs) and the forecast overall change in tariffs. However, the update was based on an incorrect target revenue and did not provide information enabling stakeholders to assess whether the update had been undertaken appropriately.
- Did not meet the requirement to provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews.

[1] Network costs are approximately 45 per cent of the total retail bill.

Western Power also did not provide a clear demonstration that all aspects of the pricing principles and other Access Code requirements have been met.

- Did not meet the requirement to include sufficient detail so that customers can understand how much individual components of the tariff are forecast to change and the likely effect on customers with a range of consumption profiles.
- Stated it has modified the proposed rebalancing between fixed and variable charges to take account of stakeholder concerns to develop a more gradual transition but did not meet the requirement to provide sufficient detail so that stakeholders can understand the level of rebalancing proposed over the AA5 period and the effect it will have on customers with a range of consumption profiles.
- Included demand-based tariffs for the super off-peak time of use reference services for residential and commercial connections.
- Engaged further with stakeholders and modified the proposed tariffs for storage and EV charging reference services.

The changes to the Access Code in relation to the access arrangement process for tariffs appear to have reduced the information available to stakeholders during the process compared with previous reviews. The ERA will follow up with EPWA and Western Power to ensure the process is improved for the next review.

Regardless of the changes to process for AA5, the ERA considers Western Power should have anticipated the level of information users require and engaged earlier with them. While consultation with end use customers is important and required under the Access Code, it is users who pay the network charges and retailers who are responsible for developing tariffs for end use customers. Earlier and more transparent engagement between Western Power and retailers would better facilitate the development of retail tariffs with price signals that encourage better utilisation of the network.

Summary of final decision

- Amend the tariff structure statement to provide sufficient information to enable users to determine how the charges will be calculated and applied over AA5 and the prices and calculations underlying the reference tariff change forecast.
- Western Power is required to provide an updated reference tariff change forecast with its 2023/24 price list. The ERA will work with Western Power to ensure that the revised reference tariff change forecast is accurate and fit for purpose.
- Introducing new time of use tariffs and phasing out old ones is complex and requires judgement in relation to likely demand patterns when setting the different rates. It will take time to transition users on to the new tariffs. In the interim, Western Power should ensure the old time of use rates are set as cost reflectively as possible to remove any potential relative undercharging that may be inherent in the grandfathered tariffs.
- Amend the proposed EV charging tariff as follows:
    - Only include the peak demand period (3pm to 9pm) in the utilisation calculation.
    - Base the energy usage charges on the new super off-peak time periods.
    - Amend the utilisation percentage bands to 0-15%, 15-30% and greater than 30%.
- The annual connection charge for users should be based on a reasonable percentage of the capital cost of maintainable items rather than the full capital cost.

The reasons for the ERA's final decision in respect of the matters relevant to network tariffs and details of required amendments are set out in this attachment.

2. Regulatory requirements

The access arrangement must include a “tariff structure statement” containing the proposed tariff structures during the access arrangement period and a “reference tariff change forecast” of how much each tariff is forecast to change during the access arrangement period.

The tariff structure statement sets out the service provider’s pricing methods, and must include the following elements:

- the structures for each proposed distribution reference tariff
- the charging parameters for each proposed distribution reference tariff
- a description of the approach that the service provider will take in setting each distribution reference tariff in each price list of the service provider during the relevant access arrangement period.

The tariff structure statement must comply with:

- the pricing principles set out in the Access Code
- any applicable framework and approach.

The reference tariff change forecast sets out, for each reference tariff, the service provider’s forecast of the weighted average annual price change for that reference tariff for each pricing year of the access arrangement period.

An extract of the sections of the Access Code relevant to tariffs is included in Appendix 1.

3. Western Power's initial proposal

Western Power's initial proposal included the following proposed changes to tariffs:

- Reductions to variable charges and increases to fixed charges.
- A new very low super off-peak rate for energy between 9am and 3pm.
- New tariffs for grid-connected batteries and electric vehicle charging stations.

Western Power stated that it proposed a gradual transition to the proposed new tariffs to avoid price shocks and give customers and stakeholders time to prepare for the changes. Western Power stated it was aiming to limit the increase in the average price of a tariff to no more than two per cent above the overall change in tariffs that is required to recover total target revenue.

To develop its proposed prices, Western Power stated it had estimated the forward-looking efficient cost (or future cost) of providing each reference service. It has grouped together reference services that it considers are likely to have similar future costs.

Western Power stated that the proposed on-peak prices – derived from the estimate of future costs – are well below its existing on-peak prices. Western Power considered it could increase pricing efficiency by reducing on-peak prices.

Consequently, Western Power proposed to reduce variable energy charges in line with its estimate of future costs and increase fixed charges to recover the total revenue required.

Western Power proposed to offer a very low, "super off-peak" energy price to encourage greater use of energy during periods when solar panels are exporting renewable energy to the grid.[2]

Western Power provided the following information on its proposed pricing for the new time of use periods:

- A very low variable rate of close to zero cents per kW hour for electricity consumption during the super off-peak period (9am to 3pm).
- A low variable rate during off-peak periods (11pm to 6am).
- A moderate variable rate for shoulder periods, of approximately 1.3 times the off-peak rate (6am to 9am and 9pm to 11pm).
- A relatively higher variable rate for consumption during the on-peak period from 3pm to 9pm, approximately two times the shoulder rate (3pm to 9pm).
- A fixed charge component that is the same across different time periods.

Western Power proposed time of use energy tariffs (rather than demand structures) because it considered that customers understood energy-based tariffs more easily and would be encouraged to shift load outside of the on-peak period.[3]

[2] Western Power, *Appendix F.1 – Tariff Structure Statement Overview*, 1 February 2022, p. 3.

[3] A demand based tariff structure is based on both power demand on the network in a specific time period (expressed in kW) and the amount of electricity used (expressed as kWh).

As required by the framework and approach, Western Power proposed to introduce new tariffs for large batteries that connect directly to the network, and for dedicated electric vehicle fast-charging -stations.[4]

Western Power stated that the proposed new tariffs would have similar structures to existing tariffs. For example, the tariffs for electric vehicle fast-charging stations would be consistent with existing metered demand tariffs (RT5 and RT6). As is the case for existing bi-directional distribution-connected customers, Western Power did not propose to charge distribution-connected storage systems for exporting energy into the grid.

Western Power summarised the forecast weighted average price change for each reference tariff in AA5 in Table 5.1 of the Tariff Structure statement overview.[5]

Western Power stated the proposal was based on a small sample of the 2.5 per cent of total residential customers that have advanced metering infrastructure. Western Power expected to be able to refine its forecast of weighted average annual price changes over the course of 2022, as it gained access to a larger sample of interval data for residential customers.

Western Power stated it had not calculated a forecast weighted average price change for the new tariffs as there was currently no published starting point from which to calculate the price change. Western Power anticipated that once the initial price was established for 2023/24 there would be no further price change for the remaining years of AA5.

Western Power submitted additional information on its proposed tariffs on 30 June 2022.[6] The additional information included:

- An indicative price list for the 2023/24 year.
- Further detail and suggested changes to the structure of the electric vehicle charging and storage service tariffs included in its initial proposal.
- A new super off-peak time of use tariff with a demand component.
- Further information to demonstrate compliance of the tariff structure statement with the Access Code pricing principles.

4 Economic Regulation Authority, *Framework and approach for Western Power's fifth access arrangement review*, 9 August 2021, p. 20.

5 Western Power, *Appendix F.1 – Tariff Structure Statement Overview*, 1 February 2022, p. 27.

6 The additional information can be found on the ERA website.

4. Submissions on initial proposal

Submissions from Alinta Energy, Australian Energy Council, Change Energy, Collgar Wind Farm, Craig Hosking, Chamber of Minerals and Energy, Evie, Noel Schubert, Perth Energy, Synergy, WACOSS, Chamber of Minerals and Energy, RAC and the WA Expert Consumer Panel in response to the ERA's issues paper all included comments on Western Power's proposed pricing methods and tariffs.[7]

Matters raised included:

- More information was needed on the proposed tariffs including an indicative price list and further stakeholder consultation and engagement.
- Concerns about the proposed structure of the new tariffs for EV charging stations and storage services.
- Support for the new time of use periods.
- Concerns about the discontinuation of time of use demand services.
- Concerns about the proposed rebalancing that will increase fixed charges and reduce variable charges.
- Allowing sufficient time for publishing proposed tariffs with sufficient detail so that users could implement the necessary operational and system changes in time for the commencement of AA5.[8]

In response to stakeholder submissions on the issues paper, Western Power provided additional information on its proposed tariffs on 30 June 2022. The ERA published the additional information on 1 July 2022 and invited submissions by 26 July 2022.

Further public submissions on matters relevant to tariffs were received from the Australian Energy Council, Electric Vehicle Council, Evie, Noel Schubert, Synergy, WA Expert Consumer Panel and WACOSS.

The submissions reiterated some matters that were raised in the submissions on the issues paper and raised new matters including:

- Continued concerns that the information provided by Western Power lacks sufficient detail to enable users to make informed decisions and is based on outdated demand and customer forecasts.
- Continued concerns about the proposed increases to fixed charges.
- Some support for the proposed changes to the electric vehicle charging service reference tariff but further work was required on the specific parameters and price points to ensure the tariff can support the rollout of publicly available fast and ultra-fast electric vehicle charging stations.
- Concerns that the proposed changes to the storage service tariffs penalised users for exporting into the grid at times of low network utilisation but did not reward users for exporting at periods of high utilisation.

