

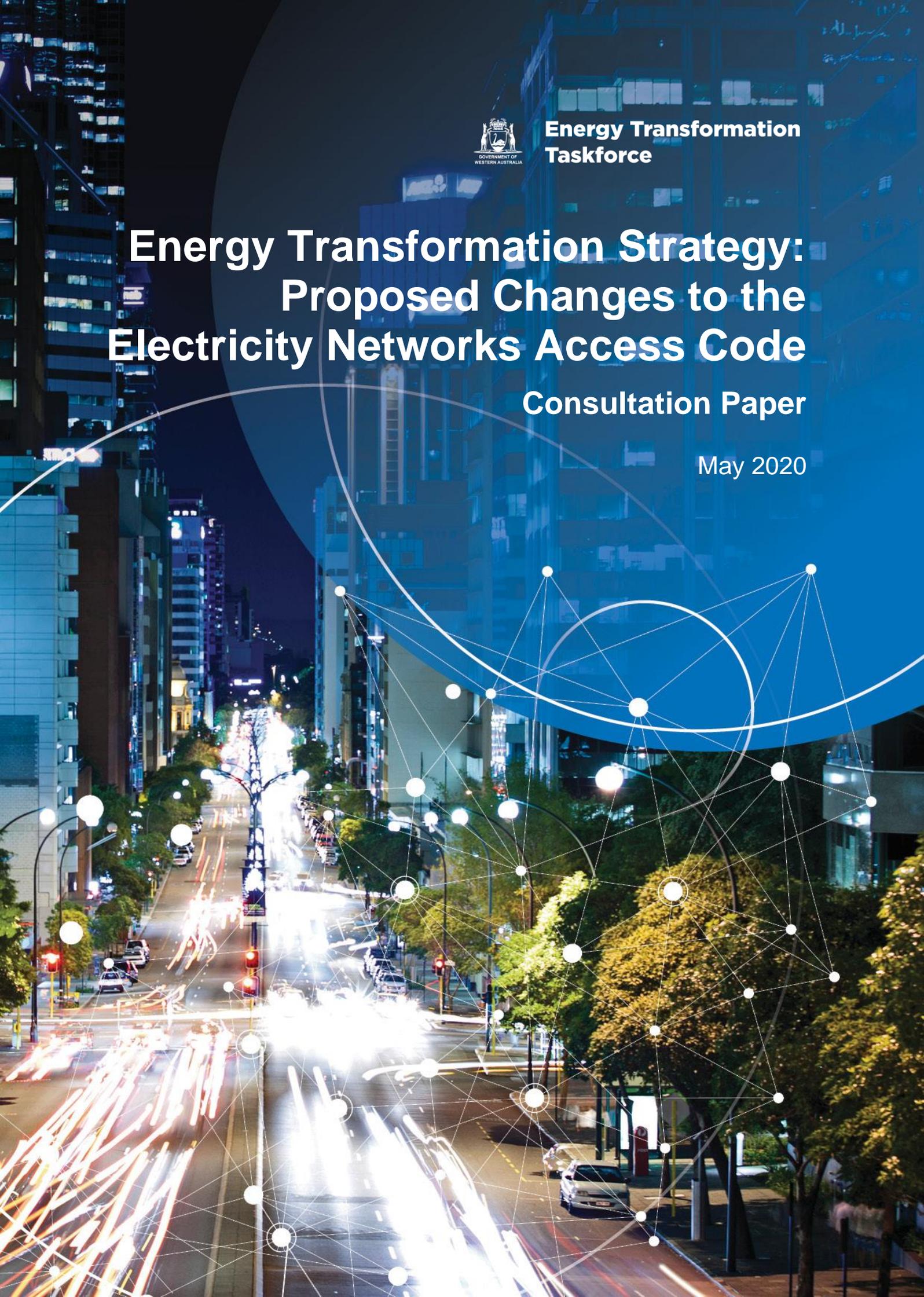


**Energy Transformation
Taskforce**

Energy Transformation Strategy: Proposed Changes to the Electricity Networks Access Code

Consultation Paper

May 2020



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It is provided to assist in understanding the approach being taken to develop changes to the Electricity Networks Access Code 2004.

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Abbreviations

The following table provides a list of abbreviations and acronyms used throughout this document. Defined terms are identified in this document by capitals.

Term	Definition
AA4	Western Power's fourth access arrangement period
AA5	Western Power's fifth access arrangement period
Access Code	Electricity Networks Access Code 2004
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
AQP	Applications and Queuing Policy
DER	Distributed Energy Resources
DMIA	Demand Management Innovation Allowance
ERA	Economic Regulation Authority
ETAC	Electricity Transfer Access Contract
ETIU	Energy Transformation Implementation Unit
NCS	Network Control Service
NEM	National Electricity Market
NER	National Electricity Rules
NOM	Network Opportunity Map
NFIT	New Facilities Investment Test
SCED	Security Constrained Economic Dispatch
SWIS	South West Interconnected System
Taskforce	Energy Transformation Taskforce
TSS	Tariff Structure Statement
WEM	Wholesale Electricity Market
WOSP	Whole of System Plan

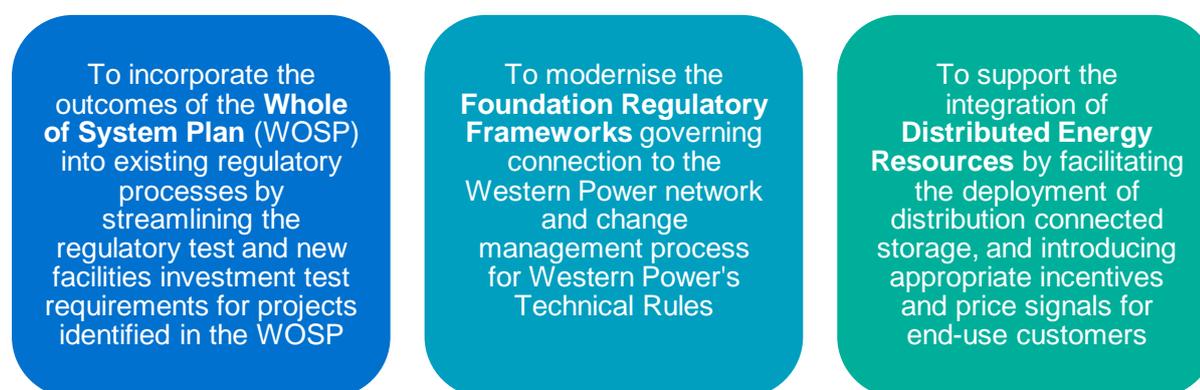
1. Introduction

1.1 Background

Technological change and evolving consumer preferences are rapidly transforming the landscape in which electricity network businesses operate. As such, the role that network businesses are undertaking is changing in response to the broader transformation of the energy sector. Against this backdrop, the Electricity Networks Access Code 2004 (Access Code) has remained relatively unchanged since its inception.

Changes to the Access Code are required to support the delivery of the Energy Transformation Strategy and its three underpinning work streams.

Figure 1: Energy Transformation Strategy workstreams and required changes to the Access Code



Other changes to the Access Code are also being considered to provide regulatory certainty and streamline access arrangement processes for Western Power and the Economic Regulation Authority (ERA).

