Economic Regulation Authority

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

Decision overview

31 March 2023

D259011

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Overview

Western Power's fifth access arrangement is being determined during a period of significant change in the energy sector. At the same time, financial conditions are uncertain with high inflation and rising interest rates.

Customers and businesses are changing their behaviour and demanding energy from lower cost, greener sources, as well as generating their own electricity from roof-top solar systems. Government and corporate policies to reduce carbon emissions, including planned closures of coal fired generation, are encouraging storage systems and large-scale wind and solar farms to join the network. With the electricity supply chain traditionally designed around thermal baseload generation, the consequence is an electricity industry undergoing a once in a century transformation.

The electricity network - the mechanism needed to transport a reliable supply of electricity between suppliers and customers – is critical to this transformation and the process of decarbonisation and needs to respond. Western Power faces the challenge of planning, costing and implementing new technologies and responding to more frequent and severe weather events from our changing climate. The scale of the changes underway require fundamental shifts in investment and the ongoing operation of the network.

Western Power has responded to these challenges by developing a modular grid strategy that differentiates the distribution network into three zones. In urban areas, Western Power proposes a tightly meshed network, undergrounded in parts and with operating systems able to support increasing levels of rooftop solar, storage and electric vehicles. At the extremes of the South West Interconnected System, Western Power may disconnect customers from the main network and instead supply them from autonomous microgrids or standalone power systems. Between the metropolitan and regional areas, Western Power proposes to supply customers using a hybrid network comprising mostly overhead poles and wires with microgrids and standalone power systems adopted where necessary as the most efficient means of supplying energy and meeting service standards.

To support this strategy Western Power's proposal included expenditure for digitalising the distribution system, undergrounding the urban network, cyber security, installation of standalone power systems in remote areas and completing the roll out of advanced interval meters.

Over the course of the AA5 review, there has been a significant increase in interest rates and inflation. Western Power's initial proposal was based on a risk-free rate of 1.53 per cent and expected annual inflation of 2 per cent. In contrast, the final decision is based on a risk-free rate of 3.73 per cent and expected annual inflation of 2.6 per cent, reflecting more current market conditions. This has had a bearing on Western Power's weighted average cost of capital and has contributed to an increase in network prices.[1]

The challenge to the ERA in considering Western Power's access arrangement is to ensure that customers are not exposed to excessive costs and risks from the ongoing uncertainty of financial markets and the energy transformation, while also enabling Western Power to be commercially sustainable as a business and fulfil its vital role in supporting the energy sector's transformation over the next five years.

[1] In addition, actual inflation for June 2022 was 6.1 per cent, compared to Western Power's initial forecast of 1.84 per cent.

The ERA published its draft decision on 9 September 2022 and Western Power submitted a revised proposal on 15 November 2022. Western Power accepted many elements of the draft decision but proposed increases to expenditure for transmission and distribution growth, distribution reliability, cyber security, private pole inspections, silicone treatment and insurance.

Stakeholder submissions on the draft decision and revised proposal indicated general support for the draft decision and some concerns about further increases to expenditure. Some stakeholders were also concerned that the level of proposed transmission investment in the access arrangement period was inadequate and would be insufficient to enable transformation at the pace necessary to meet industry requirements.

The State Government is currently working to identify future electricity demand in the South West Interconnected System, the volume of generation required to meet this demand and subsequently the transmission investment required to support ongoing decarbonisation. In its response to the draft decision, Western Power proposed new transmission expenditure for a couple of early projects, in the Eastern Goldfields and North Country, to facilitate the closure of Government-owned coal fired generation.

The work currently underway by the State Government will inform transmission augmentation requirements and Western Power may need to make additional funding requests to the ERA prior to 2027, the final year in this access arrangement period.

This final decision enables Western Power to deliver energy transformation programs at a realistic pace, at efficient cost and ensures customers only pay for the network enhancements Western Power delivers.

In making its final decision, the ERA has:

- Carefully considered Western Power's revised proposal and advice from the ERA's technical consultant on the revised proposal.
- Taken account of stakeholder views on the ERA's draft decision and Western Power's revised proposal.
- Been mindful of the State Government's decarbonisation goals and projects such as advanced metering, standalone power systems and upgrades to the transmission network, that help to achieve these goals.
- Incorporated current market interest rates and forecast inflation.
- Embedded in its decision recognition of the expanded Access Code objective that requires consideration of the environmental consequences of energy supply and consumption.

Total target revenue is $9,099 million for the AA5 period ($123 million higher than the draft decision). The forecast average change in prices for the first price list (2023/24 commencing on 1 July 2023) is about 7 per cent. Prices are forecast to increase by about 7.5 per cent each year for the remainder of the AA5 period, based on current forecast inflation.

Overall, Western Power's initial proposal outlined project initiatives that are consistent with the transformation and ongoing operation and maintenance of the network.

In this final decision, the ERA has included additional operating expenditure for:

- Non-recurring operating expenditure of $24.3 million for Western Power to initially inspect private poles following a High Court ruling in December 2022 confirming Western Power's responsibility for private pole inspections.
- Insurance costs of $43 million to reflect higher premiums due to general insurer concerns around large claims that have arisen in recent years and bushfire risk and climate change.

Overall, the final decision includes operating cost expenditure of $2,047 million for the AA5 period.

The final decision includes additional capital expenditure for:

- Transmission investment ($83.4 million) for network expansion projects identified by the State Government to support the announced closure of coal fired generation. The ERA has included the identified projects in the Investment Adjustment Mechanism to avoid any windfall gain to Western Power if it does not proceed with the projects or to cover any additional efficient costs if required during AA5 to deliver these projects. It is likely the projects will be identified in the next Whole of System Plan as "priority projects". If this does not occur, Western Power will need to demonstrate that the projects maximise the net benefit to consumers after considering all options and meet all aspects of the new facilities investment test.
- Distribution growth ($29.1 million) for upgrades to the distribution network due to an update to the demand forecast to account for heatwaves experienced in late 2021 and early 2022 and changes to market information.
- Distribution reliability ($8.1 million) for a program to replace insulators during 2022/23 in areas currently experiencing poor reliability.
- Regional reliability ($88 million) for Western Power to develop and trial a long-term plan to improve regional reliability.

The final decision also includes capital expenditure for the following major items that are unchanged from the draft decision:

- Expenditure to complete the roll-out of Western Power's advanced metering program over AA5.[2]
- Expenditure for undergrounding overhead power lines in urban areas and installing standalone power systems in regional areas proposed. Both these programs have been included in the Investment Adjustment Mechanism. This provides flexibility so that if Western Power over or under delivers against the activity and approved expenditure, the expenditure variation can be adjusted at the next access arrangement. This ensures that customers are protected by only paying for what Western Power delivers, and that Western Power is fully funded if it delivers the programs efficiently and more quickly.
- Asset replacement and renewal.

Overall, the final decision includes capital expenditure of $3,896 million for the AA5 period.

[2] Under a business-as-usual approach, the program would be completed in AA6. Western Power has proposed to accelerate the program to complete it in AA5.

To ensure Western Power operates efficiently the ERA has retained the 2 per cent productivity factor included in the draft decision that requires Western Power to deliver operating efficiencies consistent with other network operators in Australia.

The Independent Review of Christmas 2021 Power Outages highlighted that some customers, particularly in regional areas are receiving a poor level of service. This is supported by network performance data provided to the ERA by Western Power.

The ERA has spoken directly with regional customers experiencing poor service and what this means to them. Customers said, "Extended power outages for regional communities have multiple impacts, [including] heating and cooling of homes, schools, and businesses."

This engagement also showed that the service standard incentive mechanism in the Access Code is difficult for customers to understand and is a blunt tool to address pockets of poor service.

The draft decision addressed these issues by simplifying the reliability benchmarks and raising the benchmark for rural long feeders to align with the standard prescribed in the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*.

The ERA has maintained this approach in the final decision. In addition, funding has been included for Western Power to develop and trial a strategy to improve regional reliability.

The ERA will also require Western Power to provide more detailed annual reports on its reliability performance in the regions and its plans to improve reliability for those customers.

As required in the draft decision, Western Power has engaged further with stakeholders to develop a new tariff for dedicated electric vehicle charging stations. The new tariff can be used to gradually transition from energy consumption-based charges to demand-based charges over time. It is a sliding scale-based tariff consisting of both energy consumption and demand charges that vary with utilisation.[3] This addresses the issue that low utilisation of the charging station during the initial uptake of electric vehicles can make existing demand-based tariffs unaffordable due to the level of fixed charges. The new tariff also incentivises charging during low demand periods by not counting intervals between 9am – 3pm in the utilisation calculation. Incentivising such behaviour is important to enable better utilisation of the existing network and reduce the need to expand the network to meet demand from electric vehicle charging.

The final decision includes amendments to the applications and queuing policy to facilitate customer connections. Western Power has recently completed a major review of its connection process and has identified initiatives that should reduce current connection times.

Western Power is developing an implementation plan to deliver these changes, which it considers could significantly reduce the time it takes to receive an access offer and commence construction. Western Power considers that should the final decision require it to amend timeframes in the applications and queuing policy this would divert resources towards meeting those timeframes and distract it from developing a better fit-for-purpose approach.

The ERA welcomes the improvements Western Power is seeking to make to its processes and acknowledges that implementing the changes will take time. For that reason, the ERA has not required revised timeframes to the applications and queuing policy in this final

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

decision, however, it is important that Western Power is accountable for reducing connection times.

Consequently, the final decision includes amendments that require regular reporting on current queuing times and improvements to existing processes. This will increase transparency and allow Western Power's progress towards reducing connection times to be monitored.

Following the draft decision, the ERA held a workshop with key stakeholders on matters raised by WALGA on streetlighting services. Subsequent engagement between Western Power and WALGA has resulted in significant progress on some longstanding issues. These improvements have been reflected in the final decision.

Detailed explanations of the matters informing the final decision can be found in this overview document and attachments comprising the final decision.

1. Final decision

The ERA's final decision is to not approve Western Power's revised proposed access arrangement submitted to the ERA on 15 November 2022. A summary of the final decision is contained in section 2 of this document.

The process the ERA has followed is included in section 3 of this document and the detailed reasons for the ERA's final decision are set out in the following attachments, which comprise the final decision:

- Attachment 1 – Price control and target revenue
- Attachment 2 – Regulated asset base
- Attachment 3A – AA4 capital expenditure
- Attachment 3B – AA5 capital expenditure
- Attachment 4 – Depreciation
- Attachment 5 – Return on regulated asset base
- Attachment 6 – Operating expenditure
- Attachment 7 – Other components of target revenue
- Attachment 8 – Services
- Attachment 9 – Service standard benchmarks and adjustment mechanism
- Attachment 10 – Expenditure incentives and other adjustment mechanisms
- Attachment 11 – Network tariffs
- Attachment 12 – Policies and contracts

The amendments the ERA requires to the revised proposed access arrangement are included in the attachments where each relevant element of the access arrangement is considered.

As required under section 4.18 of the Access Code, the ERA has drafted, approved and published its own access arrangement, which is based on the revised proposal submitted by Western Power on 15 November 2022 and amended in accordance with the required amendments set out in this final decision. The reasons for these amendments are also provided in this final decision.

The ERA approved access arrangement is included as Appendix 4 to this decision document. The ERA's amendments are shown in track changes.

Under section 4.26 of the Access Code, the ERA must specify the access arrangement start date, which must be consistent with the Code objective and at least 2 months after publication of the ERA approved access arrangement.

The targeted commencement date set out in section 15.16 of the Access Code was 1 July 2023. As the final decision and ERA approved access arrangement have been published by the dates specified in the Access Code, the ERA considers a start date of 1 July 2023 is consistent with the requirements of section 4.26.

The final decision includes some updated indicative prices for 2023/24, which should assist retailers to plan for implementation of the new 2023/24 price list that is to be submitted by Western Power in April and approved by the ERA in May.

2. Summary of final decision

This section provides an overview of the key matters addressed in the ERA's final decision. This summary is not intended as a comprehensive statement of the ERA's reasons. The ERA's detailed reasons are set out in the attachments comprising this final decision.

2.1 Target revenue

Although the ERA has reduced the expenditure sought by Western Power, the ERA's final decision on target revenue is higher than initially proposed by Western Power. This is due to changed economic conditions since Western Power submitted its proposal on 1 February 2022.

Western Power's initial proposal was developed in 2021 in a low interest rate environment. Those market conditions resulted in a weighted average cost of capital (WACC) that was forecast to be lower than during AA4.[4] In addition, Western Power's proposal was based on forecast inflation of 1.84 per cent for June 2022 and annual inflation of 2.03 per cent during AA5.

Actual inflation for June 2022 was 6.1 per cent (4.3 percentage points higher than forecast in the proposal) and the November 2022 market data indicates the risk-free rate, a major component of the WACC, has increased by 2.2 percentage points. Inflation expectations for the AA5 period (based on the November 2022 market data) have increased to 2.6 per cent (0.6 percentage points higher than forecast in the proposal).

Table 1 below summarises the ERA's final decision compared to the initial proposal, draft decision and revised proposal.

[4] Western Power's proposal for AA5 was based on a nominal WACC of 4.73 per cent compared with 5.7 per cent during AA4.

Table 1 Final decision on target revenue for AA5 ($ million nominal)

	Final decision	Revised proposal corrected	Revised proposal as submitted	Draft decision	Western Power initial proposal
Operating costs	2,209.5	2,459.8	2,459.8	2,218.6	2,320.5
Depreciation	2,743.6	2,804.7	2,712.9	2,707.8	2,660.1
Return (including working capital and taxation)	2,924.0	2,750.3	2,640.1	2,749.5	1,746.7
Tariff Equalisation Contribution (TEC)	893.0	901.0	901.0	953.0	953.0
Deferred Revenue recovery	257.9	250.7	240.5	250.7	194.1
Other components of target revenue	70.6	70.5	42.5	96.7	86.5
Target revenue unsmoothed	**9,098.7**	**9,236.9**	**8,996.8**	**8,976.2**	**7,960.9**

Source: ERA analysis; Western Power and ERA target revenue models

Economic and financial conditions have changed significantly over the access arrangement review period. Increases in inflation and interest rates have led to a large increase to target revenue from Western Power's initial proposal and were responsible for the majority of the increase in revenue in the draft decision. Changing economic and financial conditions are outside the control of both Western Power and the ERA yet are important factors in determining Western Power's cost of capital and inflation of the capital base and drive most of the change in revenue.

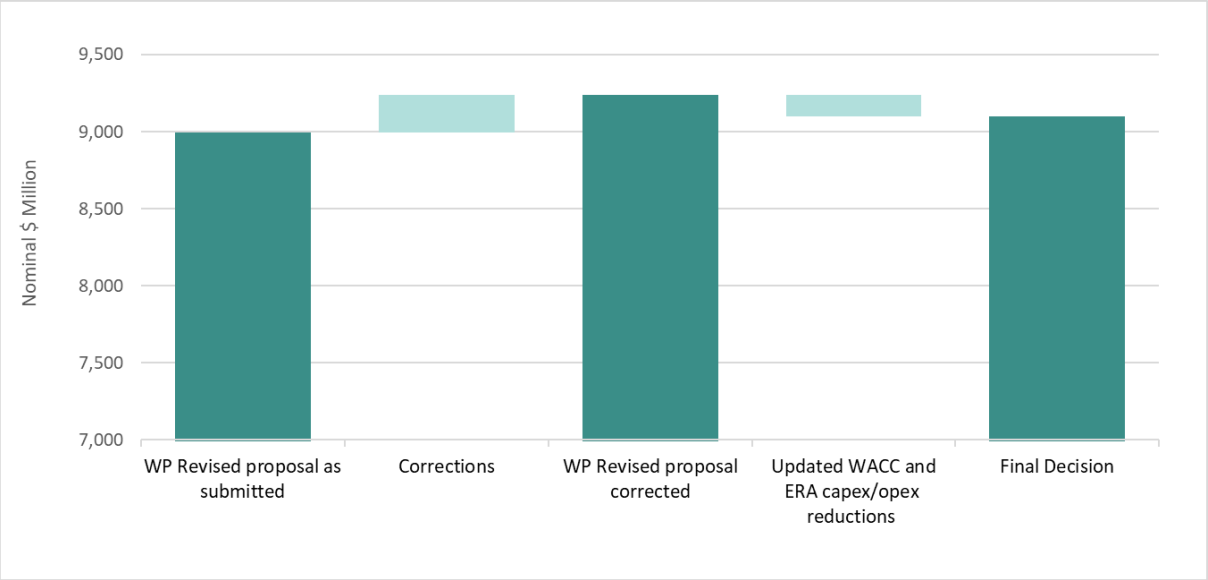
Western Power's revised proposal submitted on 15 November included an incorrect Customer Price Index (CPI) for June 2022. This resulted in an understatement of target revenue of $240.1 million. Western Power provided a corrected version of its revised proposal on 18 January 2023.