7 The submissions can be found on the ERA website.

8 Synergy stated it requires at least three months to make system changes and notify customers of the reference tariffs in the new AA5 price list.

5. Draft decision

The ERA commended the efforts Western Power had made to engage with stakeholders to develop its proposed network tariffs. However, the ERA's consideration of Western Power's proposal was hampered by a lack of detailed information and out of date forecasts.

In its initial proposed revised access arrangement, Western Power's tariff structure statement and reference tariff change forecast was contained in two documents:

- Appendix F.1 Tariff Structure Statement Overview
- Appendix F.2 Tariff Structure Statement Technical Summary.

Additional information provided on 30 June 2022 included an indicative price list for 2023/24, additional costing information to demonstrate compliance with the pricing principles in the Access Code and suggested changes to the proposed storage and electric vehicle charging tariffs. Stakeholders and the ERA had limited time to consider this additional information.

As identified in stakeholder submissions, the pricing information was based on outdated forecasts of demand and customer numbers. It also lacked sufficient detail to enable customers to understand the likely effect on their bills over the AA5 period.

Furthermore, the economic outlook had changed significantly since Western Power prepared its proposal. Due to increases in forecast inflation and the weighted average cost of capital, the draft decision noted there were likely to be significant increases in network tariffs over AA5, rather than the small increase contemplated in Western Power's proposal. This had implications for any tariff rebalancing which would need to be mindful of placing further pressure on customers already struggling with affordability.

The draft decision noted that to progress the development of the tariff structure statement and network tariffs, updated and more comprehensive information was required.

Although the 2023/24 price list will not be approved until after the final decision, the ERA noted it was important that customers had sufficient information as early as possible to plan and prepare for the new tariffs that commence on 1 July 2023.[9] The ERA considered that Western Power should include indicative tariffs for 2023/24 for all reference services in its response to the draft decision.

The ERA noted it intended to engage further with Western Power and stakeholders on the matters identified in the draft decision prior to Western Power lodging its revised proposal in November.

Draft decision required amendment 1

Western Power must:

- Update the cost allocation and forecast revenue for each reference tariff to reflect the most recent actual and forecast energy and customer numbers and revised target revenue.

[9] Western Power is required to submit the price list for the 2023/24 year within 15 business days after the final decision is published. The ERA must, within 15 business days from the date Western Power submits its proposed price list, publish an approved price list including any amendments it has made if relevant. The approved price list takes effect from a date specified by the ERA, provided that the date is at the commencement of the pricing year to which the price list relates unless the ERA considers there are circumstances that reasonably justify a departure from such a date. For the 2023/24 price list, the pricing year commences on 1 July 2023.

- Provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews. This should include clear demonstration that the pricing principles and other Access Code requirements have been met.
- Include sufficient detail in the reference tariff change forecast so that customers can understand how much individual components of the tariff are forecast to change and the likely effect on customers with a range of consumption profiles. The reference tariff change forecast must include all reference tariffs (including the proposed new tariffs) and the forecast overall change in reference tariffs.

Further specific matters considered in the draft decision are set out below.

5.1 Rebalancing between fixed and variable

Western Power proposed changes that affect the balance between fixed and variable charges.

Western Power considered that its current variable on-peak prices are higher than its estimate of long run marginal cost. It considered it can increase pricing efficiency by reducing on-peak prices. Consequently, Western Power proposed to reduce variable energy charges in line with its estimate of long run marginal cost and increase fixed charges to recover the total revenue required.

Under section 7.6 of the Access Code, the incremental cost of service provision should be recovered by tariff components that vary with usage or demand and the remaining costs should be recovered by tariff components that do not vary with usage or demand, unless an alternative method would better achieve the Access Code objective. In the additional information provided on 30 June, Table B.4 indicated that the forecast revenue from variable tariffs based on the indicative 2023/24 price list, would be higher than the incremental cost of service for all reference services except streetlights.

Stakeholder submissions raised concerns about the proposed rebalancing. The concerns included both whether it was economically efficient to do so and the impact it would have on customer bills.

The Expert Consumer Panel (ECP) considered that Western Power could reform its tariffs to better reward customers for flexible energy use, and better align pricing structures with network cost drivers, without resorting to higher fixed charges which create affordability risks for consumers. The ECP considered that increasing the fixed charges is not in the long-term interests of consumers because the fixed charge is an ineffective, inefficient charge that customers cannot respond to, to help lower forward-looking long-run network costs as well as customer bills.

In its initial proposal, Western Power's proposed rebalancing between fixed and variable charges resulted in no net change to the average customer bill. However, WACOSS highlighted the possibility that for those who are consuming the least amount of electricity, which could include people who are consuming less than what is necessary for good health and wellbeing, an increase in the fixed component could result in them paying more than what they already do. WACOSS considered an increase in fixed charges undermines the capacity for consumers to manage their bills by reducing electricity use. WACOSS considered further analysis of the effect on consumers needed to be undertaken.

As outlined above, at the time of the draft decision, the economic outlook had changed significantly since Western Power prepared its proposal. The draft decision indicated there

were likely to be significant increases in network tariffs over AA5, rather than the small increase contemplated in Western Power's initial proposal. The ERA considered this increased the need to take a cautious approach on rebalancing between fixed and variable charges and the effect it had on customer affordability.

Also, as highlighted in submissions, increasing the fixed charges may reduce the ability to send price signals about network usage through the time of use prices.

To progress this matter, the ERA considered Western Power needed to provide an updated cost allocation, including its estimate of incremental costs, and rebalancing proposal. The ERA considered Western Power should take account of the matters raised in the submissions and, to the extent that it considered rebalancing was still required, develop a more gradual transition with sufficient detail so that stakeholders could understand any rebalancing it was proposing over the AA5 period and the effect this would have on customers with a range of consumption profiles.

Draft decision required amendment 2

Update the cost allocation and proposed rebalancing between fixed and variable charges taking account of stakeholder concerns to develop a more gradual transition. This must include sufficient detail so that stakeholders can understand any rebalancing that is proposed over the AA5 period and the effect it will have on customers with a range of consumption profiles.

5.2 Time of use tariffs

The draft decision noted that tariffs based on time of use periods were becoming increasingly important as demand patterns across the day change. In the past, peak periods were the main driver of network costs. More recently, low demand periods had become a driver of network costs.

In the framework and approach it was decided that time of use services should be based on the following time periods:

- Super off-peak – 9am to 3pm
- Peak – 3pm to 9pm
- Shoulder – 6am to 9am and 9pm to 11pm
- Off-peak – all other times.

Western Power's initial proposed tariffs were based on the time of use periods decided on in the framework and approach.

To transition from the existing time of use tariffs, Western Power proposed to continue to provide the existing time of use tariffs if the services were provided at the relevant connection points as at the AA5 effective date and those services continued to be provided from the AA5 effective date. However, as at the AA5 effective date, the current time of use services would be closed for new nominations and existing connection points under those services would transition to the new time of use services over time as users transitioned connection points to alternative services.

The ERA agreed this was a reasonable approach to transition away from the existing time of use periods that no longer reflected network usage patterns.

Some stakeholders expressed concern that the proposed new time of use reference tariffs were higher than the existing time of use reference tariffs. The ERA noted that updated pricing information based on current forecasts of demand and customer numbers was needed to understand whether this was actually the case.

The ERA considered the difference may have been because the existing tariffs are not cost reflective, in which case it was entirely appropriate that the tariffs are discontinued. Synergy's analysis suggested some of the difference was due to the fact that the new time of use periods applied seven days a week, whereas the existing time of use tariffs generally treated weekends and public holidays as off-peak periods. The ERA noted that Western Power may wish to give further consideration to whether the tariffs for peak and shoulder periods on weekends should be at the same level as weekdays.

5.3 Demand based tariffs

The framework and approach required Western Power to include demand-based time of use services for residential and commercial customers.

Western Power did not include reference tariffs for either of these services in the proposal submitted on 1 February. In the additional information submitted on 30 June, it included a demand-based time of use reference tariff for commercial customers.

Stakeholder submissions indicated that demand-based time of use tariffs were being sought for both residential and commercial customers.

Draft decision required amendment 3

Demand-based time of use tariffs must be included for residential and commercial customers. The time of use periods must be consistent with the super off-peak tariffs.

5.4 Electric vehicle charging stations

Western Power initially proposed a tariff structure consistent with its existing metered demand tariffs (RT5 and RT6). This comprised:

- A fixed, daily charge for access to the network based on the rolling 12 month maximum half-hour demand, which was eligible for an energy use related discount.
- A variable demand based charge that applied to the rolling 12 month maximum half-hour demand in excess of pre-determined demand thresholds, which was eligible for an energy use related discount.
- A variable charge applied to the electrical distance between the relevant connection point and the closest zone substation, which varied by reference to the measured electrical distance and the rolling 12 month maximum half-hour demand.
- A fixed, daily metering charge that reflected the metering reference service provided to those customers.

Stakeholder submissions did not support this approach and considered it would result in tariffs that would not facilitate the roll out of public electric vehicle charging infrastructure. As noted in the Electric Vehicle Council submission, balancing the requirements of commercial viability for charging operators with the operational requirements of the energy networks is challenging.

In the additional information provided on 30 June, Western Power suggested a tariff that it considered could be used to gradually transition dedicated electric vehicle charging infrastructure from volumetric (time of use) to demand based charges over time.