On 19 November 2019, the Energy Transformation Taskforce (Taskforce) endorsed the development of proposed changes to the Access Code, which seek to achieve the following three objectives:

- 1. Increasing opportunities for new technologies** including facilitating the deployment of distribution connected storage and stand-alone power systems, providing opportunities for third party service providers to deliver non-network solutions to Western Power, streamlining the regulatory approach for Whole of System Plan (WOSP) projects, and amending the change management process for Western Power's Technical Rules.
- 2. Maximising network utilisation** including ensuring appropriate price signals to end-use customers, facilitating cost recovery for Advanced Metering Infrastructure (AMI), and implementing aspects of a constrained network access framework.
- 3. Improving the access arrangement process** including introducing a Framework and Approach, removing the further final decision, and providing regulatory certainty around access arrangement timeframes.

1.2 Stakeholder engagement to date

The Energy Transformation Implementation Unit (ETIU) has consulted with Western Power, the ERA and Australian Energy Market Operator (AEMO) on the development of these proposed Access Code changes.

Further to this, the ETIU presented the proposed Access Code changes to a broad cross-section of energy stakeholders via the Transformation Design and Operation Working Group as summarised in Table 1.

Table 1: Summary of industry engagement via TDOWG

Date	Item for discussion
17 June 2019 ¹ and 22 October 2019	<ul style="list-style-type: none">• Technical Rules Change Management
25 November 2019	<ul style="list-style-type: none">• Proposed Changes to the Access Code• Wholesale Energy Market costs inclusion in NFIT
11 December 2019	<ul style="list-style-type: none">• Constraints Governance

This was complemented by individual discussions with a number of stakeholders.

1.3 Purpose of this paper

Section 108 of the *Electricity Industry Act 2004* requires that formal public consultation be undertaken by the Minister for Energy on proposed amendments to the Access Code. This requirement is addressed through the release of this Consultation Paper, which articulates the policy positions and proposed amendments to achieve the objectives of:

- increasing opportunities for new technologies;
- maximising the utilisation of the existing Western Power network; and
- providing regulatory certainty and streamlining the access arrangement process.

1.4 Making a submission

The Taskforce welcomes feedback on the proposed Access Code changes outlined in this paper. Feedback can be submitted in any of the following ways:

1. Email your written submission to energytransformation@energy.wa.gov.au.
2. Contact energytransformation@energy.wa.gov.au to arrange a one-on-one discussion
3. Post your written submission to Energy Policy WA at Locked Bag 11, Cloisters Square, WA 6850
4. Register to attend the virtual Access Code Industry Forum on wa.gov.au/organisation/energy-policy-wa/access-code-virtual-industry-forum.

Consultation on these proposed Access Code changes close on 5.00pm (AWST), 26 June 2020. Late submissions may not be considered.

In the interests of transparency and to promote informed discussion, submissions will be made publicly available on www.energy.wa.gov.au unless requested otherwise. Accordingly, stakeholders

¹ This engagement held under the former Power System Operation Working Group.

should clearly specify if the information they provide is confidential and, where possible, should separate confidential information from non-confidential information.

Persons making any claim for confidentiality should familiarise themselves with the provisions of the *Freedom of Information Act 1992* (Western Australia), which imposes obligations on Energy Policy WA in respect to the release of documents.

2. Summary of changes

The proposed amendments that are being consulted on in this process are marked up in **blue**, in the attached draft Access Code.

Access Code changes to extend the target revisions commencement date for Western Power for its fifth access arrangement are also underway and for completeness are included in this version in **red**.

Table 2 summarises the proposed amendments for the purposes of this consultation process.