The WACC in the final decision has been updated to reflect more current market conditions. As discussed further below, this has resulted in a very small change in the WACC from 7.10 per cent in the draft decision to 7.02 per cent in the final decision.

The final decision on target revenue is $138 million lower than Western Power's corrected revised proposal. The ERA has reduced Western Power's revised proposed operating and capital expenditure to ensure that it meets the efficiency requirements under the Access Code, including that forecast expenditure can be delivered efficiently during the AA5 period.

Figure 1 below compares the ERA's final decision on target revenue with Western Power's revised proposal.

Figure 1: Target revenue – comparison of final decision with revised proposal



Other elements of target revenue

The Tariff Equalisation Contribution (TEC) is an amount collected from users of the Western Power network to subsidise the operations of Horizon Power. The amount is set by Government. The final decision is based on the forecast Western Power included in its proposal. The actual amount payable is gazetted each year by Government and may change over the AA5 period.

Another element is deferred revenue recovery. This relates to target revenue that was deferred in the second access arrangement period for recovery at a future date. Historically the deferred revenue has been recovered over the life of the assets to which it relates.[5] Western Power's proposal was based on continuing to recover the deferred revenue over the life of the assets but indicated that it would seek to accelerate the recovery of deferred revenue, if the ERA's decision resulted in prices not increasing in nominal terms.[6] The ERA supports accelerated recovery of deferred revenue as a means of avoiding the cost of accumulated inflation incurred when recovering revenue over a longer period. However, network prices are rising in nominal terms given current financial conditions. The ERA's final decision therefore has maintained the approach of recovering the deferred revenue over the life of the assets to which it relates.

2.2 Indicative effect of final decision on electricity bills

Typically, summing the building block components for each year creates a 'lumpy' profile of annual revenue. Annual target revenue can be smoothed over the access arrangement period if the net present value of the total smoothed revenue is equal to the net present value of the total unsmoothed revenue.

[5] The deferred revenue is being recovered over a 50 year period for transmission and 42 year period for distribution commencing from 1 July 2012.

[6] An amendment to the Access Code in September 2020 permits the recovery of deferred revenue to be accelerated providing prices do not increase in nominal terms. In the current economic conditions, it is unlikely this will be the case for AA5. Consideration can be given to acceleration in future access arrangements.

In its initial proposal, Western Power proposed that prices would increase in 2023/24 and then would stay flat for the rest of the period. However, given the magnitude of network price increases required because of the WACC and inflation changes, the ERA and Western Power both agree the increase in prices should be smoothed over the access arrangement period.

Consistent with how Western Power forecast average network prices in its initial proposal (total target revenue divided by total volume of energy), the ERA has estimated how the final decision translates into average network prices as shown in Table 2 below.[7]

Table 2: Final decision smoothed target revenue and indicative effect on network prices for AA5 (nominal prices)

		2022/23	2023/24	2024/25	2025/26	2026/27
Final decision 31 March 2023:						
Unsmoothed target revenue	$ million	1,646	1,733	1,813	1,909	1,998
Smoothed target revenue	$ million	1,626	1,718	1,812	1,922	2,030
Change in average prices based on forecast demand		0.0%	7.1%	7.3%	7.6%	7.8%
Revised proposal corrected:						
Unsmoothed target revenue	$ million	1,619	1,742	1,846	1,961	2,069
Smoothed target revenue	$ million	1,630	1,738	1,842	1,957	2,068
Change in average prices based on forecast demand		0%	8.2%	8.1%	8.1%	8.2%
Revised proposal as submitted 14 Nov 2022:						
Unsmoothed target revenue	$ million	1,548	1,701	1,804	1,918	2,027
Smoothed target revenue	$ million	1,735	1,766	1,787	1,814	1,832
Change in average prices based on forecast demand		0.0%	3.3%	3.2%	3.3%	3.4%
Draft decision 9 Sept 2022:						
Unsmoothed target revenue	$ million	1,648	1,701	1,787	1,876	1,963
Smoothed target revenue	$ million	1,576	1,679	1,790	1,912	2,044
Change in average prices based on forecast demand		0%	7.5%	7.7%	7.8%	7.9%
Western Power initial proposal updated for WACC and inflation forecasts consistent with draft decision:						
Unsmoothed target revenue	$ million	1,619	1,638	1,759	1,880	2,014
Smoothed target revenue	$ million	1,576	1,839	1,829	1,820	1,810
Change in average prices based on forecast demand		0%	18.8%	0%	0%	0%
Western Power initial proposal 1 Feb 2022:						
Unsmoothed target revenue	$ million	1,495	1,513	1,583	1,644	1,727
Smoothed target revenue	$ million	1,576	1,602	1,594	1,585	1,577
Change in average prices based on forecast demand		0.0%	3.7%	0.0%	0.0%	0.0%

Source: ERA analysis; Western Power and ERA target revenue models

The forecast price changes in the table above are based on annual forecast inflation of 2.96 per cent in the draft decision and 2.58 per cent in the final decision. Network prices are updated annually during the access arrangement period. The annual update of network prices is based on the latest forecast of inflation at the time of the price list update.

7 Western Power has forecast annual reductions in energy volumes of between 0.5 to 0.6 per cent.

Western Power is required to submit its 2023/24 price list by 26 April 2023. As there will be limited time for retailers to prepare for the prices to take effect on 1 July 2023, the ERA has worked with Western Power to produce some updated indicative prices for 2023/24 that are consistent with this final decision and incorporating the latest inflation. Forecast average price increases are set out in Table 3 below.

Table 3: Forecast price increases based on indicative 2023/24 price list

	2023/24
Estimated average change in network tariffs for 2023/24 price list	7%

Source: ERA tariff modelling and analysis

The network charge is about 45 per cent of the total retail bill.[8] Most residential customers and business customers who use less than 50 MWh of electricity each year are on a regulated retail tariff set by the State Government. In the most recent State Budget, Government indicated electricity tariffs for residential and small business customers will increase in line with forecast inflation over the next three years.[9]

Given the changed economic conditions, the forecast network price increases in the final decision are significantly higher than Western Power's initial proposal. The initial proposal indicated that network price increases during AA5 would be below inflation.

Western Power's customer engagement program indicated that customers are sensitive to price increases and that minimising cost increases is a high priority for them. Western Power noted customers' willingness to pay for increased reliability and to accommodate more renewables, provided the cost impacts to their current bill ranged between 1-5 per cent for residential customers and 1-9 per cent for small and medium enterprises.[10]

The draft decision invited Western Power to consider further expenditure adjustments that could be made to its proposal to minimise price increases in the current financial environment.[11] Although Western Power's revised proposal submitted on 15 November, indicated it would result in lower price increases than the draft decision, the corrected version submitted on 18 January showed forecast prices higher than the draft decision. The amendments the ERA has made to Western Power's forecast operating expenditure, capital expenditure and asset lives has reduced the effect on prices from Western Power's proposal updated for current economic conditions.

2.3 Operating expenditure

Western Power proposed an increase in operating expenditure for AA5 compared to AA4.

Figure 2 below compares forecast and actual operating expenditure since AA1 with Western Power's revised proposal and the final decision. Operating expenditure trended up during

8 Economic Regulation Authority, https://www.era.com.au/electricity/switched-on-energy-consumers-guide, Accessed 12 July 2021. Network costs include the cost of the Tariff Equalisation Contribution.

9 State Budget 2022-23 Budget Paper No. 3 Economic and Fiscal Outlook p. 329. Inflation was forecast at 2.5 per cent.

10 Western Power, Access Arrangement Information, p. 51.

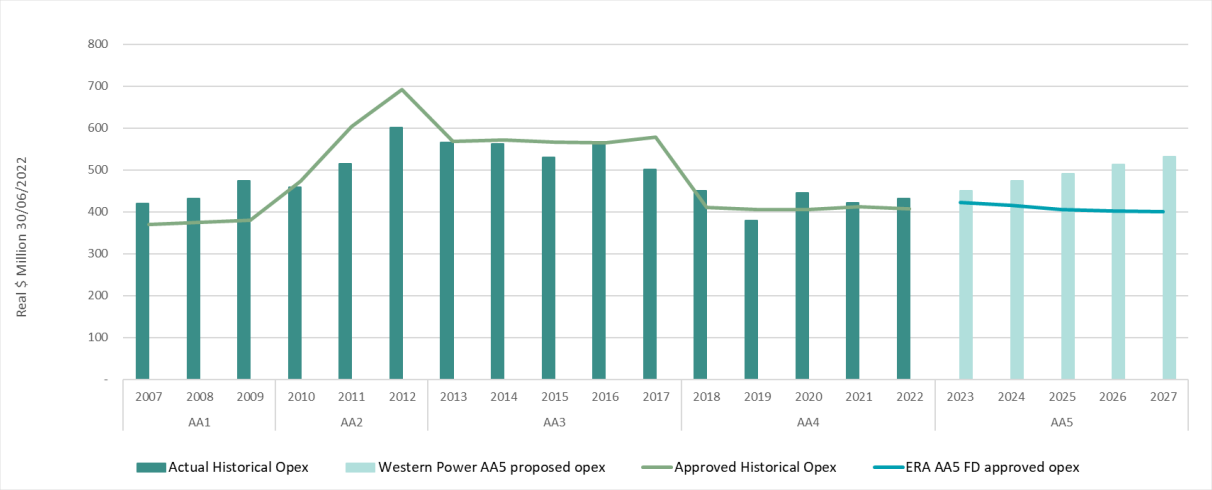
11 Western Power's covering letter on the proposal noted that its AA5 proposal included greater investment than AA4 but that the price impact on customers would be mitigated by market conditions that reduced the cost of financing the investment.

AA1 and AA2, then started to drop back down through AA3 and the early parts of AA4. It is now at similar levels to AA1.

During AA2, AA3 and the beginning of AA4, Western Power outperformed the operating expenditure forecasts included in the approved target revenue. Western Power benefitted by retaining the benefit of those savings and customers have benefited from lower costs in subsequent years.

Western Power's revised proposed operating expenditure for the final year of AA5 is 13 per cent higher (in real terms) than forecast operating expenditure for the final year of AA4 and included in the AA4 approved target revenue. Western Power has assumed annual efficiency savings of 0.5 per cent offset by higher levels of cost increases over the period. The ERA's draft and final decision is based on annual efficiency savings of 2 per cent and lower cost increases than proposed by Western Power. This results in operating expenditure for the final year of AA5 being 2 per cent lower than the approved costs for the final year of AA4.

Figure 2: Forecast and actual operating expenditure (real $ at June 2022)



Source: ERA target revenue model

Western Power has utilised the base-step-trend method to estimate operating expenditure for AA5. The method takes the reported operating expenditure for the most recent year available (2020/21) and adjusts it for:

- any expenditure not reflective of the recurrent cost base
- categories of operating expenditure impacted by discrete step changes
- changes in output and cost input trends over the forecast period.

This approach is almost universally applied for operating expenditure forecasting across Australian network businesses. Under "steady state" operating conditions, where operating expenditure requirements are likely to be relatively consistent from one period to another, the base-step-trend method is an effective tool for forecasting efficient operating expenditure requirements.

The ERA's draft decision:

- Accepted Western Power's proposed base operating costs for AA5 as being efficient. Base operating costs were derived from actual operating costs incurred in 2020/21,

adjusted for non-recurrent costs that are not reflective of ongoing operational requirements and escalated to 2022 prices.

- Accepted most of Western Power's proposed step changes including where the supporting evidence was limited, recognising the uncertainties due to the transformation and that Western Power may have underestimated the operating expenditure arising from the new programs in its proposed capital expenditure for AA5.
- Did not accept two of Western Power's proposed step changes and so the draft decision:
  - Removed the proposed increase in costs for the silicone treatment program as they are not required under the Energy Safety Order, and industry guidelines recommend alternative approaches.
  - Required that the costs of decommissioning overhead lines are treated as capital expenditure and depreciated over one year. This leaves target revenue unchanged for AA5 but enables the costs to be included in the Investment Adjustment Mechanism for undergrounding and stand-alone power systems so that any difference between forecast and actual decommissioning can be trued up at the next access arrangement.
- Made some adjustments to the escalation factors proposed by Western Power to better reflect growth in the network. The ERA also removed growth escalation from corporate and indirect costs because overhead costs do not vary with the size of the network.
- Applied a productivity factor of 2 per cent per annum to operating expenditure and indirect costs. This requires Western Power to deliver operating expenditure efficiencies more consistent with other network operators in Australia, as well as ensuring that an allowance for efficiencies for the AA4 investment and efficiencies from investment in new and enhanced systems during AA5 are embedded in the forecast.

In the draft decision, the ERA acknowledged some of the uncertainty Western Power faces in undertaking transformation activities over AA5 by accepting most of the step changes in operating costs proposed by Western Power. However, there are other mechanisms in the code to manage uncertainty, for example, Western Power can prioritise approved operating expenditure where required as it responds to transformational challenges.

In its revised proposal, Western Power accepted the transfer of decommissioning costs and adjustments to growth escalation factors, which have been retained in the final decision. However, there were some errors in Western Power's calculation of labour escalation and it did not reflect the latest data available, which resulted in labour escalation being overstated in the revised proposal.

Western Power did not accept the expenditure reduction for silicone treatment and the inclusion of a 2 per cent productivity factor. Instead, Western Power proposed additional expenditure for private pole inspections, silicone treatment and insurance in its revised proposal. Western Power also considered the productivity factor should be reduced to 0.5 per cent.

In the final decision, the ERA has included:

- The base operating costs in Western Power's revised proposal but with correctly applied inflation and labour cost escalation. This reduced base operating costs by $19 million over the AA5 period.
- Step changes consistent with the draft determination.

- Additional non-recurring operating expenditure of $24.3 million for the initial establishment costs of inspecting private poles following a High Court ruling in December 2022 that confirmed Western Power's obligations for private power poles.
- A new step change of $43 million for insurance to reflect higher premiums due to general insurer concerns around large claims that have arisen in recent years and bushfire risk and climate change.
- Corrections and updates to the labour escalation factor reduce operating costs by $16 million. These corrections and updates also affect capital expenditure, which has been reduced by $30 million.

To ensure Western Power continues to seek operating efficiencies the ERA has retained the 2 per cent productivity factor included in the draft decision. Western Power is required to deliver operating efficiencies consistent with other network operators in Australia.

Table 4 below compares the ERA's final decision with Western Power's initial proposed operating expenditure, the draft decision and Western Power's revised proposal.

Table 4: Operating expenditure ($ million real at June 2022)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Western Power initial proposal	423.9	434.9	434.3	440.1	449.5	2,182.7
ERA draft decision	411.7	414.4	403.9	400.6	401.3	2,032.0
Western Power revised proposal	437.9	447.3	449.9	456.2	459.0	2,250.3
ERA final decision	422.2	416.2	405.6	402.3	400.8	2,047.0

Source: Western Power and ERA target revenue model

Details on the ERA's final decision on operating expenditure can be found in Attachment 6.

