



## Information Paper

# Electricity Corporations (South West Interconnected System Prescribed Customers) Order 2023 – Electricity Retail Contestability Threshold

May 2023

## Background

In late 2021 Energy Policy WA conducted public consultation on the drafting of a new Order to apply the State Government policy position on electricity retail contestability in the South West Interconnected System (**SWIS**). The latest version of this draft Order is now known as the Electricity Corporations (South West Interconnected System Prescribed Customers) Order 2023 (**SWIS Order**).

The SWIS Order is intended to replace the Electricity Corporations (Prescribed Customers) Order 2007 (**2007 Order**), made by the then Minister for Energy in accordance with section 54(4) of the *Electricity Corporations Act 2005* (**the Act**) and which came into operation on 1 July 2007.

## Regulatory Framework

The SWIS Order operates by determining a class of ‘prescribed customers’ within the SWIS as being non-contestable, that is, unable to be supplied by an electricity retailer other than the Electricity Generation and Retail Corporation (**Synergy**)<sup>1</sup>.

A ‘prescribed customer’ is defined by an order made under section 54(4) of the Act. Section 54(5) of the Act provides that the order may include reference to an amount of electricity (or estimated amount) consumed by a customer within a specified period.

The new SWIS Order defines a prescribed customer as a customer that consumes, or could reasonably be expected to consume, not more than 50 megawatt hours (**MWh**) of electricity per annum at an exit point or a bidirectional point.

The terms exit point and bidirectional point are defined in section 1.3 of the Electricity Networks Access Code 2004 (**Access Code**) as follows:

- ‘bidirectional point’ means a point on a covered network identified as such in a contract for services at which, subject to the contract for services, electricity is expected to be, on a regular basis, both transferred into the network and transferred out of the network; and
- ‘exit point’ means a point on a covered network identified as such in a contract for services at which, subject to the contract for services, electricity is more likely to be transferred out of the network than transferred into the network<sup>2</sup>.

1 Section 54(2) of the Act restricts the Electricity Networks Corporation (**Western Power**) or a subsidiary, to supplying services to Synergy (or a subsidiary), in support of an electricity retail contract with a prescribed customer.

2 An unofficial consolidated version of the Electricity Networks Access Code as at July 2021 is available on the [Energy Policy WA website](#).

The prescribed customer definition does not include application to an entry point, defined in the Access Code as:

‘entry point’ means a point on a covered network identified as such in a contract for services at which, subject to the contract for services, electricity is more likely to be transferred into the network than transferred out of the network.

Energy Policy WA notes that Western Power is the party responsible for determining the type of classification of a network service that is being provided within the SWIS (i.e. the type of connection point) and is therefore required to make the practical application of the restriction on the supply of network services to prescribed customers.

The SWIS Order excludes entry points from the scope of the prescribed customer definition, on the basis that it may otherwise unintentionally capture parties such as large-scale generators. The Order has however been modified to include residential customers within the scope of the definition of a prescribed customer.

This change to specifically include residential customers as prescribed customers is consistent with the position that the State Government has no near-term plans to make the retailing of electricity for residential customers contestable, as articulated in the Energy Policy WA [\*DER Orchestration Roles and Responsibilities Information Paper\*](#) released in June 2022. An exception to this position is that those residential customers that have become contestable under the 2007 Order will remain as being contestable under the new SWIS Order.

## Consultation Feedback

Stakeholder submissions received as part of the consultation process on a previous draft version of the SWIS Order did not highlight any opposition to the inclusion of bidirectional points within the scope of the prescribed customer definition.

The feedback received did however highlight differences in the understandings of some stakeholders as to how the electricity retail contestability threshold is applied. Energy Policy WA has included additional guidance on the intent and practical application of the new instrument as part of this Information Paper.

The stakeholder submissions also highlighted a need for changes to other regulatory documents and instruments outside of the scope of responsibility of Energy Policy WA and the Minister for Energy, including definitions in the Western Power Access and Queuing Policy and the Code of Conduct for the Supply of Electricity to Small-use Customers. Energy Policy WA is requesting that the responsible entities address these matters as a priority.