Table 2: Summary of proposed Access Code changes

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
Increasing opportunities for new technologies		
Enhance transparency of the process of determining the most efficient and prudent investment option for new technological solutions including Distributed Energy Resources (DER)	6.52(a)(iii)	New Facilities Investment Test (NFIT) amended to include assessment of alternative options for all capital investments.
	6A.6	Requirement on the ERA to make and publish guidelines for valuing the net benefits of expenditure by a service provider, which methodologies must include but are not limited to for the South West Interconnected System (SWIS) consideration of changes in costs for participants in the Wholesale Electricity Market (WEM).
	6.56	Requirement for ERA to make and publish guidelines setting out the factors to be considered in making an NFIT determination under section 6.52.
Provide greater transparency and opportunity for non-network service providers to deliver efficient solutions to Western Power to alleviate network needs.	6A.1	Obligation on Western Power to publish a Network Opportunity Map (NOM) by no later than 1 October each year.
	6A.2	Contents of a NOM.
	1.3 6A.3	Obligation on Western Power to develop an alternative options strategy and purpose of strategy.
	6A.4	Outline of requirements on Western Power in respect of the alternative options strategy.
	6A.5	Specifies information that must be included in the alternative options strategy.
	15.9	By 1 October 2021, Western Power must publish on its website the first alternative options strategy.
	1.3 6A.7-6A.10	Requirement for Western Power to develop a model Alternative Option Service contract.
	1.3 6.32A-K	Establish a Demand Management Innovation Allowance (DMIA).
	6.77 6.77A	Refine the assessment process for non-capital costs after the start of the access arrangement.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
	6.79	
Facilitate the deployment of distribution connected storage and stand-alone power systems	1.3	Definition of ‘alternative options’ amended to refer to both a major augmentation or a new facilities investment, including stand-alone power systems (SPS) and storage works. Definitions of ‘stand-alone power system’ and ‘storage works’ included by reference to the definition given in the <i>Electricity Industry Act 2004</i> .
	3.2A	A stand-alone power system provided by a service provider is treated as part of the covered network to which it is an adjunct if it satisfies the new facilities investments test in section 6.52.
Enable sharing of benefits with end-use customers when a network business uses regulated assets for unregulated purposes	1.3	Establish a framework to enable the sharing of profits arising from multi-function assets.
	5.1(m)	
	5.37	
	6.84-6.88	
Streamline the regulatory approach for Whole of System Plan (WOSP) projects to ensure that priority projects are delivered in a timely manner	1.3	Definition of ‘priority project’ inserted to refer to a project specified as a priority project in the WOSP. Definition of ‘whole of system plan’ inserted to refer to the document published by the Minister as the WOSP for the SWIS.
	6.52(b)(iv) 6.54(a)	Clarification that the ERA only needs to assess the unit costs of priority projects for the purposes of NFIT.
	9.11(d)	A service provider may rely on information from the WOSP as part of its regulatory test proposal.
	9.24A	If a person requests the ERA to form a view on the waiver of the regulatory test, the ERA may take into account any information obtained from the preparation of or set out in the WOSP.
	9.24B	Clarifies that a priority project is not subject to a regulatory test.
Amend the Technical Rules change management framework to improve equity and consistency with the WEM Rules framework and	12.19(a)(ii) 12.19(a)(vi)	Composition of Technical Rules Committee: delete requirement for an interconnected network representative.
	12.19(a)(v)	Technical Rules Committee to include a representative of AEMO.
	12.19A	Remuneration of Technical Rules Committee member in certain circumstances.
	12.19B	ERA sets the terms of reference for the Technical Rules Committee.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
allow for greater responsiveness to changes in the energy sector	12.19C(a) 12.19C(b)	The terms of reference for the Technical Rules Committee must provide for: <ul style="list-style-type: none"> • a quorum for meetings; and • Technical Rules Committee to establish one or more subcommittees, with prior consent of the ERA.
	12.23	Clarification of the functions of the Technical Rules Committee.
	12.23(e)	Technical Rules Committee must, when requested by the ERA: (i) assist a person to comply with the processes and procedures in submitting a proposal; and (ii) request further information from a proponent about a proposal.
	12.27(a) 12.27(b)	The ERA may: <ul style="list-style-type: none"> • amend any terms of reference for a Technical Rules Committee; and • dissolve, alter or reconstitute a Technical Rules Committee.
	12.28(b)	The ERA must have regard to any advice provided by the Technical Rules Committee in deciding whether to approve or not approve a proposal to amend Technical Rules.
	12.50	Any interested person can submit to the ERA a proposal to amend Technical Rules, including transitional arrangements.
	12.50A	ERA to publish processes and procedures for submitting proposals.
	12.50B	ERA may amend any process and procedures.
	12.50C(a) 12.50C(b)	ERA may: <ul style="list-style-type: none"> • assist a person to comply with processes and procedures of 12.50A; and • request the Technical Rules Committee to assist a person to comply with processes and procedures of 12.50A.
	12.50D	When a proposal is deemed to have been submitted.
	12.50E	Once a proposal has been deemed to have been submitted, the ERA must place it on the public register.
	12.50F	The ERA (or the Technical Rules Committee) may request additional information from a proponent, after the proposal is deemed to have been submitted.
	12.51(c) 12.51(d)	Specifies the additional grounds the ERA has for rejecting a proposal.
	12.51A(a) 12.51A(b)	The ERA may consider multiple, similar proposals at the same time, and is not required to consider proposals in the order in which they are received.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
	12.51B	The ERA must request the advice of the Technical Rules Committee on any substantial proposals to amend Technical Rules, that it does not reject.
	12.51C	The ERA must provide the Technical Rules Committee with a time by which to provide requested advice, which must not be less than 15 days.
	12.51D	The Technical Rules Committee may request the ERA to provide additional time to consider a proposal and the ERA must act reasonably in responding.
	12.51E	The ERA, acting reasonably, may proceed without the Technical Rules Committee's advice, if the advice is not provided within the time allocated.
	12.51F	The ERA is required to place on the public register: any advice from the Technical Rules Committee; any other advice taken into account; and, if applicable, the reasons for making a decision without the advice of the Technical Rules Committee, if the advice was not provided within the time allocated.
	12.53	The ERA can decide to either: approve the proposal in the proposed form; approve the proposal in a modified form; or not approve the proposal.
	12.54(a)	If the ERA considers a proposal substantial it must consult the public in accordance with Appendix 7 of the Access Code, as if all references to time frames do not apply, except the minimum time frame for submissions of 10 business days.
	12.54(b)	Remove the reference to the ERA needing to approve a proposal if it will not materially adversely affect the service provider or a user, enabling the ERA to consider a proposal 'on balance'.
	12.54A	The ERA is to use reasonable endeavours to make a final decision on a proposal within 150 business days from the date the proposal is deemed to have been submitted.
	12.60(b)	Delete references to "interconnected networks" as this clause is redundant.
	12.69 12.70	The ERA is to provide support services that the Technical Rules Committee reasonably requires.
	12.71	Specifies the information the ERA must publish each financial year regarding proposals to amend the Technical Rules.
	12.72	A 'stop the clock' provision while the ERA or the Technical Rules Committee are waiting for further information to be provided from the person proposing the rule change.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
Limit the scope of the Technical Rules to exclude generator performance standards that are to be outlined under the WEM Rules	A6.1	Clarifies that matters to be dealt with in the Technical Rules are subject to A6.2
	A6.2	Precludes the Technical Rules from addressing the matters listed in clause A6.1 to the extent that these matters are dealt with in Chapter 3A or Appendix 12 of the WEM Rules.
Maximising network utilisation		
Focus on the long-term interests of consumers and the reliability, safety and security of the Western Australian electricity system	2.1	Change the Access Code Objective to focus on the long-term interest of consumers and explicitly incorporate consideration of environmental impacts.
Ensure appropriate price signals	5.1	An access arrangement must include a tariff structure statement and price change forecast. Price lists are no longer required to be provided as part of the access arrangement (as they are submitted later).
	7.3-7.5 Chapter 8	Amends pricing objectives to include consideration of end-use customers. Amended price list requirements to refine content and timing requirements.
	6.4(c)	Adds provision requiring price control in an access arrangement to minimise the variance between expected revenue for the last pricing year in the access arrangement period and target revenue for that last pricing year.
Enable better consumer engagement	1.3	Concept of 'end-use customer' and 'customer' (being either an end-use customer or user) inserted, to be used where consideration of end-use customers is required. 'Reference service' definition amended to make it clear that services are provided to users.
	4.A14	Inserts requirement that any submissions in respect of the Framework and Approach that propose the introduction of a new reference service must include information justifying and supporting the need for that new reference service.
	4.3(b)	Access arrangement information must include information describing how the proposed Tariff Structure Statement (TSS) complies with the pricing principles and the consultation the service provider has undertaken with users and end-use customers.
	5.2(b)	Section 5.2(b)(i) amended to refer to 'customers' (i.e. end-use customers and users) rather than just users, so that types of reference services are based on services likely