It was a sliding-scale based tariff consisting of both time of use and demand charges that vary with utilisation, with the following three charging components:

- A fixed daily or monthly network access charge ($/time period).
- A two-tiered time-of-use-based component (c/kWh) that stepped down with increased utilisation:
  - An on-peak period rate operating from 3:00 pm to 9:00 pm.
  - An off-peak rate operating between 9:00 pm and 3:00 pm the following day.
- A demand-based component ($/kW) for the highest 30-minute demand in a month within the on-peak period only that stepped up with utilisation. There were three steps: 0-10%, 10-20% and 20-30%.

‘Utilisation” was defined as the proportion of intervals over a billing period that exceeded a defined threshold.

Stakeholder submissions indicated support for such an approach but considered further work was needed on the price points, utilisation rates and other charging elements of the tariff. This included ensuring that electric vehicle charging stations could access an energy only tariff equivalent to that paid by other commercial businesses.

The ERA agreed with stakeholders that the suggested new tariff for electric vehicle charging services had greater potential than the tariff included in Western Power’s initial proposal to facilitate the roll out of public electric vehicle charging infrastructure. The ERA considered the points raised in submissions on the suggested new tariff provided helpful suggestions and challenges. The ERA considered Western Power should take account of the matters raised in the submissions to refine and improve the tariff.

Draft decision required amendment 4

Modify the proposed tariff for electric vehicle charging reference services to take account of the matters raised in the stakeholder submissions received by the ERA.

5.5 Grid connected storage

Western Power initially proposed the following tariffs for distribution connected storage services:

- Distribution storage service tariffs for low voltage and high voltage connections in the form of metered demand and contract maximum demand consistent with the existing tariff structures applying to connections at the same level of the network.
- No charge for distribution-connected storage systems for exporting energy into the grid consistent with the existing tariff structures applying to bi-directional distribution-connected customers. Western Power noted this reflected its aim to encourage the uptake of storage systems and its preference for a customer-led, demand-side solution to address the costs that may arise from customer exports.

The Chamber of Minerals and Energy welcomed the exclusion of charges for distribution connected-storage systems for exporting energy into the grid.

In the additional information provided on 30 June, Western Power suggested changing the proposed structure. It suggested a volumetric (bi-directional) time-of-use structure to signal batteries not to charge from the network during peak and shoulder periods and not to discharge during periods of low network load.

The proposed components were as follows:

- Energy consumed from the network
  - A fixed daily network access charge ($/day)
  - A time-of-use based variable component (c/kWh):
    - Super off-peak – 9am to 3pm
    - Peak – 3pm to 9pm
    - Shoulder – 6am to 9am and 9pm to 11pm
    - Off-peak – all other times.
- Energy exported into the network
  - A stepped demand charge for exports ($/kW) based on the relevant band with the highest level of energy exported into the network during the super off-peak period in the month, with the:
    - Band 1 rate applying to the first 3 kW exported
    - Band 2 rate applying to all kW exported above 3 kW.
  - Network charges would be close to zero for exports during off-peak, shoulder and peak periods.

Synergy considered the tariff penalised users for exporting into the grid at times of low network utilisation but did not reward users for exporting at periods of high utilisation. It considered the export charge should be removed or Western Power should pay users for exporting during periods of high network utilisation. Synergy also considered users should not be restricted to the storage tariff and should be able to choose from other tariffs.

For transmission connected storage services, Western Power initially proposed a tariff in the form of contract maximum demand consistent with the existing transmission exit and entry services.

Alinta's submission noted that the AEMC had decided that transmission storage owners should negotiate network charges so that charges could reflect the locational costs to serve. Alinta agreed with the principle that whether a given storage asset benefits the network should be the key factor determining whether it pays transmission charges but was concerned that negotiated charges could lead to inconsistent results and barriers to entry.

Under the Access Code framework, users can negotiate services, so the reference service just provides a starting point for such negotiations.

In the additional information provided on 30 June, Western Power stated it would be seeking stakeholder feedback on adopting a tariff structure similar to its suggested new tariff structure for distribution connected storage. It noted that transmission connected storage was more complex than distribution connected storage and that it would continue to engage with stakeholders to develop its response to the draft decision.

Only Synergy commented on the transmission connected storage tariff. Similar to its views on the distribution storage tariff, it considered the export charge should be removed or Western

Power should pay users for exporting during periods of high network utilisation. It also considered users should be able to select from other reference tariffs.

The ERA considered Western Power had made a good start to developing tariffs for storage services. Further consideration of the matters raised in submissions and engagement with stakeholders was needed to refine the proposed tariffs.

Draft decision required amendment 5

Consider the stakeholder feedback received and engage further with stakeholders to refine the proposed storage tariffs.

6. Western Power's revised proposal

In its revised proposal, Western Power states it has:

- Amended the revised proposed access arrangement to include the most recent forecast energy and customer numbers for the AA5 period.
- Amended the tariff structure statement to include:
  - The allocation of target revenue to individual reference tariffs (section 4)
  - Tariff structures and charging parameters (section 6)
  - A compliance checklist (section 9).
- Amended the reference tariff change forecast set out in the tariff structure statement overview to provide a summary of the expected percentage changes of the fixed and variable components (in aggregate) of each reference tariff for each year of AA5. It notes it did not provide a breakdown of the expected tariff change forecast for each variable charging parameter for each reference tariff (as required in the draft decision) because it did not consider this information would be useful to consumers. It considered there would be a lack of visibility of the potential impact on customer bills as it will vary markedly depending on consumption profiles.
- Included the expected customer bill impacts over the AA5 period in section 5.5 of the tariff structure statement overview.
- Revised its approach to rebalancing between fixed and variable components (compared with the additional tariff structure information and indicative price list for 2023/24 published on 1 July 2022) in response to stakeholder concerns about the impact of increasing fixed charges too quickly.
  - As set out in the indicative 2023/24 price table, it proposed to increase the fixed component of residential reference tariffs from 89.74 cents per day to 94.9 cents per day in 2023/24 broadly in line with its forecast increase in target revenue in that year, and then remain relatively flat in nominal terms for the remainder of the AA5 period.
  - It notes that the small business reference tariffs are designed for customers of different connection sizes, which is reflected in the magnitude of the fixed charge for each small business reference tariff. It states it proposed a similar approach (to residential tariffs) for small business customer reference tariffs, with the fixed component increasing from 168.46 cents per day to 178.14 cents per day on the anytime energy business reference tariff.
- Added demand-based time of use tariffs for residential and business exit and bi-directional services.
- Engaged with various stakeholders to develop and revise the dedicated EV charging tariff included in the additional tariff structure information and indicative price list published on 1 July 2022.
  - Notes it has maintained a sliding scale of volumetric and demand charges that strikes an appropriate balance between:
    - Supporting EV charging stations during the initial uptake of EVs, when their utilisation is low.
    - Ensuring that EV charging stations make a fair contribution to the recovery of network costs as their utilisation increases (that is, a contribution commensurate with that of other customers that impose similar costs on the

network, particularly as a result of their high demand, which has the potential to exacerbate coincident peak network demand in a small, isolated electricity network like the SWIS).

  - Notes it has revised elements of the network utilisation factor used in the new tariff to provide strong support to EV charging stations during this access arrangement period. It states this has been achieved by increasing the demand threshold and exempting the super off-peak period between 9am and 3pm from the calculation of network utilisation. To further incentivise the deployment of EV charging infrastructure over AA5, Western Power proposes to exempt users from paying for capacity charges when their use of the network is low. Capacity charges will be incurred only after a charging site use of the network exceeds a defined threshold.

- Considered the feedback received from stakeholders on the proposed distribution connected storage tariffs.
  - Western Power proposes not to include default rewards for distribution connected storage services that export energy during the evening peak, as suggested by stakeholders. This is because of the very low level of avoidable costs in the evening peak period, as reflected in Western Power's very low estimate of Long Run Marginal Cost (LRMC). It notes the conversion of its import LRMC into a peak export reward would result in a reward of only $0.01 per kWh for exports during the on-peak period, which is unlikely to precipitate a change in a distribution-connected battery's behaviour – the objective of any export reward – and will outweigh the transaction costs of implementing such an arrangement.
  - Following feedback on its initial tariff structure statement, Western Power engaged with stakeholders and has developed a revised tariff structure for transmission connected storage that is similar to the tariff structure applying to transmission-connected generators (rather than transmission-connected loads as it had initially proposed).
  - Western Power states that its proposed new tariff for transmission-connected storage comprises multiple, location specific and cost -reflective prices, and is individually calculated for each customer.
  - Western Power notes this tariff structure is distinct from that applying to distribution-connected storage because of the fundamentally different circumstances that apply on the transmission network, that is:
    - low load events do not occur on the transmission-network, such that additional imports in the middle of the day do not avoid future network costs, which negates the need for a solar soak period.
    - transmission-connected generators/storage are connected upstream from the distribution assets that can become constrained during times of peak demand.
  - Western Power considers the absence of the various charging windows that apply to distribution-connected storage also provide more flexibility for transmission-connected storage providers to enter contracts with AEMO to provide essential system services and to respond freely to those wholesale market signals.

As discussed elsewhere in this final decision, the revenue model submitted with Western Power's revised proposal on 14 November contained errors that resulted in forecast target revenue and price increases being understated. Consequently, the tariff structure statement submitted with the revised proposal, also contained incorrect prices and forecast price changes.

Western Power submitted a corrected target revenue model on 18 January 2023. It also submitted a corrected 2023/24 price list and reference tariff change forecast. However, it did not provide updates of the information provided in the revised proposal on customer bill impacts or the forecast changes to fixed charges.

