

# **Proposed amendments to the Electricity Networks Access Code for the Fourth Access Arrangement**

## **Submission by Western Power**

9 December 2016

## 1 Introduction

On 11 November 2016, the Minister for Energy released proposed amendments to the *Electricity Networks Access Code (Access Code)* to principally provide for the next review of Western Power's Access Arrangement (**AA4**) on the following basis:

- Require that Western Power submit its proposed revisions on or before 2 October 2017
- Require the Economic Regulation Authority (**ERA**) to take all reasonable steps to ensure that the revisions commencement date occurs on or before 1 July 2018
- Set the target revisions commencement date for the Fifth Access Arrangement (**AA5**) revisions to be 1 July 2020.

Western Power's views on each of these items are outlined below.

## 2 AA4 revisions commencement date

Western Power supports a submission date of 2 October 2017. This should provide sufficient time to prepare a credible, defensible and robust AA4 submission.

The key challenge with an earlier submission date would be Western Power having sufficient time to engage with customers on matters that are unique to the Access Code such as the Applications and Queuing Policy.

In addition, the State Government as Western Power's shareholder will need adequate time to consider the implications of the AA4 submission on its wider policy objectives.

## 3 ERA to take reasonable steps to ensure AA4 commencement date on or before 1 July 2018

Western Power supports the ERA having a non-mandated aspirational AA4 commencement date. The later the start date, the greater the possibility of price shock for Western Power's customers. It would not be appropriate to mandate the AA4 revisions start date as there may be factors outside the ERA's control which don't allow 1 July 2018 to be achieved.

## 4 AA5 revisions commencement date

Western Power has concerns with mandating the AA5 revisions commencement date.

Pursuant to section 5.31(b) of the Access Code, the standard Access Arrangement length is five years and Western Power has the ability to propose a different time period.

The reason provided by the PUO for mandating a three year period is to minimise "the likelihood that the regulatory period may need to be truncated to accommodate any future reforms". If in future, the State Government determines that new reforms should commence from 1 July 2020, Western Power sees no complexities with truncating the regulatory period. The issues would largely be the same as those encountered with transitioning at the end of the AA3 period. As a result, it is Western Power's preferred option to maintain the AA4 period at five years.

It is worth noting that:

- Western Power incurs a significant cost preparing Access Arrangements
- The cost of producing Access Arrangements is independent of the length of the regulatory period

- The shorter the regulatory period, the higher the likelihood of price shock being experienced by customers. One reason why this might arise is significant changes in the Weighted Average Cost of Capital between periods due to fluctuations in Commonwealth Bond Yields.

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