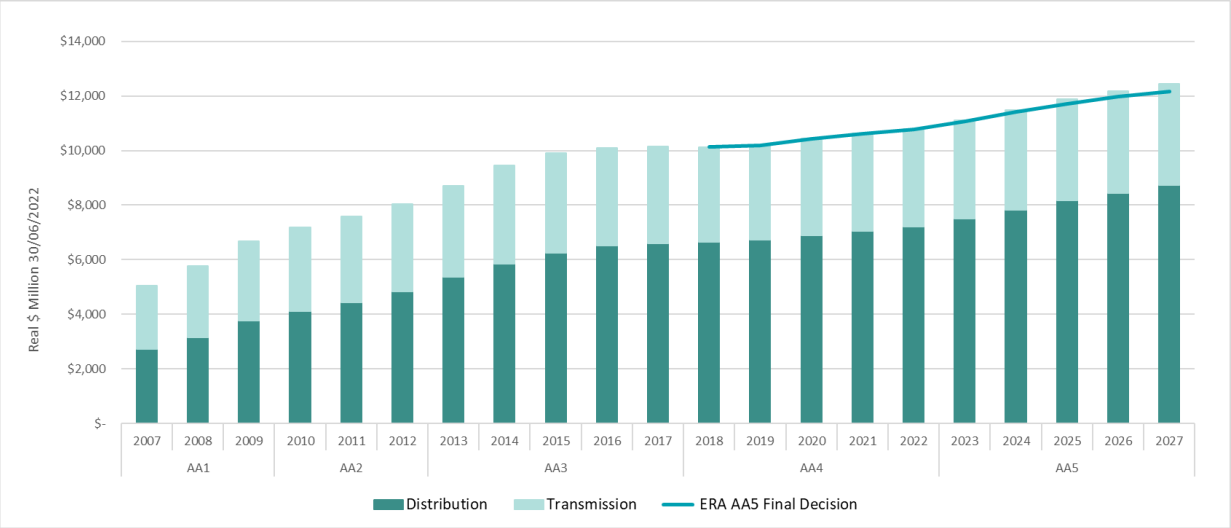
2.4 Capital costs

Capital costs are recovered in target revenue via depreciation and a return on the regulated asset base.

The regulated asset base represents the capital investment in regulated assets and is calculated by adding capital expenditure to and deducting depreciation from the opening regulated asset base.

Figure 3 below compares the regulated asset base since AA1 with Western Power's revised proposal and the final decision. The value of Western Power's regulated asset base has remained relatively constant since 2015, but Western Power's proposed capital expenditure will increase the regulated asset base over the AA5 period. The ERA's final decision to reduce capital expenditure will reduce the regulated asset base by $290 million compared to the value proposed by Western Power.

Figure 3: Actual and forecast regulated asset base (real $ million June 2022)



Source: ERA target revenue model

Capital expenditure, depreciation and return on the regulated asset based are discussed in turn below.

2.4.1 Capital expenditure

In its revised proposal for AA5, Western Power sought $4,210 million ($ real) net capital expenditure.[12] This is $953 million or 29 per cent more than was approved for AA4 and $1,275 million or 43 per cent more than actual net expenditure in AA4. The increase in AA5 proposed expenditure above AA4 actual, is primarily due to higher SCADA/IT expenditure, new programs for undergrounding power lines and installing standalone power systems, an accelerated program for installing advanced meters and higher transmission and distribution growth expenditure.

Figure 4 below compares forecast and actual net capital expenditure since AA1 with Western Power's revised proposal and the final decision.

During AA1, increasing peak demand was still a feature, which resulted in growth expenditure being high compared to later periods. Actual expenditure was higher than forecast in the ERA's AA1 access arrangement decision. The ERA subsequently determined that some of this expenditure was not efficient and did not allow it to be added to the regulated asset base. The expected expenditure for AA2 anticipated continued growth that did not eventuate, resulting in AA2 actual expenditure being lower than forecast.

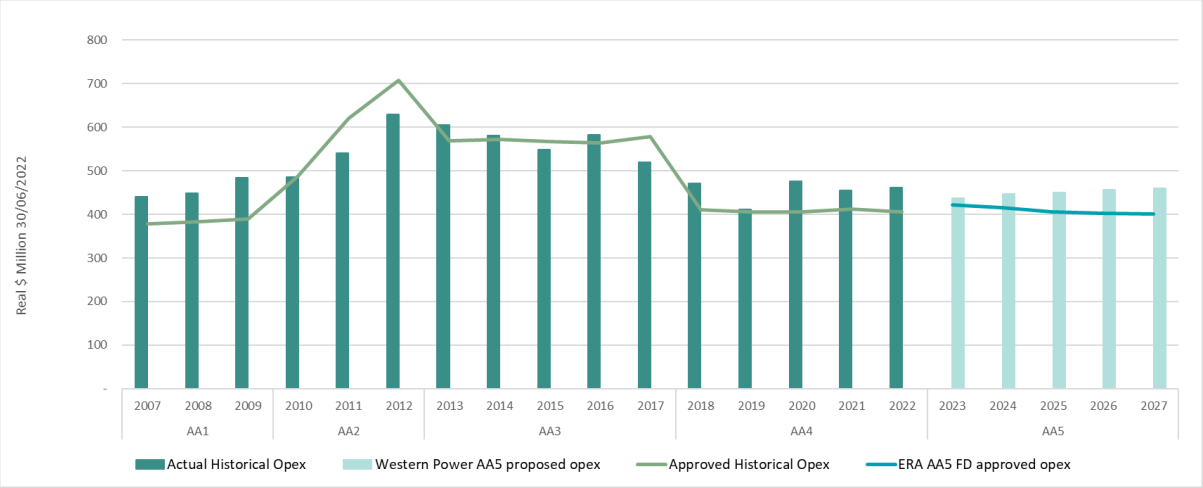
Actual expenditure increased in AA3 due to a large uplift in wood pole expenditure to address safety issues and the Mid-West Energy Project, which was the largest transmission growth project Western Power has undertaken. However, growth was not as high as expected, so actual expenditure was again less than forecast.

Actual expenditure in AA4 was lower than AA3, as wood pole expenditure returned to more normal levels and there were no significant growth projects. Actual expenditure was broadly in line with forecast expenditure ($322 million or 10 per cent lower) but there were significant

[12] Includes labour cost escalation and indirect costs.

differences at the investment category level. Underspends in growth, asset replacement and compliance were offset by overspends in SCADA and IT.

Figure 4: Forecast and actual capital expenditure



Source: ERA target revenue model

The ERA is broadly supportive of the strategic direction and transformation initiatives outlined by Western Power, which drive its proposed capital program. However, the scale of capital expenditure in the program introduces substantial delivery and efficiency risk, given the high degree of uncertainty of project requirements needed to be completed in AA5. Delivery over a longer timeframe would more efficiently minimise cost by capturing greater learnings and cost benefits without compromising the pace of the transformation to a low carbon electricity system.

Some of the planned investment over the AA5 period in Western Powers' initial proposal appeared unachievable based on AA4 performance and in comparison with other networks.

In several cases, Western Power did not provide robust business cases or quantified options analysis of the benefits and costs to customers for proposed investments. There was also some inconsistency in the underlying assumptions for some of the information provided.

In its revised proposal, Western Power has accepted the following reductions included in the draft decision:

- Network renewal undergrounding program - This relates to the conversion of overhead areas to underground power where the overhead assets have deteriorated and require replacement. Typically, this will require a contribution from local government to make up the cost difference between overhead and underground assets. The ERA agrees undergrounding can be a prudent management approach to overhead network renewal but the magnitude of the scale of work raises deliverability concerns. There were significant local government and contractor constraints in AA4 that would need to be overcome to deliver the proposed significant uplift in the size of the proposed program.
- Standalone power systems - The ERA agrees standalone power systems are a prudent long term transition strategy for the rural network but considers the proposed number of units is overly ambitious and risks the realisation of cost inefficiencies. Western Power delivered 187 units during AA4 and is proposing 10 times that level (1,861) for AA5. A slower ramp up will enable realisation of learning and technology cost efficiencies in AA6. The adjusted capital expenditure is based on 1,010 installations over AA5,

consistent with State Government policy, compared with Western Power's proposal of 1,861.

- Other asset replacement - The ERA considered that the initial proposed replacement investment was not supported by actual asset condition. The ERA's technical consultant considered that the failure forecasts were based on age-risk relationships greater than observed historical performance. It considered this creates an upward bias in forecast failure rates. The adjustment aligns capital expenditure with actual expenditure incurred in AA4.
- Corporate real estate - A significant element of the forecast depot program costs was allocated to unplanned activities. The ERA has reduced this to reflect a more efficient cost.

The adjustments to undergrounding and standalone power systems reflected concerns about the deliverability and efficiency of the proposed level of expenditure. However, the ERA recognises these programs are integral to Western Power's strategy to address the transformation. Consequently, the ERA has made these investment categories subject to the Investment Adjustment Mechanism.

The Investment Adjustment Mechanism ensures that, if Western Power can scale up efficiently above the allowed level of expenditure during AA5, then the target revenue for AA6 will be adjusted to reflect the additional investment. It also ensures that if Western Power does not deliver its program to the approved level, target revenue for AA6 will be adjusted to reflect the underspend. This provides Western Power with the flexibility to focus activity and expenditure during AA5 to meet the challenges of the sector's transformation whilst protecting customers from incurring costs if these two programs are reduced during AA5.

The ERA has accepted the expenditure required to accelerate its advanced metering program so that most customers will have an advanced meter by the end of AA5. In its revised proposal, Western Power has identified that the expenditure required has reduced by $27.5 million to remove the cost of dual element metering.[13] The reduction in expenditure has been incorporated in the final decision.

Western Power proposed additional expenditure in its revised proposal. As set out in in Table 5 below, the ERA has accepted some but not all of the proposed increases.

Table 5: Final decision on capital expenditure

Program	Final decision	Proposed	Reason
Transmission growth	$83.4 m	$83.4 m	The expenditure is for network expansion projects identified by Government to support the announced closures of coal fired generation. Approving the proposed expenditure is consistent with the Access Code objective to include consideration of the long-term interests of consumers in relation to reducing greenhouse gas emissions. As there is some uncertainty over the estimated costs and because some decisions about the projects will be made external to Western Power, the ERA has included the identified projects in the Investment Adjustment

[13] A dual element meter can separately measure two things. For example total solar energy generated by a PV at the property and energy imported from the network.

Program	Final decision	Proposed	Reason
			Mechanism. This will avoid any windfall gain to Western Power if it does not proceed with the projects or to cover any additional efficient costs if required during AA5 to deliver these projects. It is likely the projects will be identified in the next Whole of System Plan as "priority projects". If this does not occur, Western Power will need to demonstrate that the projects maximise the net benefit to consumers after considering all options and meet all aspects of the new facilities investment test.
Distribution growth	$29.1	$115.6 m	Western Power has not adequately considered other non-network options when determining the number of feeders requiring augmentation. The proposed unit costs do not reflect efficient costs and the new information provided with the proposed increase in expenditure, indicates that some of the original program included in the initial proposal (and draft decision) is no longer required.
Distribution reliability	$96.1 m	$190.1 m	Additional expenditure of $8.1 million for a program to replace insulators during 2022/23 in areas currently experiencing poor reliability has been included in the final decision. Western Power's proposed expenditure of $183 million on 6 of the worst performing rural long feeders supplying approximately 6,000 customers has not been included in the final decision. The costs are high level based on desktop studies and assume that over half of the cost is for microgrids. The forecast improvement in reliability is between 25 to 50 per cent, which would still leave performance much worse than the legislated requirement and average performance. Instead, as discussed further in the section on service standards, an allowance of $88 million has been included to develop and implement an overall plan to address regional reliability including trialling treatments in some specific areas.
SCADA & Comms and IT	$0	$99.8 m	The revised proposal has not provided sufficient evidence of efficiency and prudency of investments. The expenditure included in the final decision for SCADA and IT provides an expenditure allowance that is already at the extreme upper end of expectations for Australian distributors and transmission service providers.
Decommissioning costs	$31.3	$31.3 m	This adjustment is consistent with the draft decision required amendment. As indicated in the draft decision, the decommissioning costs will be included in the standalone power system expenditure for the Investment Adjustment Mechanism.

Program	Final decision	Proposed	Reason
Software as a service	$0	($28.2 m)	Western Power proposed to transfer $28.2 million from capital expenditure to operating expenditure based on an estimate of investment that could be delivered through software as a service solutions. Given uncertainties and lack of historical data to inform a likely split between capital expenditure and operating expenditure, the ERA has retained the expenditure in capital expenditure. If any such expenditure is treated as operating expenditure in the financial accounts during AA5, an adjustment can be made in the regulatory accounts to ensure actual expenditure is treated consistently with the assumption made in the final decision for regulatory purposes.

In its revised proposal, Western Power proposed that distribution growth expenditure should be subject to the Investment Adjustment Mechanism due to uncertainties about electric vehicle take-up rates and potential changes to the distribution planning criteria. The ERA has not included distribution growth expenditure in the Investment Adjustment Mechanism because:

- Consistent with the price control determined in the framework and approach, it is important that Western Power is exposed to demand risk rather than just passing its costs through to customers. In the case of electric vehicle take-up, Western Power should be seeking ways to enable better utilisation of the existing network and reduce the need to expand the network to meet demand from electric vehicle charging.
- Any change to the planning criteria would be implemented through an amendment to the Technical Rules. The Access Code has provisions for dealing with cost increases or reductions due to amendments to the Technical Rules so that target revenue can be adjusted in the next period.

Table 6 below provides a comparison by investment category for AA5 and AA4. The final decision is $639 million or 20 per cent more than was approved for AA4 and $961 million or 33 per cent more than actual net expenditure in AA4.

Table 6: Final decision capital expenditure (net real $ million at June 2022) [14]

	AA5 Final decision $m	AA5 Western Power revised proposal $m	AA5 Draft decision $m	AA5 Western Power initial proposal $m	AA4 Actual $m	AA4 approved $m
Growth	563	667	441	436	385	641
Compliance (including reliability driven)	547	660	443	440	335	397

[14] Includes labour escalation and indirect costs.

	AA5 Final decision $m	AA5 Western Power revised proposal $m	AA5 Draft decision $m	AA5 Western Power initial proposal $m	AA4 Actual $m	AA4 approved $m
Asset replacement (includes undergrounding, standalone power systems and metering)	2,061	2,072	2,091	2,441	1,534	1,649
SCADA and IT	605	692	616	872	438	322
Corporate support	119	120	121	152	243	249
Total net capex	3,896	4,210	3,712	4,341	2,935	3,257

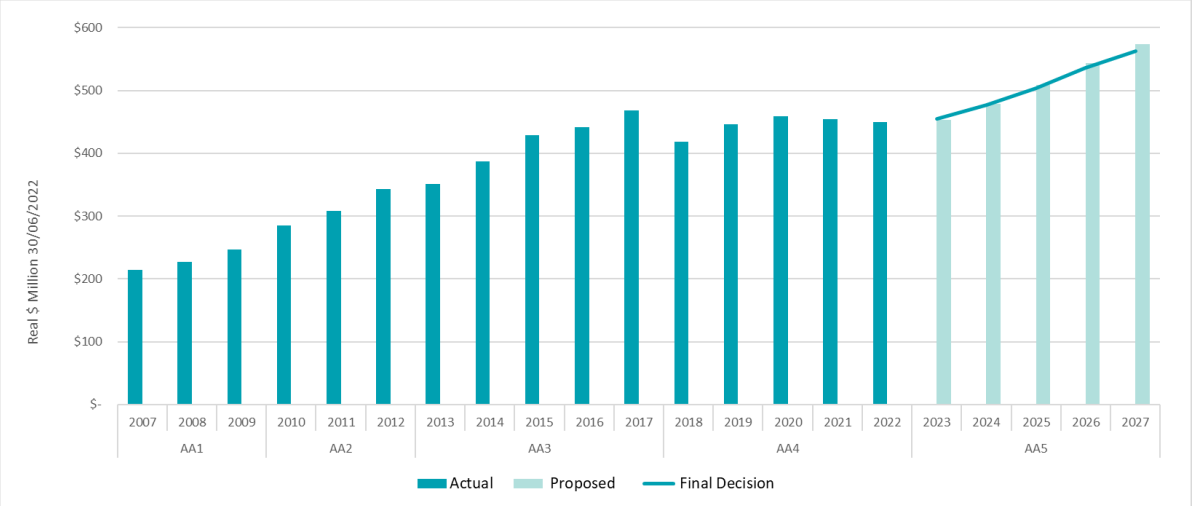
Source: ERA Analysis: Western Power and ERA target revenue model

Details on the ERA's final decision on forecast capital expenditure can be found in Attachment 3B.