As described in the next section, stakeholders raised concerns that insufficient information had been provided in the revised proposal on cost allocations, tariff structures and pricing (including rebalancing between fixed and variable). Some stakeholders are concerned that, due to the lack of information provided, they will not have time to implement the new prices on 1 July 2023 and suggest that the commencement date for new prices should be deferred.

In response to those concerns, in its further access arrangement information submitted on 18 January 2023, Western Power included the proposed tariff structures and pricing mechanisms for the new super off-peak time of use energy and demand tariffs, the new EV charging station tariffs and the new storage tariffs. Western Power also noted that EV charging stations are able to access the existing metered demand (RT5 and RT6) and/or contracted demand (RT7 and RT8) reference tariffs in addition to the proposed new EV charging station tariffs.

7. Submissions on the revised proposal and draft decision

Matters raised in submissions received on tariffs have been grouped by topic below.

Provision of information

Synergy considers Western Power's revised proposal has not addressed the required amendment to "… provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews."

Synergy considers the information previously provided in the Price List and Price List Information is critical for users and their customers to understand the business rules and formulas that apply to the calculation of charges under an access contract. The published information also provides the basis to reconcile charges and establish where a user or customer is contractually required to pay charges. It considers the information in the revised proposal and tariff structure statement is insufficient to determine how the charges will be calculated and applied over AA5.

Synergy provides examples of information missing from the indicative price list and tariff structure statement:

- Key formulas and methods in relation to calculating charges and discounts.
- A breakdown of the transmission and distribution billing parameters for each tariff.
- Indicative ancillary service prices.
- Key details of the operation of the various mechanisms under the Price List Information, e.g., the demand reset mechanism for RT5/RT6.
- Details on how the reference tariff change forecast and weighted average annual price change has been calculated.

Synergy considers it is problematic that market participants have not been afforded the required level of transparency as part of the consultation process, as it has limited users' ability to assess WP's proposed network pricing. It asks the ERA to require Western Power to provide this information prior to the ERA's final AA5 decision.

Synergy recommends the ERA require Western Power to amend and resubmit its price list and price list information to the ERA within a reasonable time specified by the ERA and that users be given the opportunity to make submissions to the ERA, informed by the currently missing information, prior to making its final decision.

The Australian Energy Council also considers that Western Power has not provided the same level of information in the price list and price list information included in previous access arrangement reviews. It asks the ERA to ensure that this information is provided in full on or before the final decision.

Dynamic Analysis also considers that Western Power should provide more detail on the proposed tariff structures.

It notes that Western Power's revised proposal appears to have made amendments that provide additional information on allocating costs between tariff classes, and a more gradual transition of rebalancing fixed and variable costs. A key issue for stakeholders is that Western

Power's proposal does not seem very clear on the specific amendments it has made, so it is hard to assess whether the ERA's concerns have been addressed.

Dynamic Analysis recommends that Western Power should devote more resources to developing simpler explanations of the tariff structure process and notes that other networks use infographics to help stakeholders understand the process and concepts.

Rebalancing between fixed and variable and new time of use periods

Synergy considers the revised proposal does not contain details or analysis of how the individual tariff components have been varied so that stakeholders can understand any rebalancing and the effect it will have on customers with a range of consumption profiles.

Synergy is concerned about the proposed prices for existing time of use tariffs (which will be closed to new customers in AA5 and existing customers will transition to the new AA5 super off-peak time of use tariffs):

- It considers WP's revised AA5 proposal has created a situation where, on average, the transitioned tariffs are cheaper than the new super off-peak tariffs.
- It is concerned this approach will not result in existing customers being transitioned to the new tariff.

Synergy requests the ERA review how Western Power has allocated costs and rebalanced prices and ensure that WP's pricing strategy does not create an outcome where the transitioned tariffs are a disincentive to using the new super off-peak tariffs.

The WA Expert Consumer Panel (WA ECP) welcomes the progress Western Power has made to phase out tariffs that provide consumption incentives based on historic demand profiles and introduce new super off-peak tariffs. It considers that, if adopted by consumers, these tariffs can increase the network's capacity utilisation and reduce the need for costly upgrades.

However, it remains concerned that better tariffs will not translate into better outcomes for consumers without significant effort by Western Power, Synergy and other service providers to inform and educate customers about new opportunities to reduce their bills.

The WA ECP considers that encouraging households to change tariffs without providing them sufficient data to calculate the expected cost impact may push more customers into energy debt and disadvantage consumers. It considers that providing time of use data in a simple format which enables customers with low energy literacy to benefit from the data is essential for equity and uptake.

The WA ECP asks the ERA to consider ways in which the requirements and incentives built into AA5 around tariffs can be strengthened to provide better outcomes for customers.

The WA ECP considers there is a need to ensure vulnerable households who have limited ability to shift or reduce their electricity consumption are protected. Fixed charges can make up a considerable portion of the electricity bill in low-income households, and these are the people most likely to need debt assistance to pay their bills. It is concerned that Western Power's estimates of Long Run Marginal Cost (LRMC) are unrealistically low which is distorting the analysis of the justification for increasing the fixed tariff component rather than the variable LRMC-based component (which consumers have an opportunity to manage) of network tariffs.

The WA ECP suggests improvements that could be made to the LRMC estimates (e.g. modelling different demand scenarios including take up of EVs) and that comparisons

should be made with recent capex projects such as the 330kV line to the North Country and the network feeders augmented as a result of last summer's circuit overloads.

The WA ECP considers further clarity is needed about the energy bill impacts for households and small businesses, noting the ERA calculates that prices could rise by more than 7 per cent each year, whereas Western Power forecasts a lower number, based on more optimistic forecasts around load growth. The WA ECP would like to see greater alignment between the ERA and Western Power forecasts to help stakeholders engage with the proposal and consumers plan for the future.

Dynamic Analysis considers that the overall direction of tariff reform is appropriate including lower network prices during the day and higher prices in the evening peak. It considers it is particularly important to implement this reform ahead of the expected increase in electric vehicle charging because it considers that electric vehicles provide the greatest opportunity to lower electricity prices in the long run, provided that customers charge their vehicles in off-peak periods. This is due to the utilization benefits of higher energy sales at times when the network has spare capacity.

Dynamic Analysis considers electric vehicles should be a focus area of networks, regulators and policy makers due to the 'one-off' opportunity to lower network prices over the next 20 to 30 years (if network utilisation is maximised and network augmentation is minimised).

Electric vehicle charging stations

Synergy considers the new electric vehicle charging station service should be bi-directional and that electric vehicle charging stations should be able to access metered demand and contract maximum demand (CMD) tariffs.

Synergy considers Western Power's proposed new tariff is aimed at ensuring network revenue recovery and certainty rather than promoting EV uptake. It considers the tariff should be modified in line with a version Synergy presented on 12 October to Western Power and market participants.

The Australian Energy Council supports the introduction of a dedicated electric vehicle charging service and considers they are a key element of decarbonisation. It asks the ERA to resolve the tariff issues raised by stakeholders as part of its final decision.

Evie acknowledges the strong engagement by Western Power to assist it to understand the operation of the proposed new tariff and the efforts undertaken by Western Power to further improve the design of the tariff.

However, it considers that at this early stage in the development of publicly available electric vehicle charging rates and the low numbers expected during the AA5 period – the most appropriate tariff structure is an energy only tariff set at a level that would produce an energy cost equivalent to that paid by an electric vehicle owner charging at home.

Although Evie does not support any form of demand charge at this stage (because it considers it would make electric vehicle charging stations uneconomic due to low utilisation during the initial uptake of electric vehicles) Evie includes the following comments on Western Power's proposed tariff:

- It does not recognise the ability of EV chargers to offer curtailability (via load management) so can be managed to minimise any adverse impacts on the grid at peak periods and can provide significant network avoided cost benefits that benefit all electricity consumers, not just EV drivers.

- The utilisation approach introduced by Western Power is inappropriate versus the traditional approach of a capacity factor definition and considers it results in WA having the lowest demand threshold in Australia.
- Notes the alternative presented by Synergy is designed to smooth the transitions proposed by Western Power and welcomes Synergy's aim to seek a better tariff design outcome. But considers it would add high cost in the early stages of the rollout and creates complexity.

Evie considers Western Power should be required to work with electric vehicle charging infrastructure providers to introduce appropriate arrangements during AA5 to collect and analyse data from dedicated EV charging sites. This should include assessing the ability to dynamically reduce load on the network (i.e., curtailability) during peak network events. The data and analysis can then be used to develop, in conjunction with the electric vehicle charging infrastructure industry and engaging with both the ERA and Energy Policy WA, a specifically designed cost-reflective tariff (or tariffs) that reflects the special characteristics of electricity demand at electric vehicle charging sites and promotes the efficient use of the grid. The new tariff (or tariffs) can then be included in Western Power's AA6 access arrangement proposal.

Grid connected storage

Synergy considers Western Power's proposed tariff for distribution connected storage penalises users for exporting into the grid at times of low network utilisation but does not reward users for exporting at periods of high utilisation.

Synergy is seeking the following tariff structures:

- Metered demand based on the maximum half-hour demand for a customer, measured between the 3pm – 9pm each day, and applied over a rolling 12-month period.
- Contracted capacity (CMD/DSOC).

In relation to the proposed tariff for transmission connected storage, Synergy considers Western Power's proposed tariff meets its requirement for a contracted capacity (DSOC) tariff but does not consider a single tariff structure modelled on the current transmission generation entry tariff is likely to address user requirements or incentivise the cost effective deployment of transmission storage at scale.