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
		to be sought by (or the benefit of which is likely to be sought by) a significant number of end-use customers.
	5.2A	Inserts an obligation for the ERA to have regard to information provided by stakeholders as part of the Framework and Approach process when the ERA considers the types of reference service that the service provider must offer.
	7.1A-7.1C	New provisions inserted setting out the requirements for TSS and their contents, including that a TSS must include the service provider's pricing methods.
	7.1D	Inserts provision requiring the service provider to include a 'price change forecast' with its TSS, which sets out the service provider's forecast of the weighted average annual price change for that reference tariff for each pricing year of the access arrangement period.
	Chapter 8	Requirements for price lists and price list information to be amended to align with the concept of tariff structure statements and annual pricing proposals.
	14.5(d)(iii)	Adds requirement for ERA's public register to include each submission received in relation to a TSS.
Improving access to the Western Power network	2.4C 2.4D	Inserts prohibition on service providers entering into access contracts that do not permit the user to be curtailed in circumstances where constraints on the network are caused by other users or where curtailment is required in connection with the operation of security constrained economic dispatch. Inserts provision to state that section 2.4C does not limit the other circumstances in which an access contract may permit curtailment or interruption.
	4.35(b)	Limitation inserted so that the ERA cannot reject an access arrangement on the basis that provisions that have been implemented to reflect security constrained economic dispatch deprive a person of contractual rights (e.g. a right to unconstrained access).
	5.5(b) 5.11(b) 5.17(b) 5.38	Amends provisions so that the ERA must not have regard to provisions of the model documents that are inconsistent with security constrained economic dispatch when determining whether to approve a service provider's model standard access contract, Applications and Queuing Policy (AQP) or Contributions Policy.
	1.3 5.1 5.8A-5.8D 5.18-5.24	The concept of bare transfers and relocations has been removed. The remaining provisions of the transfer and relocation policy (in relation to transfers that are not bare transfers) have been absorbed into the AQP, and the concept of a transfer and relocation policy removed.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
		The definition of transfer and relocation policy has been retained but amended to refer to the relevant parts of the AQP, to ensure that existing references to the transfer and relocation policy in current Electricity Transfer Access Contracts (ETACs) are not broken.
	10.21 10.22	Amends provisions to ensure that terms of an access contract determined by an arbitrator must allow the user to be curtailed in circumstances where constraints on the transmission system are caused by other users.
Enable the full technical functionality of AMI required to help manage a high-DER future	6.4(a)(iiB) 6.5F-6.5K	Provisions inserted to allow recovery of AMI expenditure as deferred revenue.
Enable cost recovery for constraint-related functions	1.3	Definition of 'access reform costs' inserted. Definition of 'access reform work' inserted, which includes: <ul style="list-style-type: none"> the development and provision of network constraints information; and preparation of the initial whole of system plan.
	6.81-6.83	Approval for access reform costs where prudent and efficient, and deemed to be part of the non-capital costs component.
Improving the access arrangement process		
Introduce a Framework and Approach	1.3	Definition of 'Framework and Approach' inserted to refer to the document prepared and issued by the ERA under section 4.A1.
	4.A	Addition of Framework and Approach requirements and process.
	4.1 4.3(a)(e) 4.33 5.31 6.4(a)(ii) 6.21-6.28 6.34	Miscellaneous changes to enable implementation of a Framework and Approach.
Truncate the access arrangement process	1.3 4.54-4.59	Definition of 'advertise' amended so that it does not apply to the ERA, and associated requirements for the ERA to advertise something have been removed. Definition of 'publish' amended to clarify that the ERA may publish something by placing it on its website. Existing obligations on the ERA to publish something by placing it on the public register is still relevant.
	1.3	Deletes definitions of 'amended proposed access arrangement' and 'amended proposed revisions'.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
	1.3	Definition of 'approved amended access arrangement' incorporated to refer to an amended access arrangement made by the ERA.
	1.3 4.27-4.28 4.69	Deletes definition of 'further final decision', and associated references throughout, as this part of the process has been removed.
	4.9-4.26 4.48 4.52	Refinements to access arrangement process and timing.
	4.64	The ERA may extend any deadline in Chapter 4 if it determines that a longer period is essential and it, or the service provider, has taken all reasonable steps to fully utilise the times and processes provided for. There is no specific limit on the extensions of time (as this section previously included).
	4.66	A decision made by the ERA under the Access Code after the expiry of the period of time specified to make that decision is not be taken as invalid only because the decision is not made within the specified period of time.
	4.67	Provisions specifying extension timeframes deleted.
	4.73-4.79 (deleted)	Historic transitional provisions removed.
	8.9	If the ERA does not publish its final decision under section 4.19 by the date specified, the approved price list most recently in effect continues in effect until the ERA publish its final decision under section 4.19 and the service provider submits its initial price list under section 8.1(a) and the ERA publishes an approved price list with respect to that initial price list in accordance with section 8.1A(b) or 8.6 and the approved price list takes effect in accordance with section 8.10(a) or 8.11.
Appendix 1	Flowchart amended to reflect amended process.	
Miscellaneous and transitional provisions	1.3	Definition of 'advertise' amended so that it only relates to the Minister (and does not apply to the ERA).
	1.3	Definition of 'AEMO or Australian Energy Market Operator' incorporated.
	1.3	Definition of 'access' updated to replace reference to <i>Trade Practices Act 1974</i> with <i>Competition and Consumer Act 2010</i> .
	1.3	Definition of 'access reform costs' inserted.
	1.3	Definition of 'access reform work' inserted.
	1.3	Definition of 'alternate pricing provisions' amended in line with reference to 'alternative pricing provisions' in section 4.33.

What is the desired policy outcome?	How will this be achieved?	
	Section	Description of change
	6.81 – 6.83	Approval for access reform costs where prudent and efficient, and deemed to be part of the non-capital costs component.
	10.1	Updates reference to <i>Commercial Arbitration Act 1985</i> to the <i>Commercial Arbitration Act 2012</i> .
	14.29 14.30	The guidelines that the ERA must or may publish under the Access Code have been specified.
	14.31	This provision has been moved from existing section 4.7 and expanded to provide that ERA may waive the requirement for a service provider to comply with one or more guidelines published and referred to in section 14.29 and 14.30 if it is satisfied that doing so will better achieve the Code objective.
	14.32	Provides that the ERA may amend or replace any of its guidelines in accordance with the consultation process specified for such guidelines.
	14.33	Clarifies that nothing prevents the ERA from publishing any of the guidelines in the same document as other guidelines to be published.

3. Increasing opportunities for new technologies

The Access Code is an important policy lever for shaping network investment and needs to evolve and keep pace with changes to customer preferences and advances in technology to ensure that the South West Interconnected System (SWIS) network remains efficient and meets customer needs well into the future.

3.1 Transparency in investment in new technologies

3.1.1 Changes to the New Facilities Investment Test

Proposed changes to the New Facilities Investment Test (NFIT) are summarised in Table 3 below and are intended to:

- provide increased clarity that investments should consider the overall net benefit for end-use customers;
- ensure Western Power is not biased as to whether investment is made through regulated capital and/or operational expenditure;
- ensure that Western Power accounts for market costs, including costs emerging in the Wholesale Electricity Market (WEM) due to network issues², when assessing net benefits;
- facilitate greater use of alternative options such as DER in lieu of network investment, where this is efficient; and
- promote transparency of investment decisions while minimising regulatory compliance costs.

Where Western Power can demonstrate that its proposed network or non-network solution is the most economically prudent and efficient, and the ERA agrees with Western Power's business case, this expenditure should be included in Western Power's regulated asset base or operational expenditure and recovered from customers through reference tariffs.

Table 3: Summary of Access Code changes to NFIT

Section	Description of change
6.52(a)(iii)	NFIT amended to include assessment of alternative options for all capital investments.
6A.6	Requirement on the ERA to make and publish guidelines for valuing the net benefits of expenditure by a service provider, which methodologies must include but are not limited to for the SWIS consideration of changes in costs for participants in the WEM.
6.56	Requirement for ERA to make and publish guidelines setting out the factors to be considered in making an NFIT determination under section 6.52.

² Refer to the Taskforce decision in section 5.4 in the [Market settlement: Implementation of five-minute settlement, uplift payments and Essential System Services settlement Information Paper](#) published on the Energy Policy WA website.

3.1.2 Non-network solution obligations

In the course of developing the DER Roadmap, stakeholder engagement reflected a desire to expand opportunities for third party service providers to, where appropriate and efficient, deliver services to Western Power that can contribute to alleviating network issues and receive a revenue stream in return. Third party service providers have indicated that their experience in identifying, proposing and contracting for non-network solutions (defined as ‘alternative options’ in the Access Code) with Western Power has been sub-optimal. Alternative options may be delivered under a bilateral contract with Western Power (now defined as an ‘alternative option service contract’) or via a Network Control Service (NCS) that is dispatched in accordance with the WEM Rules.