2.4.2 Depreciation

Figure 5 below compares depreciation since AA1 with Western Power's revised proposal and the final decision. Depreciation is forecast to increase during AA5 due to the increase in capital expenditure compared with AA4. The ERA's decision to reduce capital expenditure and amend some asset lives reduces the level of forecast depreciation compared with Western Power's proposal.

Figure 5: Depreciation



Source: ERA target revenue model

As proposed by Western Power, the ERA has approved the continued use of straight-line depreciation. The current straight--line depreciation method ensures Western Power's target revenue only includes a regulatory depreciation allowance equal to (in real terms) the value of its initial capital investment and that assets are fully depreciated by the end of their economic lives. This approach is consistent with the roll-forward method used for the regulated asset

base and is the approach also adopted by the AER in its electricity network and gas pipeline determinations.

Based on advice from the ERA's technical consultant, in the draft decision the ERA amended some asset lives proposed by Western Power to ensure that they reflect the economic life of the relevant assets as shown in Table 7 below. Western Power incorporated the amended asset lives in its revised proposal.

Table 7: Final decision economic asset life for depreciation purposes

Asset group	Final decision	Western Power initial proposal
Distribution underground cables	60	50
Distribution switchgear	35	30
Stand-alone power systems	20	15
Storage	20	10

Source: ERA analysis; Western Power and ERA target revenue model

Further details on the ERA's final decision on depreciation can be found in Attachment 4.

2.4.3 Return on regulated asset base

The Access Code requires that the price control in an access arrangement must (among other things) enable the service provider to earn sufficient revenue to cover its forward-looking and efficient costs of providing covered services,including a return on investment commensurate with the commercial risks involved.

The rate of return, based on a weighted average cost of capital (WACC), provides a service provider with a return on the capital it has invested in its business. It is calculated as a return on the regulatory asset base.

2.4.3.1 Western Power's proposal and ERA's consideration

Western Power's proposal broadly maintained the approach used for AA4 to determine most WACC parameters for AA5. Western Power proposed to apply a rate of return method broadly consistent with the methodology in the ERA's 2018 Rate of Return Guidelines.[15]

Western Power proposed the following changes to the approach applied in AA4 and the ERA's 2018 Rate of Return Guidelines:

- an increase in the term of the risk free rate to 10 years, up from a term of five years
- an alternative approach to calculating the cost of debt.

[15] Western Power, *Access Arrangement Information: Access Arrangement revisions for the fifth access arrangement period*, 1 February 2022, p. 230.

The ERA adopts a standard rate of return approach for its heavily regulated energy networks, which means general WACC approaches and parameters are the same across energy networks. These WACC parameters include:

- the market risk premium
- debt issuing costs
- inflation
- the value of dividend imputation credits (known as gamma).

By adopting a standard rate of return method for regulated energy networks, the ERA's consideration of WACC approaches and parameters are largely similar across regulated gas pipelines and covered electricity networks.

The National Gas Law requires the ERA to produce a rate of return instrument that sets out the methods the ERA will use to estimate the allowed rate of return on debt and equity and value of imputation credits for gas transmission and distribution service providers. The current version of the rate of return instrument is the 2022 Final Gas Rate of Return Instrument, published on 16 December 2022. In developing this final instrument, the ERA has considered a range of information, including stakeholder submissions, academic literature, market data and developments and stakeholder feedback.[16]

The ERA's considerations in the 2022 Rate of Return Instrument are relevant for its determination for Western Power's AA5.

Western Power's proposal and the ERA's considerations are detailed in Attachment 5 of this final decision.

In summary, the ERA draft decision accepted the following parameters of Western Power's proposed rate of return:

- credit rating
- gearing ratio
- term of debt
- term for equity
- equity beta
- forecast inflation, updated for current data
- value of imputation credits (gamma).

The ERA draft decision made changes to the following parameters of Western Power's proposed rate of return to ensure that it is based on current data:

- the market risk premium
- debt raising and hedging costs.

The ERA draft decision considered and accepted Western Power's proposal to change the term for equity from five years to 10 years. This change aligns the assumed term for equity with common investor practice, where investors in long-lived assets consider cash flows over a

[16] ERA, *2022 final gas rate of return instrument*, 16 December 2022.

long time horizon exceeding the access arrangement period. The ERA considers a 10 year term for equity allows for efficient rates of return, is consistent with private market practice and the change supports the delivery of efficient forward-looking rates.

The ERA draft decision considered Western Power's proposed change to a 10 year trailing average approach to calculating the cost of debt. The ERA does not approve Western Power's alternative approach to calculating the cost of debt and instead requires the continuation of the current hybrid trailing average approach to estimate the cost of debt for the AA5 period.

The ERA considered that the hybrid trailing average approach is efficient and implementable, and has the benefit of incorporating forward looking rates.

On 15 November 2022, Western Power submitted a revised proposal in response to the ERA's AA5 draft decision. Western Power accepted the ERA's required amendments to the rate of return and put forward a revised proposal. Western Power's revised proposal included a nominal post-tax WACC of 7.10 per cent, based on a placeholder period to 30 June 2022.

The ERA's final decision accepts Western Power's revised amendments to the rate of return and, for the purposes of this final decision, the ERA has updated the rate of return for the 20 trading days to the end of November 2022.

Western Power initially proposed an average nominal post-tax WACC of 4.73 per cent for the AA5 period, compared with 5.87 per cent approved in AA4.

The ERA's final decision is set out in Table 8 below, with detailed reasoning for its decision set out in Attachment 5 – Return on Regulatory Asset Base.

Table 8: ERA's final decision rate of return estimate for AA5

Component	Western Power proposal	Western Power revised proposal	Final decision
Averaging period	*30 June 2021*	*30 June 2022*	*30 November 2022*
Return on debt (%)			
5-year interest rate swap (effective yield) (%)	N/A	4.070	4.110
Debt risk premium (10-year average) (%)	N/A	1.883	1.825
Debt issuing cost (%)	0.100	0.165	0.165
Debt hedging cost (%)	N/A	0.123	0.123
Return on debt (10-year bond yield) (%)	3.80*	N/A	N/A
Nominal return on debt (%)	*3.90**	*6.241*	*6.223*

Component	Western Power proposal	Western Power revised proposal	Final decision
Return on equity			
Nominal risk free rate (%)	1.53	3.82	3.73
Market risk premium (%)	6.0	6.2	6.1
Equity beta	0.7	0.7	0.7
Nominal return on equity (%)	*5.73*	*8.16*	*8.00*
Other parameters			
Debt proportion (%)	55	55	55
Inflation (%)	2.03	2.96	2.58
Corporate tax (%)	30	30	30
Franking credit (%)	50	50	50
Nominal after-tax WACC (%)	**4.73***	**7.10**	**7.02**
Real after-tax WACC(%)	2.64*	4.03	4.33

Source: ERA analysis; Western Power, Access Arrangement Information: Access Arrangement revisions for the fifth access arrangement period, 1 February 2022, pp. 236-237.

Western Power's proposed WACC for AA5 was developed in 2021 in a low interest rate environment and these market conditions resulted in a WACC that was forecast to be lower than during AA4. The reduction in returns from the low interest rate environment contemplated by Western Power was partially offset by increases resulting from Western Power's proposed changes to the WACC approach used to calculate the WACC.

Western Power used placeholder values as of 30 June 2021 in its proposal to calculate the average nominal post-tax WACC of 4.73 per cent. These placeholder values were intended to be replaced with the most current values at the time of the ERA's final decision.

Market conditions have changed significantly since 2021 when Western Power developed its AA5 proposal. The ERA's consideration and estimates of the WACC parameters in this final decision reflect the current market conditions. Increases in interest rates drive most of the change in the WACC estimate and are not due to regulatory discretion. The significant change in market conditions is illustrated by the 2.2 percentage point increase of the risk free rate between June 2021 and November 2022.

2.5 Other components of target revenue

The ERA's final decision on other components of target revenue specified in the Access Code is set out in Table 9 below.

Table 9 Final decision on other components of revenue for AA5 ($ million nominal)

	Final decision	Revised proposal corrected	Revised proposal as submitted	Draft decision	Western Power initial proposal
Investment adjustment mechanism	(42.093)	(42.113)	(40.409)	(42.500)	(40.000)
Service standard adjustment mechanism	(56.201)	(56.227)	(53.947)	(47.400)	(45.100)
D-factor	42.605	42.625	41.303	45.200	43.000
Gain sharing mechanism	26.750	26.849	-	53.800	49.100
Demand management innovation allowance	7.122	7.259	7.087	7.000	6.300
Advanced meter infrastructure recovery	88.979	88.604	85.010	77.800	70.700
Regulatory reform costs	3.484	3.508	3.413	2.800	2.600
Total	**70.645**	**70.505**	**42.458**	**96.700**	**86.500**

Source: ERA analysis; Western Power and ERA target revenue model

The ERA has reviewed the revised proposed other components of target revenue to ensure they have been calculated in accordance with the relevant provisions in the access arrangement or Access Code.

Some minor data and modelling errors in Western Power's revised proposal were identified and have been corrected in the final decision. The values have also been updated to reflect the final decision on the WACC.

Further details of the ERA's final decision can be found in Attachment 9 (service standard and adjustment mechanism) and Attachment 7 (other components).

2.6 Services

Section 5.2(b) of the Access Code requires the access arrangement to specify a reference service for each covered service that is likely to be sought by a significant number of network services customers or a substantial proportion of the network services market.

The list of reference services was considered in the framework and approach. Western Power's initial proposal included the new reference services and generally reflected the amended reference services that the ERA required including:

- New reference services for transmission connected storage, distribution connected storage and electric vehicle charging stations.
- Amended time of use periods to reflect forecast demand patterns for AA5 as follows:
  - Super off-peak – 9am to 3pm

- Peak – 3pm to 9pm
- Shoulder – 6am to 9am and 9pm to 11pm
- Off–peak – 11pm to 6am

Western Power's initial proposal included amendments to service descriptions and eligibility criteria. Taking account of stakeholder feedback, the ERA's draft decision identified some modifications and improvements that were required to Western Power's proposal.

In its revised proposal Western Power has satisfactorily incorporated the following draft decision required amendments to:

- Include residential and business super off-peak demand based services.
- Allow users to choose either a five-minute or 30-minute interval data service.
- Change the remote load/inverter control service so that users have a greater range of control.
- Remove the requirement to comply with WEM Rules from the eligibility criteria for entry services.

The final decision sets out changes required to comply with the following draft decision required amendments to:

- Allow high voltage connected customers to access energy based services.
- Make clearer the storage and electric vehicle charging reference services may be used for purposes ancillary to those services.
- Increase the size of inverter that can be used by storage and electric vehicle charging stations.
- Streetlighting reference services.

Since the draft decision, there has been significant engagement between Western Power and WALGA in relation to streetlighting services.

The draft decision required Western Power to:

- Provide evidence that its proposed reactive replacement of streetlights with LED globes will meet current streetlighting standards and has the lowest lifecycle cost.
- Continue to maintain streetlight assets at original design levels but, if Western Power initiates a change to the asset, ensure the asset meets current public lighting standards.

WALGA's submission on the draft decision recognises that existing pole spacing of legacy installations may constrain the achievement of lighting that meets current minimum lighting of the roadway requirements set out in the Australian Standards. However, WALGA considers the values for other criteria, such as upward light ratio, luminous intensity and discomfort glare can be assessed against the Australian Standards. WALGA submits that the customer expectation is that changes made, including installing new lamps or new luminaires, must lead to an outcome closer to the Australian standards than what previously existed.

Since the draft decision, there has been significant engagement between Western Power and WALGA to identify improvements that could be made to address longstanding issues in relation to the provision of streetlight services. The revised proposal did not capture these

developments and Western Power considers the matters can be addressed through ongoing operational engagement.

However, the ERA considers changes are needed to the access arrangement to hold Western Power accountable and ensure all streetlight customers are considered.

The final decision requires the streetlighting reference service to be amended as follows:

- Before introducing any new streetlighting equipment that is likely to affect lighting performance (e.g. globes and luminaires) it must be independently tested against relevant standards and the results published. This will inform whether and how a new asset can be deployed in consultation with customers. (This applies to the LED screw-in globe).
- Western Power must consult on and publish its Public Lighting Strategy and ensure it complies with the strategy. The strategy must be published at least annually or more frequently if a significant change is required.
- Clarification of Western Power's complaint handling responsibilities.

In addition:

- Western Power has not adequately demonstrated that its proposed screw-in globe replacement strategy has the lowest lifecycle cost. The testing against standards noted in the paragraph above may have implications for the deployment of the screw-in globe. Western Power will need to ensure that its final strategy is based on the lowest lifecycle cost. The final LED replacement strategy must be incorporated in the Public Lighting Strategy.
- There are some issues around the treatment of streetlight outages caused by cable faults for service standard reporting purposes. It appears they are not being included in the current reporting framework. This will be followed up through the ERA's annual service standard reports.
- It needs to be made clearer to customers that the unmeasured disconnection and reconnection service is a standard service with a fixed fee. This should be published on the website.

Further details of the ERA's final decision on services can be found in Attachment 8.

2.7 Service standards

Power outages across the electricity system during the 2021/22 summer highlighted the importance of energy security and reliability for the community. During this review, the ERA has engaged directly with regional customers to better understand their customer experience and concerns. It is clear to the ERA that customers in some locations are experiencing a poor level of service.[17] This was also observed in the independent report conducted by Michelle Shepherd for the Minister for Energy.

[17] Approximately 100,000 customers are on rural long feeders. On average and after excluding planned outages and outages outside Western Power's control, these customers experienced 713 minutes of outages compared with CBD, urban and rural short customers who experienced 14, 118 and 210 minutes, respectively. Furthermore, many customers within the rural long customer group experienced significantly higher outages than the average with around 10% experiencing between double and up to 7 times the

To address these issues, the ERA's draft decision included changes to Western Power's proposal to deliver improvements to the service standard requirements in the access arrangement.

The Access Code requires the access arrangement to include "service standard benchmarks" for each reference service. The access arrangement must also include a service standard adjustment mechanism that sets out how the ERA will treat the service provider's performance during the access arrangement period against the service standard benchmarks at the next access arrangement review.

Western Power also has legislative reliability obligations under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* (NQ&R Code). In particular, Section 13 sets out standards for power interruption duration that the network operator must, so far as is reasonably practicable, ensure is not exceeded.

- Perth CBD – 30 minutes
- Urban areas other than Perth CBD – 160 minutes
- Any other area of the State – 290 minutes.

The duration of power interruption in the NQ&R Code applies as the average for each geographic area, not to individual customers, and is measured on average performance over four years.

Since AA3, the access arrangement has included "service standard benchmarks" (based on the 97.5th percentile of performance achieved over the previous five years) and "service standard targets" (based on the average performance over the previous five years).[18] Engagement with stakeholders indicates that including "service standard benchmarks" and "service standard targets" in the access arrangement creates confusion about what standard Western Power is expected to deliver.

The service standard adjustment mechanism in the access arrangement is similar to the service target performance incentive scheme used by the Australian Energy Regulator. It includes financial rewards and penalties based on the value of customer reliability. If Western Power exceeds the service standard target, it receives a financial reward. If it falls below the target, it receives a financial penalty.[19]

The Access Code requires the access arrangement to include service standard benchmarks but does not specify a requirement for service standard targets. Having both benchmarks and

average reported performance. The average performance for the approximately 320,000 customers on rural short feeders is significantly better than for rural long feeders, however about 15 per cent experienced outages between double and up to 10 times the average.

[18] The rationale for setting the service standard benchmarks at such a low level of performance was on the basis that they were the minimum standard that should be achieved. The service standard targets were based on average performance achieved on the basis that it was the level of service customers were satisfied with.)