Synergy considers a peak metered demand tariff (based on the maximum half-hour demand for a customer measured between 3pm-9pm each day and applied over a rolling 12-month period) and a time of use demand tariff are also needed for transmission connected storage.

Alinta recognises and appreciates Western Power's work to incorporate feedback on its proposed transmission-connected storage service. It supports the proposed approach of charging storage facilities like generators, noting that this would minimise costs and avoid incentives that may interfere with storage facilities operating in the best interests of the system.

The Australian Energy Council supports the introduction of grid connected storage services and considers they are a key element of decarbonisation and asks the ERA to resolve the tariff issues raised by stakeholders as part of its final decision.

Implementation timeframes for 2023/24 price list

Synergy considers Western Power's tariff structure statement does not contain sufficient detail so that users can implement the necessary operational and system changes in time for the commencement of AA5. Synergy understands that users may not be provided with a draft price list and price list information prior to 31 May 2023. Synergy notes it requires at least 3 months to make system changes and notify customers of the reference service tariffs in the

new AA5 price list. It considers that, unless WP publishes its price list (or a draft price list and price list information) at an earlier date, the date the price list comes into effect should be deferred.

The Australian Energy Council expresses similar concerns to Synergy and considers it is unreasonable that network users should bear the financial risk of not being able to pass through the changed tariffs if they have been given insufficient time to implement the changes.

The Australian Energy Council requests that the ERA require the final 2023/24 price list to be published no later than April 2023 or alternatively for AA5 to commence three months after the approved 2023/24 price list has been published.

Other matters raised in submissions

Alinta considers that the method used by Western Power to establish the annual connection charges for users does not reflect the operating and maintenance costs of the connection and incentivises Western Power to inflate connection capital costs to generate higher operating and maintenance cost payments from customers, which presents a barrier to entry for users seeking connection to the transmission network.

Alinta considers that good industry practice is to apply a percentage to the capital cost of the maintainable items, rather than all capital costs (as Western Power does).

Alinta's submission also includes a number of suggested amendments to tariffs:

- Clarify that rolling demand periods commence when the tariff is effective.
- Align the billing period with the read route so that network and retail charges are aligned.
- Amend reference numbers for proposed new tariffs for consistency with existing tariffs (residential should be odd numbers and commercial should be even numbers).
- Standardise tariff and service names to avoid confusion.
- The variable fees included in section 9 of the price list should be explicitly defined.
- Reduce charges for de-energised sites for customers on rolling demand services.
- Include aged care homes as a voluntary/charitable organisation (so that residential tariffs are applied).

Synergy notes there are material differences between distribution and transmission average tariff increases between Western Power's initial AA5 proposal (February 2022) and Western Power's revised proposal (November 2022). Synergy's submission includes data on what it considers to be is a widening gap between distribution price outcomes and transmission price outcomes from Western Power's initial proposal to Western Power's revised proposal.

Synergy considers there was a material issue where low voltage distribution tariffs were cross-subsidising transmission tariffs in AA4. Given the history of this issue and the size of the transmission capex in AA5 and the markedly different tariff price paths highlighted in Western Power's revised revenue model, Synergy requests the ERA determine and publish in its final decision that there is no cross-subsidy of transmission users by distribution users in AA5.

In addition, Synergy considers that, in circumstances where the user is connected to the distribution network and does not use the transmission network, the tariff should not include transmission costs. It considers this could apply to distribution bi-directional, standalone power system and storage services.

8. Considerations of the ERA

Western Power's tariff structure statement and reference tariff change forecast are contained in two documents in its proposed access arrangement:

- Appendix F.1 Tariff Structure Statement Overview
- Appendix F.2 Tariff Structure Statement Technical Summary.

The ERA has considered these documents against the content required in the Access Code, the pricing principles in the Access Code and the ERA's final decision on the framework and approach published in August 2021.

8.1 Information included

The tariff structure statement must set out the service provider's pricing methods, and must include the following elements:

- The structures for each proposed distribution reference tariff.
- The charging parameters for each proposed distribution reference tariff.
- A description of the approach that the service provider will take in setting each distribution reference tariff in each price list of the service provider during the relevant access arrangement period.

The reference tariff change forecast must set out, for each reference tariff, the service provider's forecast of the weighted average annual price change for that reference tariff for each pricing year of the access arrangement period.

Western Power included a Tariff Structure Statement Overview and Tarff Structure Statement Technical Summary with its access arrangement proposal on 1 February 2022.

On 30 June 2022 Western Power provided additional information that included an indicative price list for 2023/24, additional costing information to demonstrate compliance with the pricing principles in the Access Code and suggested changes to the proposed storage and electric vehicle charging tariffs.

As set out in the draft decision, the additional pricing information provided on 30 June 2022 was based on outdated forecasts of demand and customer numbers. It also lacked sufficient detail to enable customers to understand the likely effect on their bills over the AA5 period.

The draft decision required Western Power to:

- Update the cost allocation and forecast revenue for each reference tariff to reflect the most recent actual and forecast energy and customer numbers and revised target revenue.
- Provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews. This should include clear demonstration that the pricing principles and other Access Code requirements have been met.
- Include sufficient detail in the reference tariff change forecast so that customers can understand how much individual components of the tariff are forecast to change and the likely effect on customers with a range of consumption profiles. The reference tariff

change forecast must include all reference tariffs (including the proposed new tariffs) and the forecast overall change in reference tariffs.

Western Power's revised proposal submitted on 15 November 2022 included an updated Tariff Structure Statement Overview, Tariff Structure Statement Technical Summary and indicative 2023/24 price list.

The revenue model submitted with Western Power's revised proposal on 14 November contained errors that resulted in forecast target revenue being understated. Consequently, the tariff structure statement submitted with the revised proposal, also contained incorrect prices and forecast price changes.

Western Power submitted a corrected target revenue model on 18 January 2023. It also submitted a corrected 2023/24 price list and reference tariff change forecast. However, it did not provide updates of any other information included in the Tariff Structure Statement Overview or Tarff Structure Statement Technical Summary such as customer bill impacts or the forecast changes to fixed charges over the AA5 period.

Taking account of the material submitted with Western Power's revised proposal on 15 November, the further access arrangement information provided on 18 January 2023 and stakeholder submissions, the ERA considers:

- Western Power has updated the cost allocation and forecast revenue for each reference tariff to reflect the most recent actual and forecast energy and customer numbers and revised target revenue and provided forecast changes for all reference tariffs (including the proposed new tariffs) and the forecast overall change in tariffs. However, the update was based on an incorrect target revenue and did not provide information enabling stakeholders to assess whether the update has been undertaken appropriately.
- Western Power did not meet the requirement to provide at least the same level of information on the cost allocation, charging structures and indicative prices that was included in the price list information and price list provided for previous access arrangement reviews. Western Power also did not provide a clear demonstration that all aspects of the pricing principles and other Access Code requirements had been met.
- Western Power did not meet the requirement to include sufficient detail so that customers can understand how much individual components of the tariff are forecast to change and the likely effect on customers with a range of consumption profiles.

Western Power stated that it did not provide a breakdown of the expected tariff change forecast for each variable charging parameter for each reference tariff because it did not consider this information would be useful to consumers. It considered there would be a lack of visibility of the potential impact on customer bills as it will vary markedly depending on consumption profiles. The ERA considers this could have been overcome by Western Power publishing indicative prices for all years so that users could undertake their own calculations to assess changes in bills for different consumption profiles.

The ERA considers the tariff structure statement should be amended to provide sufficient information to enable users to determine how the charges will be calculated and applied over AA5 and the prices and calculations underlying the reference tariff change forecast.

Required Amendment 1

Amend the tariff structure statement to provide sufficient information to enable users to determine how the charges will be calculated and applied over AA5 and the prices and calculations underlying the reference tariff change forecast.

8.2 Pricing principles

The Access Code requires the tariff structure statement to be consistent with the pricing principles set out in Chapter 7 of the Access Code.

With the exception of proposing to adopt LRMC to set variable charges, generally the cost allocation and pricing methods Western Power has proposed are unchanged from those used in AA4 and previous access arrangements. As the pricing principles in the Access Code are relatively unchanged from those that applied for previous access arrangements, the ERA considers it is reasonable to maintain similar methods.

The main change Western Power seems to have made is in relation to the new requirement that each reference tariff must be based on the forward-looking efficient costs of providing the reference service. Prior to the Access Code amendments in September 2020, there was an overall requirement for reference tariffs to recover the forward-looking efficient costs of providing reference services.

Western Power has developed a complex model that it considers calculates the cost of service for each reference service. The ERA has not been able to properly interrogate this model to establish whether the cost allocations are reasonable.[10] The ERA considers further work is needed to refine the model and provide greater transparency to stakeholders about how costs have been allocated.

In the interim, a cautious approach should be taken to transitioning towards more cost reflective tariffs if needed. Western Power has indicated in its tariff structure statement that it will take a gradual approach to any rebalancing. The reference tariff change forecast should provide evidence that this is the case.

Due to the difficulties experienced with poor information provision and errors in models, the ERA does not consider it is feasible to produce an accurate reference tariff change forecast with this final decision. Consequently, the ERA has focussed on estimated prices for 2023/24.

Western Power is required to provide an updated reference tariff change forecast with its 2023/24 price list. The ERA will work with Western Power to ensure that the revised reference tariff change forecast is accurate and fit for purpose.