The existing concept and framework for NCS as outlined in the WEM Rules is being reviewed by the Taskforce under the Future Market Design and Operations project within the Energy Transformation Strategy. This review may result in further consequential changes to the proposed Access Code amendments, which will be subject to consultation by the Taskforce and the Minister for Energy.

To complement the proposed changes to NFIT, a suite of additional measures summarised in Table 4 is proposed to further enhance Western Power’s obligations to consider alternative options and provide opportunities for third party service providers.

Table 4: Description of changes related to non-network solution obligations

Measure	Description
Require Western Power to produce a Network Opportunity Map (NOM)³	<p>Western Power currently develops an Annual Planning Report and Network Capacity Mapping Tool which provides users some insight into the forward-looking network capacity based on all planned network changes and growth plans. However, information on distribution network constraints and planned timeframes for investment to alleviate constraints are not currently included.</p> <p>A NOM provides greater transparency and consolidates information on network constraints, planned investments and the potential value of providing services to resolve constraints. Requiring Western Power to produce a NOM seeks to build the market for DER and reduce costs for all customers by making it easier for networks and non-network service providers to gain a common understanding of the potential value of alleviating constraints in different parts of the network.</p>
Require Western Power to produce an alternative options strategy and vendor register	<p>These obligations seek to increase opportunities for non-network service providers:</p> <ul style="list-style-type: none"> • An alternative options strategy sets out how Western Power will engage with non-network solutions providers and considers non-network options for addressing system limitations. • A vendor register is an engagement facility by which parties can register their interest in being notified of developments related to distribution network planning and expansion, and associated opportunities to provide NCS to Western Power.
Set out a model Alternative Option Service contract	<p>The delivery of non-network solutions by third parties to Western Power as an alternative to distribution network augmentation is typically underpinned</p>

³ Recent draft amendments to the WEM Rules outline the publication of a Congestion Information Resource by AEMO. Although this document serves a different purpose to the NOM, the two resources will have inputs in common.

	by a service contract. For third parties to understand and plan for likely contractual arrangements, it is proposed that the Access Code require Western Power to produce a model contract, defined as an 'alternative option service contract' to be approved by the ERA. Departures from the model contract would be permitted, subject to negotiation and agreement between Western Power and the third party.
Introduce a DMIA	Western Power has minimal incentive under the existing regulatory framework to conduct research and development on the network. All capital and non-capital investments must meet certain expenditure criteria, which in practice excludes any costs for solutions that are not yet commercially viable. On an extremely limited basis, there is merit in providing Western Power with a mechanism for recovering costs for approved small-scale research and development initiatives, to incentivise progress towards innovative solutions that may deliver lower cost outcomes for customers.
Review of D-Factor arrangements for in-period submissions	<p>The D-Factor is an adjustment mechanism that allows Western Power to recover the efficient costs associated with innovative or non-network solutions that are undertaken in lieu of traditional network capital investment. Currently, the Access Code does not require determinations for in-period submissions to be made within a defined time period, and determinations are only binding when the ERA approves the next access arrangement, provided costs are incurred as proposed. This introduces uncertainty, particularly for D-Factor submissions where large costs could be incurred prior to the next access arrangement determination.</p> <p>It is proposed that the ERA be required to make in-period determinations, within a time limit, which is binding if approved, provided costs incurred are not materially greater than those proposed.</p>

The specific Access Code changes to implement these measures are outlined in Table 5.

Table 5: Summary of Access Code changes related to non-network solution obligations

Section	Description of change
6A.1	Obligation on Western Power to publish a network opportunity map by no later than 1 October each year.
6A.2	Contents of a NOM.
1.3 6A.3	Definition of 'alternative options strategy' which cross references section 6A.3. Obligation on Western Power to develop an alternative options strategy and purpose of strategy.
6A.4	Outline of requirements on Western Power in respect of the alternative options strategy.
6A.5	Specifies information that must be included in the alternative options strategy.
15.9	By 1 October 2021, Western Power must publish on its website the first alternative options strategy.
1.3 6A.7-6A.10	Requirement for Western Power to develop a model NCS contract.
1.3 6.32A-K	Establish a DMIA.
6.77 6.77A 6.79	Refine the assessment process for non-capital costs after the start of the access arrangement.

3.2 Facilitating the deployment of stand-alone power systems and distribution connected storage

On 27 November 2019, the Electricity Industry Amendment Bill 2019 (Bill) was introduced into Parliament. Following the passage of the Bill through the Parliament, the *Electricity Industry Amendment Act 2020* (Amendment Act) received assent on 6 April 2020. The Amendment Act amends the *Electricity Industry Act 2004* to enable Western Power to invest in and earn regulated revenue in relation to new technologies, specifically stand-alone power systems and distribution connected storage.

Changes to the Access Code required to ensure that the cost of these new technologies can be recovered through regulated tariffs are summarised in Table 6 below. Additional changes, such as to limit Western Power providing stand-alone power systems in some situations (e.g. mining loads) are anticipated in the second half of 2020, along with necessary clarifications to the consumer protection arrangements for small-use customers being supplied by standalone power systems.

Table 6: Summary of Access Code changes for stand-alone power systems and distribution connected storage

Section	Description of change
1.3	Definition of 'alternative options' amended to refer to both a major augmentation or a new facilities investment, including stand-alone power systems (SPS) and storage works. Definitions of 'stand-alone power system' and 'storage works' included by reference to the definition given in the <i>Electricity Industry Act 2004</i> .
3.2A	A stand-alone power system provided by a service provider is treated as part of the covered network to which it is an adjunct if it satisfies the new facilities investments test in section 6.52.

3.3 Introducing multi-function asset guidelines

The concept of 'multi-function assets' has become increasingly relevant as technology has evolved, and there is greater opportunity to use network facilities for both regulated and unregulated purposes. In this context, distribution connected storage works would be considered a 'multi-function asset' as the storage works are able to provide both regulated network support services and unregulated (for the purposes of the Access Code) essential system services and/or energy arbitrage services.

This prompts consideration of how unregulated revenue from assets that are fully funded by customers gets shared with those customers. Similarly, where assets have both recoverable and unrecoverable portions, guidance is required as to how these costs and revenues are allocated to ensure that:

- the network service provider is incentivised to pursue new unregulated services that increase the use of the existing network by allowing it to earn higher profits; and
- a share of the benefits of this increased utilisation (and profit) are passed through to end-use customers, who ultimately pay for the shared network through either their capital contributions or the payment of reference tariffs.

The Access Code currently does not make any explicit provision for the use of existing network facilities to provide new unregulated services. While the Access Code precludes any non-capital costs not associated with the efficient provision of covered services from being recovered from reference tariffs, there are no provisions to either:

- remove a portion of the value of assets from the capital base where they are used to provide unregulated services (i.e. multi-function assets); or
- share the profits of providing unregulated services that use the covered network between the network service provider and end-use customers.