## Operation of the SWIS Order

The new SWIS Order is intended to preserve the current Government policy position on electricity retail contestability in the SWIS. This is further explained by reference to the specific examples below:

Type of Customer	Contestable or Non-contestable customer
All exit points and bidirectional points held by a customer have annual electricity consumption below 50 MWh	Non-contestable (Prescribed) customer
Customer has one or more exit point/s or bidirectional point/s with electricity consumption exceeding 50 MWh per annum <sup>3</sup>	Contestable customer

3 While Clause 13(2) of the SWIS Order refers to consumption at each supply point, this is just a matter of the form of drafting to allow that where the consumption threshold is exceeded for a single exit or bidirectional point, that customer is no longer considered to be a prescribed (non-contestable) customer.

Type of Customer	Contestable or Non-contestable customer
Customer has exit points and/or bidirectional points with electricity consumption exceeding 50 MWh per annum in aggregate but not at a single connection point (exit point or bidirectional point).	Non-contestable (Prescribed) customer
Customer is supplied under a residential electricity tariff product	Non-contestable (Prescribed) customer
Customer holds an entry point and is not a residential customer	Contestable customer
Western Power has determined a customer as being contestable but their electricity consumption at each exit point and/or bidirectional point subsequently falls below 50 MWh per annum <sup>4</sup>	Contestable customer

### *Metering Requirements*

It is not intended that the new SWIS Order should invoke any change to the application of metering requirements under the Electricity Industry (Metering) Code 2012 to both contestable and non-contestable customers.

Energy Policy WA understands that a customer assessed as being contestable by Western Power will be required to ensure that all supply points held by the customer comply with the metering requirements for contestable customers, regardless of whether the level of electricity consumption at that supply point exceeds 50 MWh per annum.

### *Aggregation Services and Residential Customers*

Stakeholder submissions highlighted the relationship between the retail contestability threshold and policy considerations associated with aggregation services.

Aggregation services facilitate a grouping of Distributed Energy Resources (**DER**) to act as a single entity when engaging in markets (both wholesale and retail) or selling services to the Distribution Services Operator.

Energy Policy WA released an Issues Paper, [\*DER Orchestration Roles and Responsibilities\*](#), in August 2020 as part of consultation to inform ongoing policy development on the implementation of actions under the DER Roadmap.

Action 24 of the DER Roadmap requires the development of a plan for the establishment of a Distribution Services Operator and Distribution Market Operator in the SWIS, including the identification of roles, functions, costs and practical operations, and an assessment of the costs and benefits to the system for the establishment of these functions.

The Issues Paper noted that in the first instance existing retailers are ideally placed to enable active DER participation due to their direct relationship with customers who have already invested (or will invest) in DER. This may be in partnership with a third-party equipment supplier or energy services provider.

The paper also noted that in the SWIS, State Government policy has been to regulate energy prices for most customers using below 50 MWh of electricity per year with Synergy as their sole retailer, and that consideration needs to be given to how the policy should apply to aggregation services provided to small-use customers.

<sup>4</sup> Clause 3(3) has been included to ensure that customers that have become contestable since the 2007 Order came into operation do not become non-contestable (prescribed customers) if their electricity consumption at each of their supply points has reduced to below 50 MWh per annum at the time that the SWIS Order commences.

In the [\*DER Orchestration Roles and Responsibilities Information Paper\*](#), Energy Policy WA confirmed a policy position that Synergy will remain as the sole aggregator for non-contestable customers. This policy position is on the basis that while aggregation is a developing service, it is desirable to preserve the current linear legal and contracting relationships between customers and retailers, in line with the State Government's existing policy positions on electricity retail contestability.

Any enquiries on this matter should be directed to Matthew Martin, Director – Consumer Policy at [Matthew.Martin@dmirs.wa.gov.au](mailto:Matthew.Martin@dmirs.wa.gov.au) or (08) 6551 4640.

**Department of Mines, Industry Regulation and Safety | Energy Policy WA**  
(08) 6551 4600 | [EPWA-EPWA-info@dmirs.wa.gov.au](mailto:EPWA-EPWA-info@dmirs.wa.gov.au)  
[www.energy.wa.gov.au](http://www.energy.wa.gov.au) | [www.brighterenergyfuture.wa.gov.au](http://www.brighterenergyfuture.wa.gov.au)

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