[19] Basing the rewards and penalties on the value of customer reliability incentivises Western Power to maintain service standards during the access arrangement period (or pay a penalty) or improve service standards where it is valued by customers (and receive a reward).

Resetting the service performance targets at each access arrangement based on the prior period's performance ensures consumers benefit from sustained increases in service performance. If Western Power receives a financial reward for exceeding a service standard target, the targets for the next period will be reset to the improved reliability level. Consumers will then either benefit from the higher standard of reliability or, if Western Power cannot sustain the higher performance, target revenue at the next access arrangement period will be reduced, reflecting the penalty paid by Western Power.

targets is causing confusion for customers about what level of service they can expect. The significance of the service standard benchmarks versus service standard targets is that the service standard benchmarks are standards that Western Power must meet.[20]

To remove confusion and make clear what standard Western Power is expected to deliver, the ERA considers it would be better to discontinue the current practice of including both service standard benchmarks and service standard targets in the access arrangement. Instead, only service standard benchmarks should be included in the access arrangement.

However, rather than setting the benchmarks at the 97.5th percentile of performance over the previous five years as is currently done, they should be based on the average performance over the previous five years (consistent with current service standard targets). In effect, this means renaming the current service standard targets as service standard benchmarks and deleting the measures that are currently named service standard benchmarks. These changes will ensure the standards Western Power must meet are clear and Western Power can be held accountable.

The service standard adjustment mechanism will continue to work as it currently does and Western Power will continue to be incentivised to maintain current service standard performance. If it fails to meet current service standard performance (the benchmark) it will be penalised and if it exceeds current service standard performance (the benchmark) it will be rewarded.

Aside from the confusion about service standard targets and service standard benchmarks, the service standard adjustment mechanism has generally worked effectively since AA3 to broadly maintain or improve average service standard performance. In addition, the system average interruption duration index (SAIDI), which measures the average number of minutes of outage per customer on the distribution network in a year for CBD, urban and rural short feeders, is well within the prescribed limits in section 13 of the NQ&R Code.

The outage performance for rural long feeders is an exception. The rural long service performance has deteriorated over AA3 and AA4 and is much worse than the prescribed limit in the NQ&R Code of 290 minutes. Furthermore, many customers on rural long feeders are experiencing a much lower level of service than the average SAIDI reported for rural long feeders.

As the NQ&R Code is a legislative obligation, the ERA considers the service standard benchmarks in the access arrangement should not be set below the standard of NQ&R Code requirements. Consequently, the draft decision required that the AA5 service standard benchmark for rural long feeders to be set at 290 minutes rather than basing it on actual performance during AA4. The draft decision noted that, as with any legislative obligation related to providing covered services, Western Power can seek funding for those costs in its access arrangement and it would likely need to review its cost estimates in its response to the draft decision.

In the revised proposal, Western Power accepted the draft decision amendments to the service standard benchmarks and service standard adjustment mechanism. However, it considered the rural long SAIDI should continue to be based on average performance during AA4. It advised that feedback from its customer reference group indicated:

[20] Section 11.1 of the Access Code.

- Residential customers, especially those on urban and rural short feeders, are unlikely to be willing to pay for Western Power to meet the 290-minute rural long service standard benchmark.
- Concerns regarding feasibility, with participants questioning the high expected costs and relatively small number of rural long customers that would benefit from investment.

Despite proposing to base the service standard benchmark on average performance during AA4, as discussed in the section on capital expenditure, Western Power proposed additional expenditure of $182 million to improve performance on 6 of the worst performing feeders supplying 6,458 customers in total. The average SAIDI for the feeders selected ranges between 1,514 minutes to 3,656 minutes. The proposed expenditure is based on desktop studies and assumes that over half of the cost is for microgrids and the remainder for network expenditure.

Western Power indicated the likely improvement in performance for these feeders would be between 25 to 50 per cent, which would still leave performance worse than either the NQ&R Code standard of 290 minutes or average rural long performance during AA4 of 772 minutes. The cost of achieving this performance improvement would be approximately $28,000 per customer serviced by these six feeders – but smeared across all SWIS customers.

The ERA acknowledges that improving regional reliability is likely to be costly, and customers are unlikely to be willing to pay the entire cost required. However, 290 minutes is the legislative requirement and Western Power must, so far as is reasonably practicable, meet that requirement.

Western Power has not presented an overall plan to gradually improve reliability on rural long feeders. Although Western Power proposes improvements to 6 feeders during AA4, 73 feeders (86,000 customers) out of the 84 rural long feeders (100,000 customers) have an average SAIDI greater than 290 minutes and 43 feeders (35,000 customers) have an average SAIDI greater than the overall average rural long performance of 772 minutes.

Using as a guide the costs presented by Western Power for the six worst performing feeders the likely costs for applying this strategy across the rural long network would be prohibitive and unlikely to meet the 290 minute reliability standard for all rural long customers.

If Western Power does not meet the rural long service standard benchmark set in the final decision it will be subject to a financial penalty at the next access arrangement review. For example, if it performs at the level it is proposing for the AA5 benchmark it will incur an annual penalty of around $22 million. This will be offset by any positive amounts it achieves on other service standard measures and there is an overall cap of about $15 million on the total net penalty (or reward).

In consultation prior to the draft decision, regional customers suggested the penalty that Western Power pays for not meeting service standards could be better targeted to encourage investments in infrastructure for the communities most affected.

Building on this suggestion and to provide an incentive for Western Power to develop a plan to address rural long reliability, a capital allowance equal to the estimated penalty ($88 million) has been included in forecast expenditure for AA5.

The allowance must be used to develop and implement an overall plan to address regional reliability, including identifying and trialling solutions that improve reliability in pilot areas. The ERA expects that Western Power will consult with rural customers to identify specific rural

long areas suitable for pilot projects and then work with the relevant local community to develop the lowest cost option to seek to improve reliability for that community.

The ERA will require regular reports from Western Power on progress and will include updates in the annual service standard performance report. The allowance will be subject to the Investment Adjustment Mechanism, so if Western Power does not invest the money as intended the allowance will be returned to all customers at the next review.

Providing Western Power invests the allowance effectively to develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas, the service standard adjustment penalty relating to the difference between 290 minutes and the service standard benchmark proposed by Western Power (733.5 minutes) will not be imposed.

The ERA recognises that the level of expenditure included in this final decision will not be sufficient to achieve an average performance of 290 minutes for rural long customers. However, it expects the work facilitated by the allowance will enable quantification of the cost and practicalities of bringing rural long reliability in line with the NQ&R Code requirements. This will better inform meaningful engagement with customers and policy makers to develop standards that are acceptable and at a reasonable cost.

As noted in the draft decision, during AA5, Western Power's service standard benchmarks will continue to be based on the average performance for all customers included within the relevant feeder category.[21] As discussed in the draft decision, the ERA considers there would be merit in disaggregating the benchmarks, particularly for poor performing areas, within each feeder category. This includes most of the rural long feeders and some of the rural short and urban feeders.

However, as the NQ&R Code standards are specified at an aggregate level (rather than applying to individual customers) it is not proposed to disaggregate the benchmarks for poor performing areas for AA5. This is a policy matter and the ERA will take it up with Energy Policy WA.

Although the service standard benchmarks have not been disaggregated in this access arrangement, during AA5 the ERA will implement requirements in the annual service standard reports prepared by Western Power under the access arrangement to provide greater transparency of service standard performance across individual feeders or geographic areas. The ERA will require Western Power to explain the reasons for any under-performance and the measures it is taking to address the underperformance.

Further details of the ERA's final decision on service standards can be found in Attachment 9.

2.8 Expenditure incentives and other adjustment mechanisms

Most of the expenditure incentives and other adjustment mechanisms were addressed in the framework and approach. The draft decision included two substantive changes:

[21] The categories of feeder are CBD, urban, rural short and rural long.

- As discussed under forecast capital expenditure, the proposed Investment Adjustment Mechanism was amended to include investment relating to the network renewal undergrounding program and standalone power systems.
- The proposed D-Factor scheme was amended to remove the costs of non-co-optimised essential system services as any such costs related to the provision of covered network services are captured in the current D-Factor scheme.

Western Power incorporated these changes in its revised proposal.

As discussed under capital expenditure, in its revised proposal Western Power sought additional expenditure for network expansion projects identified by Government to support the announced closures of coal fired generation. As there is some uncertainty over the estimated costs and some decisions about the projects will be made external to Western Power, the ERA has included the identified projects in the Investment Adjustment Mechanism. This will avoid any windfall gain to Western Power if the projects do not proceed or to cover any additional efficient costs if required during AA5 to deliver these projects.

It is reasonably likely the projects will be identified in the next Whole of System Plan as "priority projects". However, if this does not occur, Western Power will need to demonstrate that the projects maximise the net benefit to consumers after considering all options and meet all aspects of the new facilities investment test.

Details of the ERA's final decision on expenditure incentives and other adjustment mechanisms can be found in Attachment 10.

2.9 Network tariffs

Western Power's initial proposal included changes to its tariff structures. These changes included reducing variable charges and increasing fixed charges for existing tariffs. Western Power also proposed introducing new tariffs for grid-connected batteries and electric vehicle (EV) charging stations and introducing a very low super off-peak rate for energy between 9 am and 3 pm for time of use services.

Western Power provided additional tariff information (including an indicative price list for 2023/24) after submission of its initial proposal. The ERA invited submissions on the additional information. The eight submissions received raised concerns about Western Power's proposed new tariffs for EV charging stations and rebalancing between fixed and variable charges. There was general support from stakeholders for the new time of use periods. However, further engagement and consultation was needed to refine the tariff structure statement and provide clarity to stakeholders on the proposed tariffs over the AA5 period.

To progress the development of the network tariffs 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.
- Take account of stakeholder concerns about the effect of rebalancing between fixed and variable charges to develop a more gradual transition.

- 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.
- 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.
- Include demand-based tariffs for the super off-peak time of use reference services for residential and commercial connections.
- Modify the proposed tariffs for the storage and EV 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. 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.

For the final decision the ERA has worked with Western Power to adjust the indicative prices to reflect the final decision target revenue.

The ERA has published as much detail as it can on tariff structures and indicative prices to assist retailers to implement the new price list by 1 July 2023. 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 year.

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.

Details of the ERA's final decision on network tariffs can be found in Attachment 11.

2.10 Policies and contracts

The ERA's draft decision included amendments to the standard access contract, applications and queuing policy and multi-function asset policy.

The required amendments have been incorporated in Western Power's revised proposal except in relation to the connection process for customers in the applications and queuing policy.

Generators, large businesses, industrial and mining customers are currently experiencing extended waiting periods for applications to connect and this is likely to worsen as increased applications are received in response to decarbonisation initiatives. The draft decision required Western Power to define the timelines in the applications and queuing policy more clearly and make them as short as reasonably possible and include requirements to provide updates to applicants on progress and likely time to completion. This was intended to better encourage Western Power to optimise its operational processes and resources for managing customer connection applications.

Queuing data provided by Western Power in December 2022 indicates there has been a significant increase in enquiries since June 2022 with 33 enquiries received for over 12,000 MW of generation, joining 12 enquiries for nearly 10,000 MW that were received in the first half of 2022. There are around 24 applications for just under 5,000 MW of generation at various stages within the application queue (with dates of applications ranging between 2008 to 2022). Trends for load and battery enquiries and applications are similar but for lower quantities. Total applications and enquiries for batteries is about 3,000 MW and similar for load.

Western Power's revised proposal did not include significant changes to the applications and queuing policy. Western Power considered it would be preferable to focus on implementing changes identified through an external end-to-end review of the connection process and that "hard coding" timeframes in the applications and queuing policy would divert resources and distract applicants and Western Power from seeking to develop a better fit-for-purpose approach. Instead, Western Power proposed to publish indicative time frames on its website.

Stakeholder submissions raised significant concerns about the revised proposal.

The ERA welcomes the improvements Western Power is seeking to make to its processes and acknowledges that implementing the changes will take time. For that reason, the ERA has not required revised timeframes to the applications and queuing policy in this final decision but it is imperative that Western Power is held accountable for reducing connection times.

Consequently, the final decision includes amendments that require regular reporting on current queuing times. This will increase transparency and allow Western Power's progress towards reducing connection times to be monitored.

In addition, stakeholder submissions on the draft decision and revised proposal identified practical measures that would improve existing processes. Taking account of suggestions made in submissions this final decision requires:

- The enquiry stage should be optional so that applicants ready to proceed can go straight to the application stage.
- The enquiry process is to be streamlined to reduce the time spent undertaking studies.
- Western Power must specify and publish a default process and study requirements while also having the option for an alternative process to be agreed by the applicant and Western Power.
- Ensuring it is clear that the studies required for generation applications are more limited in the new constrained access framework.
- Western Power must publish a list of approved third-party consultants to undertake studies (for all types of studies).
- Allowing potential applicants to access Western Power models and data prior to submitting an application.
- Specific progress reporting requirements:
  - Quarterly publication of queue statistics for each major category of connection type, including average times for each stage of the process and how they compare to the previous period.
  - More granular reporting to the ERA that includes progress against expected timelines for each application and explanations for significant delays.
  - Tighter requirements for progress reporting to applicants. This includes providing a schedule at the commencement of the process with expected dates for each stage of the process. Any changes to the expected dates must be provided to the applicant in a timely manner with reasons for the change.

If Western Power identifies further changes that can be made to ensure projects that are ready to proceed are not held back by applicants who are not ready to proceed, it can submit an application to amend the applications and queuing policy during the access arrangement period.

Even with the changes outlined above, the applications and queuing policy framework under the Access Code may not be able to deal with the scale of change required for decarbonisation. A more strategic approach across industry and policy agencies will be needed to ensure transmission infrastructure is ready so that new generation and loads can be connected in a timely manner. Initiatives such as the SWISDA and WOSP will help to address this.[22]

[22] The South Western Interconnected System demand assessment (SWISDA) is a fast-tracked assessment being undertaken by the State Government of future renewable electricity demand, to respond to emerging industry decarbonisation. Further information on the SWISDA can be found here.

The Whole of System Plan (WOSP) is required under the Wholesale Electricity Market Rules and provides a 20-year outlook on the future of the SWIS. The Coordinator of Energy is responsible for the WOSP. The

Timely connections are essential to decarbonisation. The ERA considers there are unlikely to be further significant changes that can be made to the applications and queuing policy within the current Access Code provisions. Changes will be needed to the regulatory framework so that Western Power's connection processes align with broader policy objectives. The ERA has taken this up with Energy Policy WA.

Details of the ERA's final decision on policies and contracts can be found in Attachment 12.

inaugural WOSP was published in October 2020. The next WOSP must be completed by 30 September 2025. Further information on the WOSP can be found here.

3. Review process

On 1 February 2022, Western Power submitted its proposed revisions to its access arrangement (proposed revised access arrangement) to the Economic Regulation Authority in accordance with the requirements of section 4.82 of the *Electricity Networks Access Code 2004.*

The current access arrangement approved by the ERA for AA4 required Western Power to submit proposed revisions for the AA5 period by 26 February 2021 with the revised access arrangement targeted to commence on 1 July 2022.

To facilitate the Energy Transformation Strategy, the State Government made amendments to the Access Code in September 2020. This included deferring the revisions submission date for Western Power's AA5 proposal to 1 February 2022 and the target revisions commencement date for AA5 to 1 July 2023. Although the proposed revised access arrangement is not intended to come into effect until 1 July 2023, the proposal includes target revenue for a five-year period commencing 1 July 2022 and ending on 30 June 2027 as approved by the ERA in AA4.[23] The way in which the ERA has dealt with this is outlined in the final decision Attachment 1 – Price control and target revenue.

The proposed revised access arrangement and access arrangement information are available on the ERA's website.[24]

The ERA is required to consider the proposed revised access arrangement and make a decision to either approve or not approve the proposed revisions. The ERA must determine whether Western Power's proposed revised access arrangement:

- meets the Access Code objective.
- complies with the specific requirements of the Access Code.