Table 7 outlines the proposed changes to the Access Code to introduce the concept of ‘multi-function assets’ – sometimes referred to as shared assets. Rather than mandate a requirement for the ERA to produce a multi-function asset guideline, as was done under the National Electricity Rules (NER), a new requirement has been placed on Western Power to develop a multi-function asset policy as part of its access arrangement. To guide the development of this policy, the Access Code contains a list of principles that Western Power must take into consideration. The intent is for this multi-function asset policy to be approved as part of the access arrangement process.

To account for changes in the treatment of multi-function assets in the future, the Access Code also provides discretion for the ERA to develop Multi-Function Asset Guidelines should it determine greater clarity or direction is required.

Table 7: Summary of Access Code changes to facilitate multi-function assets

Section	Description of change
1.3 5.1(m) 5.37 6.84-6.88	Establish a framework to enable the sharing of profits arising from multi-function assets.

3.4 Streamlining the regulatory approach for Whole of System Plan priority projects

The WOSP performs a similar function to the regulatory test and NFIT as it determines the best network investment options, or ‘priority projects’ from a system-wide perspective in terms of solution, size and timing to achieve reliability and security requirements at the lowest cost. Therefore, there is an opportunity to streamline both tests to utilise the work undertaken in the development of the WOSP as summarised in Table 8 below.

Table 8: Proposed approach to streamline the regulatory approach for WOSP projects

	Regulatory Test	New Facilities Investment Test
Priority projects	Western Power is not required to undertake a regulatory test.	The ERA will only review the unit costs of expenditure.
Other projects	Western Power may rely on the WOSP for inputs to the regulatory test.	NFIT will apply as per the status quo.

The Access Code allows the ERA to waive the regulatory test where it is considered redundant and identifies specific circumstances where there are no viable alternatives⁴. With the development of the WOSP, if a project is determined as a priority project, then the requirement to undertake a regulatory test is automatically waived.

For other projects (including projects not considered in the WOSP), the regulatory test would be applied as per the status quo, with the exception that Western Power may rely on the modelling

⁴ Section 9.23 (a) of the Access Code.

utilised in the WOSP where relevant (e.g. the options assessment, demand forecasts and estimated costs of specific network options or technology types).

The NFIT is applied by the ERA after a project is commissioned. If Western Power has undertaken a project on the basis that it has been deemed as a priority project in the WOSP, it would not be reasonable for the ERA to retest the prudence of the project (i.e. need, size and timing). However, there does need to be surety that Western Power's investment into the network is efficient. Therefore, it is reasonable that the ERA reviews the unit cost of priority projects that Western Power has undertaken.

For other projects, NFIT would be applied as per the status quo.

Table 9 outlines the proposed changes to the Access Code to streamline the regulatory approach for WOSP projects.

Table 9: Summary of Access Code changes to streamline the regulatory approach for WOSP projects

Section	Description of change
1.3	Definition of 'priority project' inserted to refer to a project specified as a priority project in the WOSP. Definition of 'whole of system plan' inserted to refer to the document published by the Minister as the WOSP for the SWIS.
6.52(b)(iv) 6.54(a)	Clarification that the ERA only needs to assess the unit costs of priority projects for the purposes of NFIT.
9.11(d)	A service provider may rely on information from the WOSP as part of its regulatory test proposal.
9.24A	If a person requests the ERA to form a view on the waiver of the regulatory test, ERA may take into account any information obtained from the preparation of or set out in the WOSP.
9.24B	Clarifies that a priority project is not subject to a regulatory test.

It is anticipated that these changes will be reviewed, and if necessary, future amendment will be proposed, when the process for future WOSPs is considered by the Taskforce later in the year.

3.5 Amending the Technical Rules change management process

Power system security and reliability frameworks, including the Technical Rules, are currently being challenged by rapid changes in technology and the evolving demands of consumers. As with some other parts of the regulatory framework, the Technical Rules have not kept pace with changes in the sector.

Currently, Western Power is the only party that can submit a change request for its Technical Rules. This is inconsistent to the change process for the WEM Rules, where any person can submit a change proposal for consideration by the Rule Change Panel.

Over time, loads, generators, providers of non-network solutions, and other stakeholders have expressed concern that they cannot submit a proposal to change the Technical Rules. Notwithstanding changes to the Technical Rules made by Western Power, or exemptions it has granted in response to user requests, concern has remained that Western Power has no clear incentive to proactively propose changes that may benefit users unless such changes also benefit Western Power.

Allowing for any interested party to propose a change to the Technical Rules improves equity between Western Power and users; improves consistency between the WEM Rules and Technical Rules change management process; and may also improve the responsiveness of the Technical Rules to sectoral and technological change.

As the change management process for the Technical Rules has not previously been open to the public, changes are required to ensure any requests are considered equitably and efficiently. Furthermore, it is likely that the volume of change proposals will vary over time in response to changes in technology and stakeholder interest. The DER industry and technologies are still developing, and it is likely that amendments to the Technical Rules in relation to DER will be required as technologies mature, the power system changes, and related regulatory frameworks adapt.

The potential for fluctuations over time in the number of Technical Rules change proposals is a key consideration in the design of the change management process. While a prescriptive process may provide additional clarity and certainty for the ERA and those proposing changes to the Technical Rules, it may also unintentionally reduce the responsiveness of the Technical Rules change process to changing levels of demand over time. This could lead to the Technical Rules change process being overly bureaucratic, costly, or unnecessarily time-consuming.

To minimise this risk, a flexible framework for a Technical Rules change management process that can accommodate variable demand is proposed. The design allows scope for the ERA to develop processes suitable to the volume and type of changes being proposed, without being required to do so if the level of demand does not warrant it. Further information on the proposed processes is provided in the information paper [Detailed Design: Technical Rules Change Management Process](#).

Table 10 outlines the proposed changes to the Access Code to amend the Technical Rules change management process.

Table 10: Summary of Access Code changes to amend the Technical Rules change management process

Section	Description of change
12.19(a)(ii) 12.19(a)(vi)	Composition of Technical Rules Committee: delete requirement for an interconnected network representative.
12.19(a)(v)	Technical Rules Committee to include a representative of AEMO.
12.19A	Remuneration of Technical Rules Committee member in certain circumstances.
12.19B	ERA sets the terms of reference for the Technical Rules Committee.
12.19C(a) 12.19C(b)	The terms of reference for the Technical Rules Committee, which must provide for: <ul style="list-style-type: none"> • a quorum for meetings; and • Technical Rules Committee to establish one or more subcommittees, with prior consent of the ERA.
12.23	Clarification of the functions of the Technical Rules Committee.
12.23(e)	Technical Rules Committee must, when requested by the ERA: (i) assist a person to comply with the processes and procedures in submitting a proposal; and (ii) request further information from a proponent about a proposal
12.27(a) 12.27(b)	The ERA may: <ul style="list-style-type: none"> • amend any terms of reference for a Technical Rules Committee; and • dissolve, alter or reconstitute a Technical Rules Committee.

