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Telephone:

12 December 2016

Access Code Amendment Project Lead  
Electricity Market Review  
Public Utilities Office  
Department of Finance  
Locked Bag 11  
Cloisters Square WA 6850

Dear Sir/Madam

### **Submission – proposed amendments to the Electricity Network Access Code**

1. Thank you for providing Synergy with the opportunity to comment on the proposed amendments<sup>1</sup> in relation to the Electricity Network Access Code 2004 (**Code**). Synergy's comments<sup>2</sup> are as follows:

#### **Regulatory objectives and intent**

2. Given the delay in the passing the network regulation reform bills Synergy understands the government's objective is now for Western Power to continue to meet its network access regulatory obligations under the local Code.
3. In considering the proposed Code amendments Synergy has given regard to the above objective, the *code objectives* and the following three electricity market review (**EMR**) objectives:

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<sup>1</sup> Detailed in "Consultation Paper – Proposed amendments to the Electricity Networks Access Code", 11 November 2016 (**Consultation Paper**).

<sup>2</sup> Terms in italics are defined terms in the code and have the meanings given therein.

- Reducing costs of production and supply of electricity and electricity related services, without compromising safe and reliable supply.
- Reducing Government exposure to energy market risks, with a particular focus on having future generation built by the private sector without Government investment, underwriting or other financial support.
- Attracting to the electricity market private-sector participants that are of a scale and capitalisation sufficient to facilitate long-term stability and investment.

#### **Extending the time for Western Power to submit proposed revision for AA4**

4. Synergy understands the proposed amendments are intended to have minimum effect on the standard access arrangement process including the independent functions of the Economic Regulation Authority (**Authority**). That is, the proposed aim is to minimise energy market risk and ensure the continuation of suitable economic regulation for the next regulatory period by extending the time Western Power has to submit its proposed revisions for the fourth *access arrangement* and the *access arrangement information (AA4)*.
5. Noting that section 4.46 of the Code requires that an *access arrangement* continues in effect from the *access arrangement start date* until the network ceases to be a *covered network*. Synergy understands the effect of the proposed amendments is to have the (AA3) *access arrangement* amended to have a *revisions submission* date of 2-October-2017 and a *target revisions commencement date* of 1-July-2018.
6. Synergy supports giving Western Power further time to prepare its proposed AA4 revisions because it reduces market risk and is more likely to achieve a better result for consumers by providing Western Power with more time to make an informed submission on such matters as how the constrained access model will work in the SWIS and whether it needs to continue incurring the costs of performing certain functions such as retail market operations.
7. The longer period will also provide Western Power with an opportunity to consider initiatives, consistent with EMR objectives, which could attract private sector investment into the market particularly in the area of meter provision and services.

#### **Effective period of AA4**

8. The consultation paper proposes AA4 will be for a period of three years operating from 1-July-2017 to 30-June-2018. However, 1-July-2017 to 30-June-2018 will be a "gap" year. Therefore, Synergy understands, under the Code, the 2016/2017 *price list* will apply during this period.

9. Synergy supports this approach as the three year *access arrangement*<sup>3</sup>, with a gap year, is consistent with the *code objectives*<sup>4</sup> to promote the economically efficient investment in and operation and use of, *networks* and *services* of *networks* in Western Australia in order to promote competition upstream and downstream of the *networks*.
10. Even though Synergy does not consider the proposed 3 year access arrangement is inconsistent with the *code objectives* it is important to recognise there potentially is the risk of price shock<sup>5</sup> to consumers. Therefore, to mitigate this, consideration could be given to whether the amendments should provide for the Authority to approve expenditure recovery into a subsequent and consecutive *access arrangement period*.

Please contact Karthi Mahalingham, manager networks regulation and compliance.

Yours faithfully



WILL BARGMANN   
**GENERAL MANAGER CORPORATE SERVICES**

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<sup>3</sup> Based on a revision commencement date of 1-July-2018 with the *price list* for the remaining 2 years of the access arrangement adjusted to account for the continuation of the 2016/2017 *price list* for the period July 2017 to June 2018.

<sup>4</sup> Given the particular circumstances associated with the delays to pass the network regulation reform bills.

<sup>5</sup> Due to the shorter period of time to recover network tariff increases.