Under section 4.A1 of the Access Code, the ERA published a framework and approach document on 9 August 2021. This document set out the ERA's decisions on the following matters:

- A list of standard services that must be offered (reference services).
- How the target revenue Western Power can collect from customers will be calculated (price control).
- How differences between forecast and actual capital expenditure will be treated (investment adjustment mechanism).
- How operating cost efficiencies will be shared between Western Power and its customers (gain sharing mechanism).
- How service standard benchmarks will be set.

[23] As the final decision has been published on 31 March 2023, Western Power's revenue for the 2022/23 year does not reflect the ERA's final determination of target revenue for AA5. The ERA has accounted for this in the final decision by subtracting Western Power's latest forecast of revenue for the 2022/23 financial year from the approved total target revenue for the AA5 period to determine the amounts of target revenue that will need to be recovered over the remaining four years of the access arrangement period.

[24] See: https://www.erawa.com.au/electricity/electricity-access/western-power-network/access-arrangement/access-arrangement-period-2017-2022.

- How differences between actual service standard performance and the service standard benchmarks will be rewarded or penalised (service standard adjustment mechanism).
- An allowance that can be spent on innovative research and development in demand management projects that have the potential to reduce long term network costs (demand management innovation allowance).

Section 4.A11 of the Access Code requires Western Power's proposal to be consistent with the framework and approach document published by the ERA unless there has been a material change in circumstances.

The ERA published an issues paper on 4 March 2022 to assist interested parties in understanding Western Power's proposal, the review process and some of the issues to be addressed by the ERA in determining whether or not to approve the proposed revised access arrangement. On 25 March 2022, the ERA held an online public forum on Western Power's proposal and the ERA's issues paper.

Public submissions were received from 18 interested parties and published on the ERA's website. A list of parties who made a submission is included in Appendix 3.

As permitted under section 4.11A of the Access Code, Western Power submitted further access arrangement information on 20 May 2022.

On 30 June 2022, Western Power submitted additional information on its proposed network tariffs. The ERA published the additional information and invited submissions by 26 July 2022. Public submissions were received from 8 parties and published on the ERA's website. A list of parties who made a submission is included in Appendix 3.

Under section 4.12 of the Access Code, the ERA must consider any submissions made (before the submission closing date) on the proposed revised access arrangement and any further access arrangement information submitted by Western Power, and must make a draft decision to either:

- approve the proposed revised access arrangement.
- not approve the proposed revised access arrangement, in which case the ERA must in its reasons provide details of the amendments required before the ERA will approve it.

The ERA published its draft decision on 9 September 2022 to not approve Western Power's proposed revisions to the access arrangement because the revisions did not satisfy the requirements of the Access Code. In its reasons for the draft decision, the ERA included details of the amendments required before it would approve the revised access arrangement.

The ERA held a public forum on 27 September 2022 to explain the draft decision.

As required under section 4.16 of the Access Code, Western Power submitted a revised proposed access arrangement on 15 November.

Submissions on the draft decision and Western Power's revised proposal were received from 10 interested parties and published on the ERA's website. A list of parties who made submissions is included in Appendix 2. A summary of matters raised in submissions is included in Appendix 3.

As permitted under section 4.16A of the Access Code, Western Power submitted further access arrangement information on 18 January 2023.

Section 4.17 of the Access Code requires the ERA to consider any submissions made on the draft decision (including Western Power's revised access arrangement proposal and further access arrangement information) and make a final decision to either:

- Approve the revised access arrangement proposal.
- Not approve Western Power's revised proposal, in which case the ERA must provide details of the amendments required before the ERA will approve the revisions.

As the ERA has not approved the revised access arrangement proposal, as required under section 4.18 of the Access Code, the ERA has drafted, approved, and published its own access arrangement, which is based on the revised proposal submitted by Western Power on 15 November 2022 and amended in accordance with the required amendments set out in this final decision.

3.1 Review timeline

The key milestones for the ERA's decision in respect of Western Power's proposed revisions to its access arrangement for the fifth access arrangement period are set out below:

	Date
ERA published framework and approach	9 August 2021
Western Power submitted its proposal	1 February 2022
ERA issues paper published	4 March 2022
Online public forum on Western Power's proposal held	25 March 2022
Submissions on Western Power's proposal closed	20 April 2022
Western Power submitted further access arrangement information	20 May 2022
Western Power submitted additional information on tariffs	30 June 2022
Submissions on Western Power's additional information on tariffs closed	26 July 2022
ERA draft decision published	9 September 2022
Public forum on draft decision	27 September 2022
Western Power submitted revised proposal	15 November 2022
Submissions on draft decision and revised proposal closed	16 December 2022
Western Power submitted further access arrangement information	January 2023
ERA published final decision	31 March 2023

Appendix 1 Regulatory framework

Western Power's transmission and distribution network is a covered network under the *Electricity Networks Access Code 2004* and is required to have an approved access arrangement in place.

Section 5.1 of the Access Code specifies the required content of an access arrangement.

> 5.1 An *access arrangement* must:
>
> (a) specify one or more *reference services* under section 5.2; and
>
> (b) include a *standard access contract* under sections 5.3 to 5.5 for each *reference service*; and
>
> {Note: An *access arrangement* may contain a single *standard access contract* in which the majority of terms and conditions apply to all *reference services* and the other terms and conditions apply only to *specified reference services*.}
>
> (c) include *service standard benchmarks* under section 5.6 for each *reference service*; and
>
> (d) include *price control* under Chapter 6; and
>
> (e) include a *tariff structure statement* and *reference tariff change forecast* under Chapter 7; and
>
> (f) include a description of the *pricing years* for the *access arrangement*; and
>
> (g) include an *applications and queuing policy* under sections 5.7 to 5.11; and
>
> (h) include a *contributions policy* under sections 5.12 to 5.17D; and
>
> (i) [not used]
>
> (j) if required under section 5.25, include *efficiency and innovation benchmarks* under section 5.26; and
>
> (k) include provisions dealing with *supplementary matters* under sections 5.27 and 5.28; and
>
> (l) include provisions dealing with:
>
> (i) the submission of *proposed revisions* under sections 5.29 to 5.33; and
>
> (ii) *trigger events* under sections 5.34 to 5.36; and
>
> {Note: At the same time as an *access arrangement* is submitted, *access arrangement information* must be submitted under section 4.1 and *technical rules* must be submitted under section 12.10. Neither the *access arrangement information* nor the *technical rules* are part of the *access arrangement*.}
>
> (m) include a *multi-function asset policy* under section 5.37.

Western Power is required to submit proposed revisions to the access arrangement and revised access arrangement information to the ERA by the revisions submission date specified in the access arrangement. However, this requirement was modified in respect of the access arrangement period for AA5 by transitional provisions in section 15.15 of the Access Code. The transitional provisions required Western Power to submit proposed revisions and revised access arrangement information no later than 1 February 2022.

As set out in chapter 4 of the Access Code, the ERA must consider the proposed revisions to the access arrangement and make a decision to either approve or not approve the proposed revisions. The criteria for approval are set out in sections 4.28 and 4.29 of the Access Code:

4.28 Subject to section 4.32, when making a *draft decision* or *final decision*, the *Authority* must determine whether a *proposed access arrangement* meets the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable) and:

(a) if the *Authority* considers that:

(i) the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable) are satisfied — it must approve the *proposed access arrangement*; and

(ii) the *Code objective* or a requirement set out in Chapter 5 (or Chapter 9, if applicable) is not satisfied — it must not approve the *proposed access arrangement*; and

(b) to avoid doubt, if the *Authority* considers that the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable) are satisfied, it must not refuse to approve the *proposed access arrangement* on the ground that another form of *access arrangement* might better or more effectively satisfy the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable).

{Note: The effect of section 4.28 is to make the *Authority's* decision in relation to a *proposed access arrangement* a "pass or fail" assessment. The intention is that, if a *proposed access arrangement* meets the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable), the *Authority* should not refuse to approve it simply because the *Authority* considers that some other form of *access arrangement* might be even better, or more effective, at meeting the *Code objective* and the requirements set out in Chapter 5 (and Chapter 9, if applicable).}

4.29 The *Authority*:

(a) must not approve a *proposed access arrangement* which omits something listed in section 5.1; and

(b) may in its discretion approve a *proposed access arrangement* containing something not listed in section 5.1; and

(c) must not refuse to approve a *proposed access arrangement* on the ground that it omits something not listed in section 5.1.

The objective of the Access Code or 'Code objective' is set out in section 2.1 of the Access Code:

2.1 The objective of this Code ("**Code objective**") is to promote efficient investment in, and efficient operation and use of, *services* of *networks* in Western Australia for the long-term interests of *consumers* in relation to:

(a) price, quality, safety, reliability and security of supply of electricity;

(b) the safety, reliability and security of *covered networks*; and

(c) the environmental consequences of energy supply and consumption, including reducing greenhouse gas emissions, considering land use and biodiversity impacts, and encouraging energy efficiency and demand management.

{Note: *Consumers* in the context of the *Code objective* has the meaning in this Code being "a person who consumes electricity".}

Sections 2.3 and 2.4 of the Access Code sets out how the Access Code objective interacts with other objectives, requirements and factors specified in the Access Code:

2.3 Where this Code specifies one or more *specific criteria* in relation to a thing (including the making of any decision or the doing, or not doing, of any act), then:

(a) subject to section 2.3(b), the *specific criteria* and the *Code objective* all apply in relation to the thing; and

(b) subject to section 2.4, to the extent that a *specific criterion* and the *Code objective* conflict in relation to the thing, then:

(i) the *specific criterion* prevails over the *Code objective* in relation to the thing; and

(ii) to the extent that the *specific criterion* conflicts with one or more other *specific criteria* in relation to the thing, the *Code objective* applies in determining how the *specific criteria* can best be reconciled and which of them should prevail.

2.4 If the *Code objective* is specified in a provision of this Code as a *specific criterion*, then the *Code objective* is to be treated as being also a *specific criterion* for the purposes of section 2.3, but to the extent that the *Code objective* conflicts with one or more other *specific criteria* the *Code objective* prevails.

Factors the ERA must have regard to when deciding whether to approve an access arrangement are set out in sections 4.30 to 4.32 of the Access Code:

4.30 In determining whether to approve a *proposed access arrangement*, the *Authority* must have regard to following:

(a) the geographical location of the network and the extent (if any) to which the network is interconnected with other networks; and

(b) contractual obligations of the *service provider* or other persons (or both) already using the network; and

(c) the operational and technical requirements necessary for the safe and reliable operation of the network; and

(d) to the extent relevant — *written laws* and *statutory instruments*.

4.31 Section 4.30 does not limit the factors the *Authority* may have regard to.

4.32 The *Authority* must not approve a *proposed access arrangement* which would, if approved, require the *service provider* or another person to engage in an act or omit to engage in an act which would contravene a *written law* or a *statutory instrument*.

The process the ERA must follow for the review is set out in chapter 4 of the Access Code. Sections 4.12 to 4.18A of the Access Code set out the procedural requirements for making the draft decision, final decision and approving the access arrangement:

4.12 The *Authority* must consider any submissions made under section 4.11 and any further *access arrangement information* submitted under section 4.11A on a *proposed access arrangement* and must make a *draft decision* either:

(a) to *approve* the *proposed access arrangement*; or

(b) to not *approve* the *proposed access arrangement*, in which case the *Authority* must in its *reasons* provide details of the amendments required to the *proposed access arrangement* before the *Authority* will approve it.

4.13 The *Authority* must, as soon as practicable after the due date for submission of further *access arrangement information* under section 4.11A, *publish*:

(a) the *draft decision*;

(b) *reasons* for the *draft decision*;

(c) an invitation for submissions on a *draft decision*; and

(d) notice of a predetermination conference, which must include the time, date and place of the predetermination conference.

4.14 The *Authority* must hold the predetermination conference at the time, date and place specified in the notice under section 4.13 and in any event, within 15 *business days* of the notice for the purpose of explaining the *draft decision*.

Second round public submissions

4.15 A person may make a submission to the *Authority* on a *draft decision* within 45 *business days* (or such longer period as specified by the *Authority*) after the invitation for submissions on the *draft decision* is *published* under section 4.13.

{Note: Under section 14.5(d)(iii), the *Authority* must place each submission made under section 4.15 on the *public register*.}

{Note: A person may state that a submission or part of a submission is confidential in which case sections 14.12 to 14.15 apply.}

Revised proposed access arrangement

4.16 The *service provider* must, within 45 *business days* after the *draft decision* is *published* under section 4.13, submit a revised *proposed access arrangement*, and if so, a reference in this Code to a "*proposed access arrangement*" is to be read as though it was a reference to a "revised *proposed access arrangement*".

4.16A The *service provider* may submit further *access arrangement information* on the revised *proposed access arrangement* to the *Authority* within 20 *business days* after the due date for submissions under section 4.15.

Final decision by Authority

4.17 The *Authority* must consider any submissions made under sections 4.15 to 4.16A on the *draft decision* and must:

(a) make a *final decision* either:

(i) to approve the *proposed access arrangement*; or

(ii) to not approve the *proposed access arrangement*; and

(b) *publish* the *final decision*; and

(c) provide and *publish reasons* for the *final decision*.

4.18 If the *Authority's final decision* is not to approve a *service provider's proposed access arrangement*, then the *Authority* must draft, *approve* and *publish* its own *access arrangement*, which must be:

(a) based on the *proposed access arrangement*; and

(b) amended from the basis in section 4.18(a) only to the extent necessary to satisfy the criteria for *approval* in section 4.28.

4.18A The *Authority* must comply with sections 4.17 and 4.18 as soon as practicable after the due date for submission of further *access arrangement information* under section 4.16A and in any event by no later than 3 months prior to the *target revisions commencement date*.

The requirements for specifying the start date are set out in section 4.26 of the Access Code.

Access arrangement start date

4.26 When the *Authority:*

(a) makes a *final decision* to *approve* a *proposed access arrangement*; or

(b) *approves* its own *access arrangement* under section 4.18,

the *Authority* must specify an *access arrangement start* date which must:

(c) be consistent with the *Code objective*; and

(d) be at least 2 months after the later of the *final decision* or the *Authority's* own *access arrangement* under section 4.18 being *published*.

Appendix 2 Submissions received

Public submissions received are listed below.