8.3 Rebalancing between fixed and variable

Western Power's initial proposal included changes that affected the balance between fixed and variable charges. It considered that its current variable on-peak prices were higher than its estimate of long run marginal cost. It considered it could increase pricing efficiency by reducing on-peak prices. Consequently, it proposed to reduce variable energy charges in line

[10] Western Power's tariff model is complex and utilises macros that mask underlying calculations, in addition the ERA has identified errors within the model from the reviews it has undertaken.

with its estimate of long run marginal cost and increase fixed charges to recover the total revenue required.

The draft decision took into account stakeholder concerns about whether the proposed rebalancing was economically efficient and the impact it would have on customer bills.

The Expert Consumer Panel (ECP) considered that Western Power could reform its tariffs to better reward customers for flexible energy use, and better align pricing structures with network cost drivers, without resorting to higher fixed charges which create affordability risks for consumers. The ECP considered that increasing the fixed charges is not in the long-term interests of consumers because the fixed charge is an ineffective, inefficient charge that customers cannot respond to, to help lower forward-looking long-run network costs as well as customer bills.

Western Power's initial proposed rebalancing between fixed and variable charges was forecast to result in no net change to the average customer bill. However, WACOSS highlighted the possibility that for those who are consuming the least amount of electricity, which could include people who are consuming less than what is necessary for good health and wellbeing, an increase in the fixed component could result in them paying more than what they already do. An increase in fixed charges also undermines the capacity for consumers to manage their bills by reducing electricity use. WACOSS considered further analysis of the effect on consumers needed to be undertaken.

Furthermore, as noted in the draft decision, there were likely to be significant increases in network tariffs over AA5, rather than the small increase contemplated in Western Power's initial proposal. The ERA considered this increased the need to take a cautious approach on rebalancing between fixed and variable charges and the effect it has on customer affordability. The ERA was also concerned that increasing the fixed charges would reduce the ability to send price signals about network usage through the time of use prices.

To progress this matter, the draft decision required Western Power to provide an updated cost allocation, including its estimate of incremental costs and rebalancing proposal. The ERA required Western Power to take account of the matters raised in the submissions and, to the extent that it considered rebalancing was still required, develop a more gradual transition with sufficient detail so that stakeholders could understand any rebalancing it was proposing over the AA5 period and the effect it would have on customers with a range of consumption profiles.

In its revised proposal, Western Power states it has revised its approach to rebalancing between fixed and variable components (compared with the additional tariff structure information and indicative price list for 2023/24 provided on 30 June 2022) in response to stakeholder concerns about the impact of increasing fixed charges too quickly.

It referred to the indicative 2023/24 price table included with its revised proposal noting:

- It proposed to increase the fixed component of residential reference tariffs from 89.74 cents per day to 94.9 cents per day in 2023/24 (5.7 per cent increase) broadly in line with its forecast increase in target revenue in that year, and then remain relatively flat in nominal terms for the remainder of the AA5 period.
- It noted that the small business reference tariffs are designed for customers of different connection sizes, which is reflected in the magnitude of the fixed charge for each small business reference tariff. It stated it proposed a similar approach (to residential tariffs) for small business customer reference tariffs, with the fixed component increasing from 168.46 cents per day to 178.14 cents per day on the anytime energy business reference tariff (a 5.7 per cent increase).

As discussed elsewhere, the revised proposal contained errors. Western Power provided an updated indicative 2023/24 price list on 18 January 2023. The amended fixed charges were:

- 94.225 cents per day for residential tariffs (a 5 per cent increase to the current fixed charge)
- 177.722 cents per day for most business energy tariffs (a 5.5 per cent increase to the current fixed charge).
- No information was provided on the level of fixed charges in future years.

Based on the limited information provided, Western Power appears to have abandoned its initial proposal for significant rebalancing between fixed and variable charges. Given the concerns raised by stakeholders and the lack of evidence provided by Western Power to support its LRMC calculation, the ERA considers this is a sensible decision until a more robust approach is developed.

However, section 7.6 of the Access Code states that the incremental cost of service provision should be recovered by tariff components that vary with usage or demand and the remaining costs should be recovered by tariff components that do not vary with usage or demand, unless an alternative method would better achieve the Access Code objective. In the additional information provided on 30 June, Table B.4 indicated that the forecast revenue from variable tariffs based on the indicative 2023/24 price list, is generally higher than the incremental cost of service. As was noted in the AA4 decision, this suggests there may be scope for increases to fixed charges if Western Power proposed to do so in future.

8.4 Time of use tariffs

In the framework and approach it was decided that time of use services should be based on the following time periods:

- Super off-peak – 9am to 3pm
- Peak – 3pm to 9pm
- Shoulder – 6am to 9am and 9pm to 11pm
- Off-peak – all other times.

Western Power's initial proposed tariffs were based on the time of use periods decided on in the framework and approach.

To transition from the existing time of use tariffs, Western Power proposed to continue to provide the existing time of use tariffs if the services were provided at the relevant connection points as at the AA5 effective date and those services continued to be provided from the AA5 effective date. However, as at the AA5 effective date, the current time of use services would be closed for new nominations and existing connection points under those services would transition to the new time of use services over time as users transitioned connection points to alternative services.

The ERA agreed this was a reasonable approach to transition away from the existing time of use periods that no longer reflected network usage patterns.

Some stakeholders expressed concern that the proposed new time of use reference tariffs were higher than the existing time of use reference tariffs. The ERA noted that updated pricing

information based on current forecasts of demand and customer numbers was needed to understand whether this was actually the case.

The ERA considered the difference may have been because the existing tariffs are not cost reflective, in which case it was entirely appropriate that the tariffs are discontinued. Synergy's analysis suggested some of the difference was due to the fact that the new time of use periods applied seven days a week, whereas the existing time of use tariffs generally treated weekends and public holidays as off-peak periods. The ERA noted that Western Power may wish to give further consideration to whether the tariffs for peak and shoulder periods on weekends should be at the same level as weekdays.

In its revised proposal Western Power has not provided any comment on its transitional tariffs for the grandfathered time of use services. Synergy maintains it view that the proposed new time of use reference tariffs are higher than the existing time of use reference tariffs. It is concerned this approach will not result in existing customers being transitioned to the new tariff.

The ERA understands that introducing new time of use tariffs and phasing out old ones is complex and requires judgement in relation to likely demand patterns when setting the different rates. It will take time to transition users on to the new tariffs. In the interim, Western Power should ensure the old time of use rates are set as cost reflectively as possible to remove any potential relative undercharging that may be occurring in the grandfathered tariffs.

8.5 Demand based tariffs

The draft decision required Western Power to include demand-based time of use tariffs for residential and commercial customers as required by the framework and approach.

In its revised proposal, Western Power has added demand-based time of use tariffs for residential and business exit and bi-directional services.

The ERA is satisfied Western Power has complied with the draft decision required amendment and the framework and approach.

8.6 Electric vehicle charging stations

Western Power initially proposed a tariff structure consistent with its existing metered demand tariffs (RT5 and RT6).

Stakeholder submissions did not support this approach and considered it would result in tariffs that would not facilitate the roll out of public electric vehicle charging infrastructure. As noted in the Electric Vehicle Council submission, balancing the requirements of commercial viability for charging operators with the operational requirements of the energy networks is challenging.

In the additional information provided on 30 June, Western Power suggested a sliding-scale based tariff consisting of both time of use and demand charges that varied with utilisation. It considered such a tariff could be used to gradually transition dedicated electric vehicle charging infrastructure from volumetric (time of use) to demand based charges over time.

Stakeholder submissions indicated support for such an approach but considered further work was needed on the price points, utilisation rates and other charging elements of the tariff. This included ensuring that electric vehicle charging stations could access an energy only tariff equivalent to that paid by other commercial businesses.

In the draft decision, the ERA agreed with stakeholders that the suggested new tariff for electric vehicle charging services had greater potential than the tariff included in Western Power's initial proposal to facilitate the roll out of public electric vehicle charging infrastructure. The ERA considered the points raised in submissions on the suggested new tariff provided helpful suggestions and challenges. The ERA considered Western Power should take account of the matters raised in the submissions to refine and improve the tariff.

Prior to submitting its revised proposal, Western Power engaged with stakeholders to develop and revise the dedicated EV charging tariff. In its revised proposal it has:

- Exempted the super off-peak period between 9am and 3pm from the calculation of network utilisation.
- Excluded any intervals where demand is less than 10 kW from the network utilisation calculation.
- Amended the network utilisation percentage bands from 0-10%, 10-20% and 20-30% to 0-15%, 15-25% and greater than 25%.

While stakeholders continue to express support for such an approach, they consider further changes are needed.

Synergy is seeking metered demand and contract maximum demand tariffs. Evie considers that at this early stage of development, the most appropriate form of tariff is a consumption based one. Western Power has confirmed that existing metered demand, contract maximum demand and business energy tariffs can be accessed by EV charging stations.

Taking account of other matters raised in submissions and changes that would further encourage EV charging to avoid peak periods and maximise low demand periods the ERA considers the following changes should be made:

- Only include the peak demand period (3pm to 9pm) in the utilisation calculation.
- Base the energy usage charges on the new super off-peak time periods rather than the proposed time periods of peak (3pm to 9pm) and off-peak (9pm to 3pm).
- Modify the percentage bands to be consistent with the initial proposed maximum threshold of 30% and the revised proposed first band of 0-15%.

The development of public EV charging structure is at a very early stage. The ERA considers the proposed new tariff should assist to encourage charging during low demand periods and discourage charging during high demand periods.