12.28(b)	The ERA must have regard to any advice provided by the Technical Rules Committee in deciding whether to approve or not approve a proposal to amend Technical Rules.
12.50	Any interested person can submit to the ERA a proposal to amend Technical Rules, including transitional arrangements.
12.50A	ERA to publish processes and procedures for submitting proposals.
12.50B	ERA may amend any process and procedures.
12.50C(a) 12.50C(b)	ERA may: <ul style="list-style-type: none"> • assist a person to comply with processes and procedures of 12.50A; and • request the Technical Rules Committee to assist a person to comply with processes and procedures of 12.50A
12.50D	When a proposal is deemed to have been submitted.
12.50E	Once a proposal has been deemed to have been submitted, the ERA must place it on the public register.
12.50F	The ERA (or the Technical Rules Committee) may request additional information from a proponent, after the proposal is deemed to have been submitted.
12.51(c) 12.51(d)	Specifies the additional grounds the ERA has for rejecting a proposal.
12.51A(a) 12.51A(b)	The ERA may consider multiple, similar proposals at the same time, and is not required to consider proposals in the order in which they are received.
12.51B	The ERA must request the advice of the Technical Rules Committee on any substantial proposals to amend Technical Rules, that it does not reject.
12.51C	The ERA must provide the Technical Rules Committee with a time by which to provide requested advice, which must not be less than 15 days.
12.51D	The Technical Rules Committee may request the ERA to provide additional time to consider a proposal and the ERA must act reasonably in responding.
12.51E	The ERA, acting reasonably, may proceed without the Technical Rules Committee's advice, if the advice is not provided within the time allocated.
12.51F	The ERA is required to place on the public register: any advice from the Technical Rules Committee; any other advice taken into account; and, if applicable, the reasons for making a decision without the advice of the Technical Rules Committee, if the advice was not provided within the time allocated.
12.53	The ERA can decide to either: approve the proposal in the proposed form; approve the proposal in a modified form; or not approve the proposal.
12.54(a)	If the ERA considers a proposal substantial it must consult the public in accordance with Appendix 7 of the Access Code, as if all references to time frames do not apply, except the minimum time frame for submissions of 10 business days.
12.54(b)	Remove the reference to the ERA needing to approve a proposal if it will not materially adversely affect the service provider or a user, enabling the ERA to consider a proposal 'on balance'.
12.54A	The ERA is to use reasonable endeavours to make a final decision on a proposal within 150 business days from the date the proposal is deemed to have been submitted.

12.60(b)	Delete references to “interconnected networks” as this clause is redundant.
12.69 12.70	The ERA is to provide support services that the Technical Rules Committee reasonably requires.
12.71	Specifies the information the ERA must publish each financial year regarding proposals to amend the Technical Rules.
12.72	A ‘stop the clock’ provision while the ERA or the Technical Rules Committee are waiting for further information to be provided from the person proposing the rule change.

Further information on the proposed new change management process for Western Power’s Technical Rules are detailed in a Taskforce information paper, [Technical Rules Change Management Process](#) published on Energy Policy WA’s [website](#) in December 2019.

3.6 Limiting the scope of the Technical Rules

To maintain power system security and reliability in light of changes in consumer demand and increasing connection of intermittent generation and DER, it is important to accurately predict how generators respond to system disturbances.

The reference standards for generators connecting to Western Power’s network are currently provided in the Technical Rules, with exemptions to be negotiated with Western Power. With the movement of System Management functions to AEMO, the responsibilities associated with the connection and ongoing performance of generators now relate to both AEMO (as System Management) and Western Power (as the Network Operator).

As presented in the Taskforce information paper: [Power System Security and Reliability Regulatory Framework](#), there are two main issues with this framework:

1. The current framework does not permit AEMO, as the party responsible for System Management, to have a formal role in the negotiation of generator performance standards.
2. The current monitoring and compliance regimes under the Technical Rules are insufficient, with the existing means of addressing persisting non-compliance effectively being limited to the disconnection of generators.

The movement of select generator performance standards from Western Power’s Technical Rules to the WEM Rules will address both of the above issues. This will require material changes to the WEM Rules, as well as minor amendments to Appendix 6 of the Access Code.

Proposed changes to the Access Code outlined in Table 11 will limit the scope of the Technical Rules to exclude generator performance standards that are to be outlined under the WEM Rules. Proposed changes to the WEM Rules will be released for industry comment in the first half of 2020.

Table 11: Summary of Access Code changes to limit the scope of the Technical Rules

Section	Description of change
A6.1	Clarifies that matters to be dealt with in the Technical Rules are subject to A6.2
A6.2	Precludes the Technical Rules from addressing the matters listed in clause A6.1 to the extent that these matters are dealt with in Chapter 3A or Appendix 12 of the WEM Rules.

4. Maximising network utilisation

Changes to the Access Code are required to maximise the use of the existing Western Power network, to ultimately ensure efficient pricing for end-use customers.

4.1 Changing the Access Code objective

The objective of the Access Code has remained unchanged since its inception in 2004 and is linked to the Competition Principles Agreement, made between the State and Territory Governments and the Commonwealth Government in 1994⁵. The Access Code currently states:

The objective of this Code ... is to promote the economically efficient:

(a) investment in; and

(b) operation of and use of,

networks and services of networks in Western Australia in order to promote competition in markets upstream and downstream of the networks.

The Access Code currently provides for both:

1. the regulation of access to electricity network services through the access arrangement process; and
2. the technical parameters that govern the operation of equipment connected to networks and the security and reliability of the electricity system in accordance with the Technical Rules.

As such, the Access Code objective needs to be broad enough to allow for the regulation of these two quite different functions.

The historical context for changes in code objectives nationally results from the establishment of the National Electricity Law and national rule making body, the Australian Energy Market Commission (AEMC), in 2005. At this time, the objective underpinning the development and operation of the national regulatory regime was changed. This was intended to reflect that the promotion of competition was not an end in itself, but rather was a means to improve outcomes for electricity consumers. As a result, the national energy objective explicitly refers to the long-term interests of consumers⁶.

It is proposed that the Access Code objective be similarly amended to remove the reference to the promotion of competition in markets upstream and downstream of the networks and instead explicitly focus on the regulation of network services being undertaken in the long-term interests of consumers.

Furthermore, given the changing nature of electricity networks and the services they provide as a result of changes in technology, it is proposed that the Access Code objective be split into three 'limbs'. The first of these limbs relates to ensuring the application of the access code promotes the long-term interests of consumers in relation to price, quality, safety and reliability and security of electricity supplies generally.

⁵ Sections 6(3)-6(4) of the Competition Principles Agreement which relate to "access to services provided by means of significant infrastructure facilities". It is based on the agreed principles for a national competition policy contained in the National Competition Policy – Review Report (The Hilmer Report), August 1993.

⁶ Section 7 of the *National Electricity (South Australia) Act 1996*.

The second of the limbs specifically deals with the regulation of access to the services of networks, in relation to quality, security and reliability of covered networks in particular, to better facilitate the governance of the Technical Rules, and a greater emphasis on the environmental implications of the supply of electricity via networks.