Submissions on issues paper	Date received
Director of Energy Safety	11 July 2022
Australian Energy Council supplementary submission	10 May 2022
WA Expert Consumer Panel	29 April 2022
RAC	27 April 2022
Shire of Mingenew	27 April 2022
Chamber of Minerals and Energy	27 April 2022
Alinta Energy	20 April 2022
Australian Energy Council	20 April 2022
Chamber of Commerce and Industry WA	20 April 2022
Change Energy	20 April 2022
Collgar Windfarm	20 April 2022
Craig Hosking	20 April 2022
Evie	20 April 2022
Noel Schubert	20 April 2022
Perth Energy	20 April 2022
Synergy	20 April 2022
WA Local Government Association	20 April 2022
Western Australian Council of Social Service	20 April 2022
Australia Microgrid Centre of Excellence	19 April 2022

Submissions on additional tariff structure and reference service information	Date received
Evie	27 July 2022
Collgar Windfarm	27 July 2022
Electric Vehicle Council	26 July 2022
Australian Energy Council	26 July 2022
Noel Schubert	26 July 2022

Submissions on additional tariff structure and reference service information	Date received
Synergy	26 July 2022
WA Council of Social Service	26 July 2022
WA Expert Consumer Panel	26 July 2022

Engagement with regional communities	Date
Goldfields Voluntary Regional Organisation of Councils (WALGA)	27 May 2022
Regional CCI Power Outage Survey Kalgoorlie-Boulder Chamber of Commerce and Industry	3 June 2022
Northern Country Zone (WALGA)	9 June 2022
Shire of Morawa	16 June 2022
Central Country Zone (WALGA)	24 June 2022
Shire of Chapman Valley	21 June 2022
Shire of West Arthur	1 July 2022

Submissions on draft decision	Date
Energy Policy WA	18 January 2023
WA Local Government Association	18 January 2023
Alinta Energy	16 December 2022
Australian Energy Council	16 December 2022
Change Energy	16 December 2022
Collgar Renewables	15 December 2022
Evie	1 November 2022 16 December 2022
Perth Energy	15 December 2022
Synergy	29 November 2022 16 December 2022
WA Expert Consumer Panel	16 December 2022

Appendix 3 Summary of submissions on the draft decision and Western Power's revised proposal

Category	Stakeholder	Views/Matters raised
Price control – removal of 2022/23 over/under revenue adjustment from the price control		
	Synergy **AEC**	Supports the draft decision required amendment to remove the adjustment.
Demand forecast		
	Synergy	Considers the updated demand forecast in revised proposal is more reasonable than initial proposal but lacks information on the peak demand forecast.
	WA Expert Consumer Panel (ECP)	Concerned about the risk that previous failures to anticipate step changes in demand associated with air conditioning and rooftop solar PV take-up could be repeated and would like to see more detailed forecasts and plans around Electric Vehicle uptake in particular.
Efficiency of AA4 capex on customer management system ($24 million)		
	Synergy **AEC**	Both Synergy and AEC ask the ERA to validate and confirm the efficiency savings claimed by WP in relation to the customer management system. Synergy notes there does not appear to have been any material improvement in call centre performance.
AA5 capex – general views on proposed increases and use of the investment adjustment mechanism		
	AEC	Queries the late inclusion of expenditure increases. Considers these costs should have been reasonably foreseen at the time of Western Power's initial proposal and questions what has materially changed since then to warrant such a large capital expenditure increase. Suggests that the investment adjustment mechanism should apply to the increased capital expenditure to ensure any unspent capital expenditure in AA5 is deducted from AA6. Considers in any case, the capex proposed by Western Power is substantial and needs to be thoroughly reviewed to determine if it is warranted. Notes Western Power claims additional expenditure is necessary to address the increasing threat of cyber security risks but considers Western Power should have already had a comprehensive cyber security business case irrespective of what has subsequently happened at other organisations. The ERA is asked to: Review the justification for the proposed additional cyber security expenditure and consider if it is fit for purpose. Ensure that Western Power quantifies and demonstrates the benefit of the metering acceleration during AA5, and that it has removed any contingency allowance and demonstrated that it will be able to deliver the program in AA5. Assess if any of the proposed increases to capital expenditure can be deferred to a later period.

Category	Stakeholder	Views/Matters raised
		Consider whether alternative options can reduce the capital expenditure. The network operator should be required to provide details of whether it has tested the market, the outcome of the process, and if any alternative options will be used in AA5. Supports the inclusion of investment on the Network Renewal Undergrounding Program and standalone power systems in the investment adjustment mechanism. Considers the ERA should closely monitor the standalone power system program so that: Standalone power systems are only installed in parts of the network where it is cheaper than maintaining the existing network. Standalone power systems are not installed if the assets they replace have not been fully depreciated and need to be written down. The additional $31.3 million for decommission lines related to standalone power systems is included in the investment adjustment mechanism; and Competition is encouraged in the provision of stand-alone power systems and Western Power undertakes a competitive tendering process to select vendors.
	Change Energy	Considers that, while Western Power has accepted many of the ERA's reductions to forecast expenditure, it appears to have done little to address the ERA's finding that many of the programs and projects lacked justification. Where it has accepted expenditure reductions, in most instances, Western Power has merely substituted these projects and programs for new ones. For example, Western Power accepted a ~$120 million reduction in standalone power system only to introduce a new program to improve long rural service performance. This more than offsets the ERA's reduction at ~$180 million and is a program Western Power admits is not valued by end users. In the current economic environment, and with a view to help moderate prices, Change Energy would have expected Western Power to be conservative developing its investment plans. However, Western Power has in many instances instead increased its forecasts by adding new projects and programs. Asks the ERA to apply the same scrutiny to these new projects and programs as it has done in its draft decision. Appreciates the ERA's proposed application of the Investment Adjustment Mechanism to some less certain and/or more optimistic programs of work. However, considers this will only mitigate the initial impact on prices (and mitigate the risk of windfall gain for Western Power). It does not address questions over whether these investments are prudent or the cost is efficient. If the ERA cannot satisfy itself that the requirements of the Access Code have been met, Change Energy suggests the forecasts are removed as it does not consider the ex-post review can or should be used in such a heavy-handed manner as part of the next AA review.
	Synergy	Under ENAC section 9.2, WP must not commit to a major augmentation before the ERA determines that the major augmentation proposal meets the regulatory test. Synergy seeks clarity in the final decision in relation to the assessment of WP's proposed modular grid strategy as a major augmentation proposal and whether other aspects of WP's AA5 proposal should be considered major augmentations and be assessed against the requirements provided in ENAC chapter 9.

Category	Stakeholder	Views/Matters raised
		Asks the ERA to ensure the additional $465.4 million capex that WP is requesting is evidenced, based in terms of need and, if so, costs are efficient. Notes WP has proposed $182.0 million in capex to support compliance with the ERA's required amendment to the service standard benchmark for customers on rural long feeders but has not accepted the required amendment to the service standard benchmark. The draft decision, raised issues about the scale and deliverability of WP's capex programs, noting it is well above the levels delivered in AA4. WP's additional capital expenditure proposal may exacerbate these concerns. Given the discrete nature of the proposed investments and the requested capex, Synergy considers that, to the extent the forecast capex is approved by the ERA, the investments could be added to the investment adjustment mechanism.
	WA ECP	Supports the ERA's draft decision to include the undergrounding of overhead power lines and stand-alone power systems in the Investment Adjustment Mechanism to better allocate the risk of non-delivery between consumers and Western Power. Considers one of the most effective ways to manage project execution risks - and to manage costs in an inflationary environment - is to find smart ways to avoid the need to upgrade the physical infrastructure through non-network solutions, which include empowering consumers to manage their usage and take pressure off the grid. Western Power is required to consider non-network solutions as part of the Access Code requirements, but WA ECP considers it is yet to see the organisation pursue these sorts of opportunities at scale.
	Dynamic Analysis	Considers the ERA's draft decision is pragmatic, balancing the need for increased investment while 'putting the brakes' on areas of investment that can be deferred with tolerable risk. Considers the draft decision reflects sound regulatory process, but there are improvements that could be advocated by WA ECP to improve transparency and regulatory outcomes for customers including: Portfolio ranking - Would like to see more emphasis on a portfolio approach to capital programs that is able to rank projects based on risk and value. This would help show that the final program is optimal. Delivery incentives – Could consider applying the new 'Investment Adjustment Mechanism' to all capex. Is concerned that Western Power has reported lower actual capex compared to estimates in the original proposal suggesting labour shortages and supply chain issues may be impacting deliverability. Customers should only pay for projects that are completed.
AA5 capex – Transmission expenditure and planning		
	Alinta Energy	Concerned that the revised proposal does not include plans indicating how Western Power will address the urgent need for transmission capacity to enable the energy transition and maintain reliability. Provides details of the transmission capacity it considers is urgently required: Recognises that the revised proposal includes proposals to investigate investments in the North and East Regions to support government policy, states that: "Western Power is cognisant of the delivery challenges presented by the current global workforce and supply chain challenges and has developed targeted strategies to mitigate these accordingly."

Category	Stakeholder	Views/Matters raised
		However, given the urgent need for investment, Alinta recommends further work and analysis is required within this access arrangement period to give assurance that transmission bottlenecks will not cause substantial barriers to investment, undue delays, and cost pressures in the energy transition. Considers that Western Power must identify and pursue "no regrets" transmission investments immediately and that if it identifies regulatory impediments to this work, (for example, the restrictions imposed by the NFIT, or the implications of such investments for network costs to customers), these must be articulated quickly to deliver timely regulatory changes.
	AEC	Concerned there is a disconnect between the amount of generation that Western Power forecasts being required by 2030 and the absence of transmission projects in AA5. Notes that in a study the AEC commissioned Marsden Jacobs and Associates (MJA) to undertake on whether the WEM provides revenue adequacy for generators and to recommend measures to minimise investor uncertainty and promote new investment, the lack of transmission planning and investment was identified as one of the key reasons for investor uncertainty. Transmission planning and construction is a lengthy process. It would already be ambitious to connect the required amount of generation over the next seven years, but the lack of planning and funding for transmission in AA5 will make this task harder and is misaligned with industry and State Government decarbonisation targets. Encourages the ERA to challenge Western Power on the transmission requirements during AA5 and how they will facilitate the amount of generation needed by 2030.
	Collgar	Remains very concerned about the lack of transmission investment included in AA5. Provides details of the potential size and urgency of this investment. Appreciates that the State Government deferred the second Whole of System Plan (WOSP) to 2025 and that the results of the interim SWIS Demand Assessment (SWISDA) have not yet been released. However, these processes do not remove the need for Western Power to undertake its own network planning and, in accordance with clause 3.15(d) of the AQP, 'make a good faith assessment as to the likelihood that specific projects will proceed'. Is pleased the revised proposal includes additional capital expenditure for network planning and that Western Power's Draft Transmission System Plan (TSP) identified some network investment is needed. But considers the scale of the proposed investment is very underwhelming in the context of likely future requirements. Supports substantial additional network investment being included in AA5. While more detailed planning and analysis is to be undertaken, considers there are various 'least regrets' projects that are essential to support the energy transition, regardless of whether specific generation or load projects proceed. One example is augmenting the network to Kalgoorlie, which will be needed as the various miners electrify their operations to achieve their often publicly stated decarbonisation objectives. Such projects must be commenced as a priority given the scale of the challenge Western Power, and the sector more broadly, is facing over the coming years.

Category	Stakeholder	Views/Matters raised
		Encourages the ERA to use, where available, discretion in considering such proposals as the urgency of the need for transmission investment does not allow for lengthy regulatory processes. Considers alternative funding models will also be needed given the scale of investment required, including funding network investment from State Government consolidated revenue, and creating frameworks that encourage private sector investment.
	Perth Energy	Questions whether the activities proposed for AA5, and the associated work in parallel areas, will allow Western Power to meet the obligations which it will face over the coming few years to enable the energy transition. Notes responsibility for various parts of the transformation process lie within Western Power, AEMO, Energy Policy and the Government more generally. No single entity has overall responsibility or the authority to ensure that the process is progressed on the current timetable. Any backtracking on the announced Synergy closure programme for their coal fired generators would be a failure for the whole energy industry. Given the issues with coal supplies, deferral of closures may not even be practical. Encourages the relevant parties to consider how this can be avoided.
	EPWA	EPWA has been working closely with Western Power in relation to the network requirements to support the Government's decision to retire state-owned coal-fired generation facilities and replace these with new wind generation and storage capacity, over the period to 2030. The proposed additional transmission investment in the revised proposal is consistent with work that was undertaken to support this decision, and EPWA supports the ERA granting a waiver for Western Power to undertake a Regulatory Investment Test for this work due to the reasons outlined by Western Power. Western Power has also been an integral member of the Treasury-led Taskforce overseeing the SWIS Demand Assessment, with the Taskforce's formal advice due to be provided to Government shortly. It is likely that further network investment will be required following government consideration of this advice. Energy Policy WA will consult with the ERA on this as soon as is practicable and/or appropriate to do so.
Depreciation		
	Synergy	Still considers the "annuity method of depreciation" should be adopted because it is net present value neutral for Western Power but network users will experience savings from such a change because network users face a WACC that is higher than the regulated WACC. Considers that under section 4.28 of the ENAC, the ERA cannot approve an access arrangement that applies the previous, straight-line method of depreciation if it results in higher user costs than the annuity method. Supports WP's adoption of the required amendment to allocate AA4 capex to actual asset classes (not forecast) but has some detailed queries.
WACC		
	Synergy	International firms should not be included in the sample used to estimate the equity beta of an Australian benchmark energy firm, as it results in a

Category	Stakeholder	Views/Matters raised
		statistically biased equity beta estimate of 0.7. Should use 0.55 for the benchmark firm, as derived from the ERA's analysis of the Australian sample data.
	Dynamic Analysis	The effect of higher interest rates and global uncertainty is difficult for customers to digest and there is a temptation to take a 'short cut' by artificially reducing other rate of return parameters. Agrees with the ERA's approach of not taking this approach as it does not lead to trust in the regulatory framework. Notes that the current framework requires deeper consideration on whether the current approach to setting the cost of equity leads to potential price shocks. The cost of equity is set for five years, based on current market conditions. Questions whether there could be a mechanism to allow for an annual update to the cost of equity so that there is less chance of volatility in the estimates.
Proposed increase to operating expenditure for silicone treatment program		
	Synergy	Given the safety implications, Synergy supports WP's proposed increase to opex provided the ERA reviews the efficiency. For example, assessing increased investments to address safety and reliability risks against higher insurance costs.
Productivity factor		
	AEC	Considers that the productivity factor should be the two per cent per annum proposed in the draft decision at a minimum rather than Western Power's proposed 0.5 per cent. ERA should consider whether the productivity factor should be higher than two per cent per annum, given the considerable size of Western Power's proposed capital expenditure and lack of innovation in the provision of covered services and tariffs. AEC also considers it is reasonable for network users to expect that the additional operating expenditure request will deliver additional efficiency benefits.
	Synergy	Synergy considers the productivity improvement assumption should not be based on what WP "… should be able to target …", but on the productivity improvements that would be achieved by a service provider efficiently minimising costs. Supports the draft decision provided the ERA is satisfied the 2 per cent productivity assumption satisfies this criterion. Given WP's additional requirements for opex and capex in AA5, Synergy requests the ERA consider whether the 2 per cent target should be higher.
	WA ECP	Considers Western Power needs to make the most of new technologies to become a more efficient and productive organisation and deliver savings back to customers. So WA ECP welcomes the ERA's focus on productivity in its draft decision, which will ensure Western Power works towards targets that reflect best practice for comparable networks in other parts of Australia and overseas. But also supports Dynamic Analysis' call for the ERA to provide Western Power with more detailed guidance on where these productivity improvements should be found. Considers productivity incentives must be structured to encourage Western Power to leverage smart technology

Category	Stakeholder	Views/Matters raised
		and practices, rather than achieving targets by reducing frontline staff given the vital role that Western Power's people will play delivering services for customers in an increasingly challenging environment. For example, greater use of dynamic line ratings and dynamic operating envelopes would enhance available network capacity for more of the year. Similarly, leveraging smart meter data for a whole range of smart applications could help defer capex and allow better targeting of opex.
	Dynamic Analysis	Considers there has been minimal demonstration of Western Power showing how improved data and technology can drive better performance. For example, there is little discussion on using smart meter data to make better asset management decision or reviewing aspects of planning such as dynamic line ratings. These small improvements help curb long-term costs and improve customer service. Considers that Western Power should be provided incentives to pursue innovation. Considers that the annual 2 per cent efficiency target in the draft decision appears appropriate given that Western Power has not been subject to such a stretch target over the last decade. Supports the ERA's approach in principle but consider that more information should be provided on areas of potential efficiency gain. Considers that efficiency targets are arbitrary, and that a business needs the support of a regulator in uncovering areas of inefficiency.
Labour escalation factor		
	Synergy	• Considers the proposed labour escalation premium in the revised proposal is too high.
	AEC	Confirm that the labour escalation factor has been updated to reflect the latest forecast data.
Service standards – Rural long SAIDI		
	Synergy	Supports the draft decision and required amendment that the rural long SAIDI must be no worse than the NQ&R Code standard of 290 minutes. Notes that WP has not implemented the ERA's required amendment despite requesting an additional $182 million for targeted reliability improvements in rural areas. Synergy's experience with the approach of averaging service standards across the four broad feeder categories is that it lacks transparency and the incentive to improve service performance in those parts of the network experiencing the worst reliability outcomes. This makes it challenging for retailers to support their customers and advocate for improved performance. It is also frustrating for the actual customer who experiences poor performance while WP maintains that they are meeting their service standards. Considers the use of broadly averaged service standards does not incentivise efficient investment in and operation of the network, as it encourages a focus of effort on service performance where there are large numbers of connection points relative to low customer density areas such as at the fringe of grid. Synergy considers the broadly averaged service standards have not provided the necessary transparency on whether WP's investments have effectively met community expectations. Supports the view that there should be a more direct set of incentives conferred on WP to improve customer outcomes in poor performing

Category	Stakeholder	Views/Matters raised
		areas of the network and would welcome steps towards moving to locational service performance measures as soon as practicable. Includes comments on the SAIDI incentive rates: WP does not appear to have updated the energy consumption figures in its revised proposal to reflect the latest demand forecast. Queries why the AA5 value of customer reliability for rural long customers is lower than for AA4. Seeks confirmation that WP's proposed incentive rates result in suitable performance incentives.
Service standards – Reference services for supply abolishment, load/inverter control, and de-energise/re-energise services		
	Synergy	Provides information on why it considers WP has not complied with the draft decision required amendment to set service standard benchmarks that are consistent with the specific time periods specified in the Metering Code or Code of conduct and apply to each individual performance of the relevant service.
Services and tariffs – Dedicated EV chargers		
	Synergy	New EV charging service should be bidirectional (Western Power has subsequently confirmed it was intended to be bidirectional). EV chargers should be able to access metered demand and CMD tariffs (Western Power has subsequently confirmed EV chargers can access existing metered demand and CMD tariffs). Considers WP's proposal is aimed at ensuring network revenue recovery and certainty rather than promoting EV uptake. Considers WP's proposed new tariff should be modified in line with a version Synergy presented on 12 October to WP and market participants.
	AEC	Supports the introduction of a dedicated EV charger service and considers they are a key element of decarbonisation. 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. But considers at this early stage in the development of publicly available EV 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 EV owner charging at home. Although it does not support any form of demand charge at this stage (because it considers it would make EV charging stations uneconomic due to low utilisation during the initial uptake of EVs) Evie includes the following comments on Western Power's proposed tariff: Considers 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.