However, as expressed by Evie, Western Power will need to work with electric vehicle charging infrastructure providers during AA5 to collect and analyse data from dedicated EV charging sites. The data and analysis can then be used to further develop, in conjunction with the electric vehicle charging infrastructure industry and engaging with both the ERA and Energy Policy WA, tariffs that reflect the special characteristics of electricity demand at electric vehicle charging sites and promote the efficient use of the grid.

Required Amendment 2

Amend the proposed EV charging tariff as follows:

- Only include the peak demand period (3pm to 9pm) in the utilisation calculation.
- Base the energy usage charges on the new super off-peak time periods.
- Amend the utilisation percentage bands to 0-15%, 15-30% and greater than 30%.

8.7 Grid connected storage

Western Power initially proposed the following tariffs for distribution connected storage services:

- Distribution storage service tariffs for low voltage and high voltage connections in the form of metered demand and contract maximum demand consistent with the existing tariff structures applying to connections at the same level of the network.
- No charge for distribution-connected storage systems for exporting energy into the grid consistent with the existing tariff structures applying to bi-directional distribution connected customers. Western Power noted this reflected its aim to encourage the uptake of storage systems and its preference for a customer-led, demand-side solution to address the costs that may arise from customer exports.

For transmission connected storage services it proposed a tariff in the form of contract maximum demand consistent with the existing transmission exit service.

In the additional information provided on 30 June, Western Power suggested changing the proposed structure:

- For distribution connected storage, Western Power suggested a volumetric (bi-directional) time-of-use structure to signal batteries not to charge from the network during peak and shoulder periods and not to discharge during periods of low network load.
- For transmission connected storage, Western Power stated it would be seeking stakeholder feedback on adopting a tariff structure similar to its suggested new tariff structure for distribution connected storage. It noted that transmission connected storage was more complex than distribution connected storage and that it would continue to engage with stakeholders to develop its response to the draft decision.

Stakeholder feedback on the storage tariffs proposed on 30 June generated a variety of views. The draft decision required Western Power to give further consideration to the matters raised in submissions and engage with stakeholders to refine the proposed tariffs.

In its revised proposal, Western Power has:

- Included a distribution storage tariff structure in line with the structure it proposed on 30 June 2022.
- Developed a revised tariff structure for transmission connected storage that is similar to the tariff structure applying to transmission-connected generators (rather than transmission-connected loads as it had initially proposed).

In relation to distribution connected storage, Synergy states it is seeking a metered demand and contract maximum demand tariff. Western Power has confirmed users can access the existing metered demand and contract maximum demand tariffs.

In relation to the proposed tariff for transmission connected storage, Synergy considers Western Power's proposed tariff meets its requirement for a contracted capacity tariff. However, it considers a peak metered demand tariff and a time of use demand tariff are also needed for transmission connected storage.

Alinta supports the proposed approach of charging storage facilities like generators, noting that this would minimise costs and avoid incentives that may interfere with storage facilities operating in the best interests of the system.

Taking account of the information provided by Western Power and stakeholder submissions, the ERA considers the storage service tariff structures included in Western Power's revised proposal are a good starting point for storage tariffs.

The ERA expects further developments will be needed as the role of storage and quantity of storage develops and expands. It expects Western Power will continue to engage with stakeholders to develop different tariffs if needed and that these can initially be provided as a non-reference service if necessary.

8.8 Implementation time frames for 2023/24 price list

Stakeholders expressed concerns about not having sufficient time to implement new tariffs by 1 July 2023.

The timing of the access arrangement process and price list is set out in the Access Code. The ERA has delivered its final decision by the required deadline of 31 March 2023. The Access Code requires Western Power to submit its price list to the ERA by 26 April 2023 and the ERA must approve it by 17 May 2023. In the past, annual price lists have typically been submitted in April and approved in May.

The ERA agrees users would have benefitted from Western Power providing more detailed information on its proposed prices during the access arrangement review. This was compounded by significant changes in economic conditions between the time Western Power prepared its proposal and the draft decision was published. It was also not helpful that Western Power's forecast price increases in its revised proposal were understated due to errors in its target revenue model.

Most of Western Power's tariff structures are unchanged from AA4. The most significant change is the new super off-peak time of use tariffs. The time periods for those tariffs has been known since the ERA published the framework and approach in August 2021. The proposed new services and tariffs will require more work by retailers to implement them. However, the number of customers eligible for the new tariffs is currently very small.

The ERA will be discussing the process with Western Power and Energy Policy WA to ensure that the next access arrangement review includes tighter requirements for Western Power to provide accurate and detailed pricing information during the access arrangement review.

8.9 Other matters raised in submissions

Alinta's submission included a recommendation for ensuring connection charges reflect efficient operating and maintenance costs. The ERA agrees and has included a requirement for Western Power to amend the method in its tariff structure statement.

The ERA referred Alinta's suggested amendments to Western Power as some of them fell outside the scope of the access arrangement.

In relation to the concerns raised in Synergy's submission that low voltage distribution tariffs are cross subsidising transmission tariffs, the ERA is not aware of any evidence to support that view.

Synergy considers that charges for standalone power systems and distribution connected storage should not include transmission network costs. As determined in the framework and approach, standalone power systems are captured under the existing exit and bi-directional reference services and pay the same tariffs as those services. In relation to distributed storage devices, as they will be importing energy from the network like any other load, the ERA does not consider they should be treated any differently in terms of network charges.

Required Amendment 3

The annual connection charge for users should be based on a reasonable percentage of the capital cost of maintainable items rather than the full capital cost.

Appendix 1 Extract of relevant provisions from Access Code

Tariff structure statement and reference change forecast are defined in section 1.3 of the Access Code as follows:

> "**tariff structure statement**" means, for a service provider, the tariff structure statement referred to in section 7.1A that has been approved by the Authority for that service provider.
>
> "**reference tariff change forecast**" means, for a service provider, the forecast of price changes as referred to in section 7.1D.

Section 7.1A to 7.1C of the Access Code set out the requirements for a tariff structure statement:

> 7.1A A *tariff structure statement* of a *service provider* of a *covered network* must set out the *service provider's pricing methods*, and must include the following elements:
>
> (a) the structures for each proposed *distribution reference tariff*;
>
> (b) the *charging parameters* for each proposed *distribution reference tariff*; and
>
> (c) a description of the approach that the *service provider* will take in setting each *distribution reference tariff* in each *price list* of the *service provider* during the relevant *access arrangement period* in accordance with sections 7.2 to 7.12.
>
> 7.1B A *tariff structure statement* must comply with:
>
> (a) the *pricing principles*; and
>
> (b) any applicable *framework and approach*.
>
> 7.1C A *network service provider* must comply with the *tariff structure statement* approved by the Authority and any other applicable requirements in this Code when the *service provider* is setting the *reference tariffs* for *reference services*.

Pricing methods are defined in section 7.1 of the Access Code as follows:

> 7.1 In this Code "**pricing methods**" means the structure of reference tariffs included in the tariff structure statement, which determines how target revenue is allocated across and within reference services.

Pricing principles is defined in section 1.3 of the Access Code as follows:

> "**pricing principles**" means the requirements set out in sections 7.3D to 7.3J.

Section 7.1D describes the reference tariff change forecast:

> 7.1D A *tariff structure statement* must be accompanied by a *reference tariff change forecast* which sets out, for each *reference tariff*, the *service provider's* forecast of the weighted average annual price change for that *reference tariff* for each *pricing year* of the *access arrangement period*.

As required under section 7.1A(c), the approach the service provider takes to set prices must be in accordance with sections 7.2 to 7.12 of the Access Code.

Section 7.2 sets out the form of pricing methods.

> 7.2 A *tariff structure statement* may contain any *pricing methods* provided they collectively meet the objectives set out in sections 7.3 and 7.4 and otherwise comply with this Chapter 7.
>
> {Examples:
>
> The *pricing methods* may result in *tariffs* which distinguish between:

voltage levels; and

classes of *users* or *users* by reference to their *end-use customers*.

The *pricing methods* may result in *tariffs* which relate to specific *connection points*, and may result in *tariffs* which involve a combination of fixed and variable amounts related to one or more of the following elements:

demand levels (maximum kW or kVA per period);

energy quantities involved (kWh or kVAh per period); and

time of use.

If the *pricing methods* use quantities in determining tariffs, they may use minimum, maximum or actual quantities.}

Section 7.3 sets out the pricing objective:

7.3 Subject to sections 7.3K, 7.7 and 7.12, the *pricing methods* in a *tariff structure statement* must have the objective (the "**pricing objective**") that the *reference tariffs* that a *service provider* charges in respect of its provision of *reference services* should reflect the *service provider's* efficient costs of providing those *reference services*.

Sections 7.3A to 7.3C set out the application of the pricing principles.

7.3A Subject to sections 7.3B, 7.3K, 7.7 and 7.12, a *service provider's reference tariffs* must comply with the *pricing principles* set out in sections 7.3D to 7.3J.

7.3B Subject to section 7.3K, a *service provider's reference tariffs* may not vary from the *reference tariffs* that would result from complying with the *pricing principles* set out in sections 7.3D to 7.3H, except to the extent necessary to give effect to the *pricing principles* set out in sections 7.3I to 7.3J.

7.3C A *service provider* must comply with section 7.3A in a manner that will contribute to the achievement of the *pricing objective*.

Sections 7.3D to 7.3L set out the pricing principles:

7.3D For each *reference tariff*, the revenue expected to be recovered must lie on or between:

(a) an upper bound representing the *stand-alone cost of service provision* for *customers* to whom or in respect of whom that *reference tariff* applies; and

(b) a lower bound representing the avoidable cost of not serving the *customers* to whom or in respect of whom that reference tariff applies.

