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Dr Ray Challen
Steering Committee Chairman
Electricity Market Review (Phase 2)
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Dear Dr Challen

RESPONSE TO POSITION PAPER ON CHANGING THE CONTRACTUAL RELATIONSHIP BETWEEN THE ELECTRICITY DISTRIBUTOR, CUSTOMERS AND RETAILERS

Introduction

Bluewaters Power welcomes the opportunity to provide comments on the issues contained within the “Position Paper on Changing the Contractual Relationship between the Electricity Distributor, Customers and Retailers” (Paper) published 15 June 2016.

Bluewaters Power participates in the WA Wholesale Electricity Market as follows:

- **Generation:** 2 x 220MW (sent out) coal fired power stations, Bluewaters 1 and Bluewaters 2, located in Collie, and each “certified” by the IMO for 217MW of capacity. The power stations were both fully commissioned in 2009 (albeit 6 months apart) and typically provide ~15% to 20% of the energy consumed in Western Australia.
- **DSP Capacity:** Bluewaters Power operates a 20MW Demand Side Program.
- **Retail:** Bluewaters holds a Retail License and has long term contracts to supply ~220MW of retail load ie. Bluewaters has service responsibility for NMIs which may draw up to 220MW, representing ~7.5% of total retail energy consumption on the SWIS.

The Bluewaters assets are owned by Sumitomo Corporation and Kansai Electric. Additionally, Sumitomo Corporation has a 50% interest in the NewGen Power Kwinana Power Station (328MW CCGT).

Bluewaters’ position

Bluewaters is supportive of the triangular contracting model proposed in the Position Paper. Amongst other objectives Bluewaters would like to see a reduction in double-handling and red-tape as a clear deliverable in this reform stream. By creating a direct contractual relationship between the distributor¹ and a customer (rather than via a retailer) Bluewaters hopes such a model will reduce “double-handling” of, and compliance with, distribution network matters.

This is likely to promote operational efficiency in the WEM retail market, which in turn support the objective of minimising the long-term cost of electricity supplied to customers.

Impacts on HV connected retailers/customers

¹ Western Power LV network.

Bluewaters notes that the proposed contracting arrangement will only apply to low voltage (LV) connection points (less than 66 kV), and looks forward to the PUO's clarifications on the arrangement relating to the HV connection points.

Impacts on large customers

Although the distributor and a customer will enter into a direct contractual relationship under the proposed model, Bluewaters notes the PUO's proposal that the "... retailer will continue to be the main point of contact, and will continue to manage most of the service requests on the customer's behalf, including billing." Bluewaters is mindful that arrangement is required because the small use customers² may not have the capability or willingness to manage their own network matters. Bluewaters considers this is not necessarily the case for the large customers. Hence, Bluewaters considers the arrangement should necessarily apply only for small use customers.

Bluewaters therefore notes and supports PUO's proposal to permit direct billing from the distributor to the customers in the case of large customers.

Bluewaters believes the triangular contracting arrangement should allow a large customer and its retailer to negotiate their own a network management arrangement. The model should allow (but not require) a negotiated outcome where a large customer and the distributor to deal with each other directly in regards to network matters without necessarily involving a retailer.

Bluewaters supports the proposals in Chapter 6 of the Positon Paper that sets out the required involvement from the retailers³ for facilitating the triangular contracting arrangement. We note however that some of the proposals do not need to apply in the case of large customers. For example:

- coordination of service standard payments;
- in the case of direct billing arrangement - (a) credit support and (b) disputes concerning billing or credit support;
- provisions *requiring* large customers to deal through its retailers in regards to network matters.

Impact on the existing Electricity Transfer Access Contracts (ETACs)

The current BW1's ETAC with Western Power governs the contractual relationship between the two parties in relation to both HV and LV connection points, under a single contract.

As the Position Paper only deals with the LV connection points, it is not clear whether the HV connection will be subject to a different framework. This may give rise to a situation where Bluewaters will need to manage two contracting frameworks for its connection point (as opposed to a single contract under the current arrangement). This may create additional (rather than less) administrative burden to Bluewaters and other retailers in the WEM.

In order to reduce red-tape and compliance burden, it is Bluewaters' preference that a single contracting framework for the LV and HV connection points be enacted. In the event retailers may have to manage two frameworks then those frameworks should be well coordinated in order to minimise administrative burden on all parties.

Contractual Invention

Bluewaters does not feel that government intervention in the form of contractual requirements mandated by legislation are necessary.

Bluewaters thanks the Steering Committee for considering our comments. Please feel free to contact myself or Ignatius Chin if you have any queries or wish to discuss further.

Yours sincerely,

Andrew Stevens
General Manager – Regulatory and External Services

² Customers consuming electricity 160 MWh pa or less

³ In the form of distributor-retailer regulatory relationship