Category	Stakeholder	Views/Matters raised
		Considers 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. Considers Western Power should be required to work with EV charging infrastructure providers to introduce appropriate arrangements during AA5 to collect and analyse data from dedicated EV charging sites (including assessing the ability to dynamically reduce load on the network (i.e., curtailability) during peak network events) to develop, in conjunction with the EV 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 EV charging sites and promotes the efficient use of the grid, with this tariff (or tariffs) to form part of Western Power's AA6 access arrangement proposal.
Services and tariffs – Grid connected storage		
	Synergy	Distribution storage Considers WP's proposed tariff 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. 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). Transmission storage Notes it is currently installing a 100 MW/200 MWh battery, which is scheduled to be operational between October 2022 and January 2023 and has publicly announced the deployment of an additional 1,100 MW of storage, the bulk of which is expected to be commissioned in AA5 and AA6. Considers WP's proposed tariff meets Synergy's 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. 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.
	Alinta	Recognises and appreciates Western Power's work to incorporate feedback on its proposed transmission-connected storage service. 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.

Category	Stakeholder	Views/Matters raised
	AEC	Supports the introduction of grid connected storage services and considers they are a key element of decarbonisation. Asks the ERA to resolve the tariff issues raised by stakeholders as part of its final decision.
Services and tariffs – Inverter size for dedicated EV chargers		
	Synergy	Considers WP's proposed modification to the required amendment for the eligibility criteria for the low voltage EV charging service (a limit of 2 MVA rather than 3 MVA) is acceptable if the following changes are made: The limit should be 3 MVA for three phase connections on the low voltage network. There should be no limit for high voltage connected EV chargers.
Services and tariffs – Capacity allocation service		
	Synergy	Considers WP's revised proposed service is largely unchanged from the service proposed in February and does not resolve the concerns previously raised by Synergy because it: does not permit swaps between more than two connection points requires a technical assessment to be undertaken for all applications. Considers that if the access arrangement is approved without these concerns being addressed it would be a reviewable error.
	AEC	Supports the required amendment and asks the ERA to evidence that Western Power has resolved the service issues raised by users
	Alinta	Plans to engage Western Power to discuss further potential improvements to the capacity allocation service.
Services and tariffs – Services facilitating distributed generation or other non-network solutions		
	Synergy	Considers WP's revised proposed service is unchanged from the service proposed in February and does not resolve the concerns raised by Synergy. Synergy is seeking a discount off the relevant transport tariff where users invest in initiatives to promote the economically efficient investment and operation of the WP covered network. This discount can then be provided to end use customers who contribute to the efficient use of the network. Considers that if the access arrangement is approved without these concerns being addressed it would be a reviewable error.
	AEC	Supports the required amendment and asks the ERA to evidence that Western Power has resolved the service issues raised by users.
Services and tariffs – Business energy services and tariffs should be available to high voltage customers		
	Synergy	Considers WP's proposal that the business tariffs should only be available to high voltage customers for a period of 6 months is not consistent with the required amendment.
	AEC	Supports the required amendment and notes that Western Power has not implemented it.

Category	Stakeholder	Views/Matters raised
		Requests the ERA to implement the required amendment in full, specifically in relation to network services that can be used to assist users to reduce their network costs such as the B3/C15 reference services (distributed generation or other non-network solution) or D2 reference service (capacity swaps).
Services and tariffs - demand based tariffs		
	Synergy	Considers the draft decision required demand-based, time of use (bi-directional) tariffs to be provided for commercial transmission customers.
Services and tariffs - Streetlighting		
	AEC	Wants ERA to confirm that Western Power has provided evidence that the proposed reactive replacement of streetlights with light-emitting diode (LED) globes will meet current streetlighting standards and has the lowest lifecycle cost.
	Synergy	Supports the required amendment that if Western Power initiates a change in the type of luminaire installed in an existing asset or replaces a luminaire with a different type of luminaire it must ensure it meets current public lighting standards (AS/NZS 1158). Agrees that Western Power needs to demonstrate its proposed strategy has the lowest life cycle cost and the ERA should determine whether WP has provided the necessary evidence required by the ERA's draft decision. Notes WP's alternative to providing the required evidence is to conduct further stakeholder engagement, but WP has not clarified how and when stakeholders will be provided an opportunity to provide feedback to the ERA following the engagement, and that there will be sufficient time for the ERA to consider such feedback when making its final decision.
	WALGA	• Recognises that existing pole spacing of legacy installations may constrain the achievement of lighting that meets current minimum lighting of the roadway requirements set out in the Australian Standards. Although it may not be cost effective to relocate poles just to improve lighting levels on the roadway, the choice of luminaires and lamps determines performance against other important criteria set out in AS1158 and AS4282 including upward light ratio, luminous intensity and discomfort glare. The customer [local government] expectation is that changes made, including installing new lamps or new luminaires, must lead to an outcome closer to the Australian Standards than what previously existed. • Considers the streetlighting reference service should include a requirement that: – Any change impacting on streetlighting (such as replacing globes, replacing luminaires, relocating or replacing poles etc) must result in an outcome that is more closely aligned to the latest, relevant lighting standard for that particular type of road than previously existed. – Western Power is responsible for effectively dealing with public complaints about inadequate or excessive lighting,

Category	Stakeholder	Views/Matters raised
		where the light output is different from the original design standard. • Recognises that screw-in LED globes may be the most cost-effective solution in some specific situations but considers the ERA should not accept the proposed strategy until a number of matters (set out in the submission) have been properly analysed and demonstrated. • Considers customers should be engaged in the development of the Western Power Public Lighting Strategy, which should be regularly updated as pricing and technology changes and should be public. • Identified some potential issues in the method and assumptions used to allocate costs to streetlighting and considers the building block costs for each luminaire-lamp combination should be provided. • Considers the service standard does not adequately encourage Western Power to repair streetlight cable faults that typically result in the failure of multiple adjacent lights and recommends changes to address this. • Requests a reference service for de-energising/re-energising unmetered supplies rather than requiring each application to go through a full design process which is not efficient for local governments or Western Power.
Services and tariffs – General		
	Change Energy	Remains concerned that Western Power continues to insist on designing products for end users rather than its actual customers – retailers. Reiterate that it would like to see a stronger push for demand-based products, which Western Power states are too complicated for end users. Understands Western Power's eagerness to engage with end users, but it is ultimately the retailer that owns the relationship with electricity consumers, and it is retailers that create the products and services electricity consumers use and pay for.
Cost allocation and tariffs – Provision of information on cost allocations, forecast demand and revenue, charging structures and indicative pricing		
	Synergy	Considers WP'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.". 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. The current information in the revised proposal and TSS is insufficient to determine how the charges will be calculated and applied over AA5.

Category	Stakeholder	Views/Matters raised
		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. • 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. Asks the ERA to require WP to provide this information prior to the ERA's final AA5 decision. Recommends the ERA require WP 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.
	AEC	Considers that Western Power still has not provided the same level of information in the price list and price list information included in previous access arrangement reviews. Asks the ERA to ensure that this information is provided in full on or before the final decision.
	Dynamic Analysis	Agrees with the draft decision that Western Power needs to provide more detail on the proposed tariff structures. 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. But 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. • Recommends that Western Power 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.
Cost allocation and tariffs - Tariff 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. 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):

Category	Stakeholder	Views/Matters raised
		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. Concerned this approach will not result in existing customers being transitioned to the new tariff. Requests the ERA review how WP has allocated costs and rebalanced prices and ensure that WP's pricing strategy does not create an outcome where the transitioned tariffs is a disincentive to using the new super off-peak tariffs.
	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. Considers that, if adopted by consumers, these tariffs can increase the network's capacity utilisation and reduce the need for costly upgrades. But 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. 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. 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. 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. 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. So WA ECP is concerned that Western Power's estimates of Long Run Marginal Cost 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. 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. 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 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	Overall considers that the direction of tariff reform is appropriate including lower network prices during the day and higher prices in the evening peak. Considers this is particularly important to implement ahead of the expected increase in electric vehicle charging because it considers that

Category	Stakeholder	Views/Matters raised
		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. 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.
Cost allocation and tariffs – Improving cost reflectivity of TR2 annual connection costs and removing perverse incentives		
	Alinta	Considers that the method used by Western Power to establish the annual connection charges for users does not reflect the O&M costs of the connection and incentivises Western Power to inflate connection capital costs to generate higher O&M payments from customers. 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). Benchmarking with the O&M costs of other networks may also improve cost-reflectivity. Offers to provide details of its own transmission asset O&M costs. Considers the current method creates a perverse incentive to inflate the capital costs of the connection to generate higher annual O&M payments which presents a barrier to entry for users seeking connection to the transmission network.
Cost allocation and tariffs – other tariff changes sought by stakeholders		
	Alinta	The submission 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).
Cost allocation and tariffs – Cross subsidisation of transmission users by distribution users		
	Synergy	Notes there are material differences between distribution and transmission average tariff increases between WP's initial AA5 proposal (February 2022) and WP'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 WP's initial proposal to WP'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

Category	Stakeholder	Views/Matters raised
		AA5 and the markedly different tariff price paths highlighted in WP's revised revenue model, Synergy requests the ERA determine and publish in its final decision there is no cross-subsidy of transmission users by distribution users in AA5.
Cost allocation and tariffs – Allocation of transmission costs to distribution reference services		
	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. Considers this could apply to distribution bi-directional, standalone power system and storage services.
Cost allocation and tariffs – Implementation timeframes for 2023/24 price list		
	Synergy	Considers WP'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 requires at least 3 months to make system changes and notify customers of the reference service tariffs in the new AA5 price list. 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.
	AEC	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. 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.
Applications and queuing policy		
	Alinta	Considers the revised proposal does not adequately address the required amendment that: "The timelines in the applications and queuing policy must be defined clearly and as short as reasonably possible with requirements to provide updates to applicants on progress and likely time to completion." Considers the ERA should not accept Western Power's proposal to publish "indicative" timelines on its website instead of in the AQP. Considers that if reasonably binding timeframes are not applied, customers will continue to experience delays in the connection process. Considers that failing to expedite the connection process will: Undermine the key objective of the constrained access reforms: to allow more renewable generation readier access to the network. Removing the need to supply unconstrained access was meant to substantially simplify the work required to connect new capacity. However, since the reforms, Alinta has not observed any changes in the connection process or timeframes to reflect this. Risk reliability, considering the capacity urgently required to cover the expected shortfalls and planned retirements; and to decarbonise the SWIS in line with net zero targets.

Category	Stakeholder	Views/Matters raised
		Considers that the changes it is seeking are consistent with the standards held by other Australian TNSPs and suggests Electranet's timeframes for large connection applications be used as a guide. Attests to the usefulness of the guide and provides information on suggested timelines and process in its submission. • Recommends that the AQP and Contributions Policy include requirements for Western Power to include adequate detail in how it determines the costs of progressing enquiries and the forecast costs of connection works. Notes that Electranet provides such information and offers negotiated fixed rates.
	AEC	Supports the draft decision required amendment and considers the revised proposal has not directly addressed the required amendment. Requests the ERA to implement the required amendment in full in the final decision. Encourages the ERA to consider other ways to improve and fast-track the connection process, including: Allowing applicants to engage third-party consultants (for example if network feasibility studies are required) to expedite timeframes and, potentially, reduce costs. Strengthening oversight to ensure that if network studies are required then the need for such studies are evidence based, completion timeframes are transparent and the costs charged to applicants and users are efficient. Not mandating an enquiry be lodged prior to an application, noting that some applicants may prefer to immediately proceed to submitting an application.
	Collgar	Considers a wholesale review of the AQP is needed so that it is fit for purpose for the energy transition and the unprecedented volume of connections needed now and in the coming years. Despite the ERA identifying in its Draft Decision that the AQP 'will not be able to deal with the scope of change required for decarbonisation', Western Power has not proposed material amendments. Key matters to be addressed include: Specific and binding timeframes for responses to enquiries and applications to both provide the applicant certainty and support timely project development. The submission includes proposed timeframes. The AQP should not mandate an enquiry be lodged prior to an application. The AQP should provide for applicants a list of approved third-party consultants to undertake studies on behalf of Western Power to alleviate resource requirements and assist expedite timeframes. Clear and transparent processes. The process overview on page 2 of the AQP is useful, however needs to be amended to reflect modern processes e.g.. Considers it is unclear where in the application process Western Power will consider the Relevant Generator Modification (RGM) framework. Considers Western Power should make a determination as early as possible to mitigate unnecessary work, time and cost for both the applicant and Western Power.

Category	Stakeholder	Views/Matters raised
		The studies Western Power needs to undertake should be more limited in the new constrained access framework. However, the AQP does not clearly outline what is required under the new framework. The AQP ought to specify a default process and study requirements, including addressing the above, to provide certainty for the applicant, while also having the option for an alternative process to be agreed by the applicant and Western Power. Regulatory oversight should be strengthened to ensure costs, including for studies, incurred and recovered from applicants and users are efficient (including that analysis and studies undertaken are fit for purpose). Future applicants should be able to access Western Power models and data prior to submitting an application. These models and data enable analysis to inform opportunity definition, including site selection. This needs to be undertaken prior to detailed feasibility studies and submission of a good faith access application. The AQP should be amended to permit future applicants to access models and data without having to be tied to a particular enquiry or application. Considers that other reforms, including not requiring an Access Arrangement to be finalised prior to applying for Capacity Credits or a shorter Capacity Credit application cycle, can also assist expedite project development and notes it will continue to engage with EPWA and AEMO on such reforms.
	Perth Energy	Appreciates that Western Power is looking to speed up its approval processes and notes it has had a very positive meeting with the team charged with this task. However, suggests that the sheer size of the transformation requires a broader, more comprehensive approach that draws in other entities. Potential options that might be considered include: Closer integration of Western Power and AEMO processes to allow these to progress partially in parallel rather than being sequential. Can Western Power provide some form of provisional network access approval prior to a formal approval? Can generation projects be deemed “critical”, in the same way that some transmission projects can be deemed “critical” through the whole-of-system-plan process? This would allow such projects to move to the head of the access application queue and allow Western Power to focus on these. Can capacity credits be assigned to new facilities one year ahead, rather than two, if there is capacity shortfall? Understands that Western Power has considered the option of allowing developers to utilise approved consultants to undertake required system studies. Can this process be initiated or accelerated? Can the whole-of-system plan process, and the nomination of critical transmission projects, be brought forward to allow Western Power to start immediately on new projects which are likely to be required irrespective of the ultimate network structure?

Appendix 4 ERA approved access arrangement