7.3E The *charges* paid by, or in respect of, different *customers* of a *reference service* may differ only to the extent necessary to reflect differences in the *average cost of service provision* to the *customers*.

{Examples of factors which may result in the *charges* paid by different *customers* of a *reference service* differing from each other, include:

the quantities of *reference service* supplied or to be supplied; or

a *customer's* time pattern of *network* usage; or

the technical characteristics or requirements of the *facilities and equipment* at the relevant *connection point*; or

the nature of the plant or equipment required to provide the *reference service*; or

the periods for which the *reference service* is to be supplied; or

subject to section 7.7, a *customer's* location.}

7.3F The structure of *reference tariffs* must, so far as is consistent with the *Code objective*, accommodate the reasonable requirements of *users* collectively and *end-use customers* collectively.

{Example: *Customers* may prefer more of the *average cost* of *service provision* to be recovered using *tariff* components that vary with usage or demand than might otherwise be the case under section 7.6.}

7.3G Each *reference tariff* must be based on the forward-looking efficient costs of providing the *reference service* to which it relates to the *customers* currently on that *reference tariff* with the method of calculating such cost and the manner in which that method is applied to be determined having regard to:

(a) the additional costs likely to be associated with meeting demand from *end-use customers* that are currently on that *reference tariff* at times of greatest utilisation of the relevant part of the *service provider's network*; and

(b) the location of *end-use customers* that are currently on that *reference tariff* and the extent to which costs vary between different locations in the *service provider's network*.

7.3H The revenue expected to be recovered from each *reference tariff* must:

(a) reflect the *service provider's* total efficient costs of serving the *customers* that are currently on that *reference tariff*;

(b) when summed with the revenue expected to be received from all other *reference tariffs*, permit the *service provider* to recover the expected revenue for the *reference services* in accordance with the *service provider's access arrangement*; and

(c) comply with sections 7.3H(a) and 7.3H(b) in a way that minimises distortions to the price signals for efficient usage that would result from *reference tariffs* that comply with the *pricing principle* set out in section 7.3G.

7.3I The structure of each *reference tariff* must be reasonably capable of being understood by *customers* that are currently on that *reference tariff*, including enabling a *customer* to predict the likely annual changes in *reference tariffs* during the *access arrangement period*, having regard to:

(a) the type and nature of those *customers*;

(b) the information provided to, and the consultation undertaken with, those *customers*.

7.3J A *reference tariff* must comply with this Code and all relevant *written laws* and *statutory instruments*.

7.3K Despite sections 7.3D to 7.3H, a *reference tariff* may include a component, applicable where a *user* exceeds its contractual entitlements to transfer electricity into or out of the *network* at a *connection point*, which component is not set by reference to the *service provider's* costs, but instead is set at a level to act as a disincentive to the *user* exceeding its contractual entitlements. Such component should be determined having regard to the following principles:

(a) the component must be set at a level which provides a material disincentive to the *user* transferring into or out of the *network* quantities of electricity above its contractual entitlements; and

(b) in determining that level, regard is to be had to the potential adverse impact on the *network*, other *customers* and *generators*, and the *service provider* of the *user* transferring into or out of the *network* quantities of electricity above its contractual entitlements.

7.3L Unless otherwise determined by the *Authority*, section 7.3K does not apply to *connection points* servicing *end use customers* with a contract maximum demand not exceeding 1 MVA or *end use customers* with solar photovoltaic *generating plant* not exceeding 1 MVA in capacity.

Section 7.6 of the Access Code provides guidance for establishing components of tariffs:

> 7.6 Unless a *tariff structure statement* containing alternative *pricing methods* would better achieve the *Code objective*, and subject to section 7.3K, for a *reference service*:
>
> (a) the incremental cost of service provision should be recovered by *tariff* components that vary with usage or demand; and
>
> (b) any amount in excess of the incremental cost of service provision should be recovered by *tariff* components that do not vary with usage or demand.

Section 7.7 of the Access Code requires that tariffs be established as "postage stamp" charges in certain cases as follows:

> 7.7 The *tariff* applying to a *standard tariff user* in respect of a *standard tariff exit point* must not differ from the *tariff* applying to any other *standard tariff user* in respect of a *standard tariff exit point* as a result of differences in the geographic locations of the *standard tariff exit points*.[11]

Section 7.8 of the Access Code defines "equivalent tariff" for the purposes of sections 7.9 and 7.10 of the Access Code:

> 7.8 In sections 7.9 and 7.10, "**equivalent tariff**" means:
>
> (a) for a *reference service* – the *reference tariff*; and
>
> (b) for a *non-reference service* – the *tariff* that it is reasonably likely would have been set as the *reference tariff* had the *non-reference service* been a *reference service*.

Section 7.9 of the Access Code provides for "prudent discounts" to be made available to some users:

> 7.9 If a *user* seeks to implement initiatives to promote the economically efficient investment in and operation of the *covered network*, a *service provider* must reflect in the *user's tariff*, by way of a discount, a share of any reductions in either or both of the *service provider's capital-related costs* or *non-capital costs* which arise in relation to the initiative by:
>
> (a) by entering into an agreement with a *user* to apply a discount to the equivalent *tariff* to be paid by the *user* for a *covered service*; and
>
> (b) then, recovering the amount of the discount from other *users* of *reference services* through *reference tariffs*.

Section 7.10 of the Access Code provides for discounts for users connecting distributed generation plant:

> 7.10 If a *user* seeks to *connect distributed generating plant* to a *covered network*, a *service provider* must reflect in the *user's tariff*, by way of a discount, a share of any reductions in either or both of the *service provider's capital-related costs* or *non-capital costs* which arise as a result of the *entry point* for *distributed generating plant* being located in a particular part of the *covered network* by:
>
> (a) entering into an agreement with a *user* to apply a discount to the equivalent *tariff* to be paid by the *user* for a *covered service*; and
>
> (b) then, recovering the amount of the discount from other *users of reference services* through *reference tariffs*.

[11] Standard tariff user is defined as a user who transfers electricity out of a network at a standard tariff exit point. A standard tariff exit point is defined as an exit point in respect of which the contracted maximum demand under a contract for services is less than 1 MVA.

Section 7.11 of the Access Code requires an access arrangement to include a detailed policy setting out how discounts under sections 7.9 and 7.10 will be implemented:

> 7.11 An *access arrangement* must contain a detailed policy setting out how the *service provider* will implement:
>
> (a) if the *service provider* so chooses – section 7.9; and
>
> (b) section 7.10,
>
> including a detailed mechanism for determining when a *user* will be entitled to receive a discount and for calculating the discount to which the *user* will be entitled.

Section 7.12 of the Access Code requires that the value of any tariff equalisation contributions be recovered as a tariff component from users of the distribution network:

> 7.12 If an amount is added to the *target revenue* under section 6.37A and is intended to be recovered from *users* of *reference services* through one or more *reference tariffs*, then the recovery must have the objective of:
>
> (a) applying only to *users* of *reference services* provided in respect of *exit points* on the *distribution system*; and
>
> (b) being equitable in its effect as between *users* referred to in section 7.12(a); and
>
> (c) otherwise being consistent with the *Code objective*.

Chapter 8 of the Access Code sets out the requirements and processes for a service provider to submit price lists to the ERA for approval and for the ERA to approve or not approve a proposed price list.

Under section 8.1(a), Western Power is required to submit the price list for the 2023/24 year within 15 business days after the final decision is published. The price list must comply with the requirements of the Access Code, including that it is consistent with the tariff structure statement and reference tariff change forecast approved in the access arrangement.

The requirements for the ERA's approval of the price list are set out in sections 8.3 to 8.5 of the Access Code:

> 8.2 The *Authority* must approve a *price list* if the *Authority* is satisfied that:
>
> (a) the *price list* complies with Chapter 7 and this Chapter 8 and the *service provider's access arrangement*, including any applicable *tariff structure statement*; and
>
> (b) all forecasts associated with the *price list* are reasonable.
>
> 8.3 If the *Authority* determines that a *price list* is deficient:
>
> (a) the *Authority* may require the *service provider*, within 10 *business days* after receiving notice of the determination, to re-submit the *price list* with the amendments necessary to correct the deficiencies identified in the determination and (unless the *Authority* permits further amendment) no further amendment; or
>
> (b) the *Authority* may itself make the amendments necessary to correct the deficiencies.
>
> 8.4 If the *service provider* fails to comply with a requirement under section 8.3, or the resubmitted *price list* fails to correct the deficiencies in the former *price list*, the *Authority* may itself amend the *price list* to bring it into conformity with the requirements of this Chapter 8, the *service provider's access arrangement* and the *service provider's tariff structure statement* for the relevant *access arrangement period*.

8.5 For the purposes of amending a *price list* under section 8.3(b) or section 8.4, the *Authority* may have regard to the forecast price changes for the relevant *pricing year* as set out in any applicable *reference tariff change forecast*.

Under section 8.7 of the Access Code, the ERA must, within 15 business days from the date Western Power submits its proposed price list, publish an approved price list including any amendments made under sections 8.3 or 8.4.

Section 8.11 of the Access Code specifies that the approved price list takes effect from a date specified by the ERA, provided that the date is at the commencement of the pricing year to which the price list relates unless the ERA considers there are circumstances that reasonably justify a departure from such a date. For the 2023/24 price list, the pricing year commences on 1 July 2023.