These changes are intended to reflect the Energy Transformation Strategy's focus on the security and reliability of electricity supplies in response to technology change and the transition to lower-emissions energy sources. Furthermore, technological change has the potential to drive environmental objectives in the transition to a lower carbon electricity supply for consumers, particularly in relation to alternative options to traditional grid supply. For example, the retirement of network assets at fringe of grid in exchange for standalone power systems and the deployment of distribution connected battery storage systems to allow solar energy stored during the day to be utilised at night. To facilitate a greater focus on environmental objectives with respect to the regulation and investment in electricity networks, a third limb is proposed to be added to the Access Code objective.

The proposed new wording for the Access Code objective is:

“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 carbon pollution, 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”.}

4.2 Price signals, price objectives and avoiding price shock

4.2.1 Price signals and objectives

The availability and rapidly declining cost of new technologies, particularly storage and distributed generation, means that end-use customers will increasingly have a real choice between receiving electricity supply from the grid, and investing in their own supply, either as a partial, or total substitute for grid supply. The regulatory framework should encourage a network service provider to take steps to retain those customers where it is efficient to do so, as well as seeking to improve the utilisation of its network by efficiently signalling the costs that customers impose on the network.

Pricing structures can be an important lever for network service providers to maximise the utilisation of their existing network. Although ultimately it is retailers that determine the tariffs that end-use customers face, adopting network tariffs that encourage efficient utilisation is a necessary first step

for those signals to be passed through to end-use customers, and can influence retailer decisions regarding their tariffs.⁷

Consideration has been given to several measures, outlined in Table 12, to ensure appropriate price signals.

Table 12: Proposed approach to ensure appropriate price signals

Measure	Description
Revise and update the revenue and pricing principles	Addition of a 'network pricing principle' to guide development of the reference tariffs provided by Western Power and greater guidance on factors that Western Power should consider when setting each of its reference tariffs (Chapter 7).
Introduce a Tariff Structure Statement (TSS)	A high-level document that is submitted as part of its access arrangement that provides users and end-use customers with transparent information about the types and structures of reference tariffs that Western Power will be providing for its access arrangement period (Chapter 7).
Clarification of the price shock mechanism	Removal of the reference to "the structure of reference tariffs avoids price shocks" and replacement with a principle requiring Western Power to minimise distortions to pricing signals for efficient usage that would result from the reference tariff (Chapter 7). In addition, a new objective is included under the price control objectives requiring the expected and target revenue for the final year of the access arrangement period to be as close as possible (Chapter 6).

Section 7.3 of the Access Code establishes the 'primary objectives' to be applied by a service provider in determining reference tariffs for users. The multi-layered nature of the objectives and guidance for pricing means that in practice, the pricing principles under the Access Code are uncertain, and potentially able to be 'cherry-picked' to justify different pricing approaches.

Moreover, while the Access Code requires that reference tariffs be set to allow a network service provider to recover its forward-looking efficient costs, there is no direct requirement in the Access Code for those reference tariffs themselves to be efficient.

The application of the pricing objectives in the Access Code is further complicated by the definition of users as "persons that are party to a contract for services with the network service provider". Under this definition, a network service provider's main user are the electricity retailers in the SWIS, rather than end-use customers.

The transition to AMI in the SWIS also means that there will be greater scope for providing more efficient pricing signals to end-use customers in the future.

The Taskforce has sought to review and streamline the pricing principles in the Access Code to better enable the provision of appropriate pricing signals for utilisation of, and therefore efficient investment in, the network. This has been achieved through the consideration of the revenue and pricing principles introduced into the NER to guide network service providers to offer reference tariffs that promote efficient use of network services. The Taskforce does not propose to adopt the NER

⁷ Where retailers choose not to pass through network pricing structures, it increases the risks that the retailers must manage. The Australian Competition and Consumer Commission (ACCC) noted in its final report in its Retail Electricity Pricing Inquiry that "retailers should not be obligated to reflect the cost-reflective network tariff structure in their customers' retail tariffs but should be free to innovate in the packaging of the network tariff as part of their retail offer". ACCC, *Restoring electricity affordability and Australia's competitive advantage – Retail Electricity Pricing Inquiry – Final Report*, Recommendation 14, June 2018, pp 173-188.

revenue and pricing principles verbatim but has adapted the concepts to enable them to operate within the Western Australian regulatory framework. The intent of these changes is to provide greater clarity to Western Power and the ERA on the elements to be considered in structuring and setting reference tariffs.

4.2.2 Price shock

A challenge in setting tariffs, is that changes in volumes and costs can potentially lead to large tariff increases for some customers between access arrangements. One of the Access Code’s current pricing objectives is that the structure of reference tariffs should avoid price shocks, which is defined as “sudden material tariff adjustments between succeeding years”.⁸ However, the objective provides no guidance on how a ‘material tariff adjustment’ should be interpreted, nor what actions should be taken to alleviate any material changes in reference tariffs.

In its access arrangement proposals, Western Power has interpreted this pricing objective to mean that each reference tariff cannot increase by more than two per cent more than the average increase in all network prices. To provide Western Power and the ERA with greater discretion in how they mitigate tariff changes within and between access arrangements, amendments are proposed to the Access Code to remove any references to price shocks.

Instead, the pricing principles have been amended to require Western Power to set its reference tariffs to minimise distortions to the price signals for efficient usage. That is, usage that results from reference tariffs set on the forward-looking efficient cost of providing the relevant reference service. This should provide Western Power with more discretion to set each reference tariff in a way that reduces the incidence of sudden tariff movements within an access arrangement period.

To reduce the incidence of sudden tariff movements between access arrangement periods, it is proposed the Access Code be amended to require the difference between expected revenue and target revenue for the last pricing year of an access arrangement to be minimised as much as possible. The Taskforce notes that additional changes to the Access Code may be required to address larger than expected increases in tariffs arising from the current volatility in volumes.

Table 13 summarises the pricing related amendments to the Access Code.

Table 13: Summary of Access Code changes to pricing related provisions

Section	Description of change
5.1	An access arrangement must include a TSS and price change forecast. Price lists are no longer required to be provided as part of the access arrangement (as they are submitted later).
7.3 – 7.5 Chapter 8	Amended pricing objectives to include consideration of end-use customers. Amended price list requirements to refine content and timing requirements.
6.4(c)	Added provision requiring price control in an access arrangement to minimise the variance between expected revenue and target revenue for the last pricing year in an access arrangement period.

⁸ Section 6.4 of the Access Code also references the objective of avoiding price shocks, in the context of setting target revenue. While further guidance could potentially be provided as to the meaning of this term in the context of setting target revenue, it does not impact on the adoption of efficient tariff structures.

4.2.3 Enabling better consumer engagement

Effective network pricing requires engagement with retailers and end-use customers. Greater customer engagement provides customers with the information necessary to understand pricing structures and signals, and feedback to the network service provider on how tariffs are understood and applied by customers. Currently the Access Code does not explicitly require a network service provider to consult with end-use customers on its reference tariffs prior to lodging an access arrangement. This is primarily related to the network service provider only having access contracts with retailers and large electricity customers, rather than directly with end-use customers.

To provide greater opportunities for retailers and end-use customers to engage in the formulation of the reference tariffs that apply during an access arrangement, the Taskforce is proposing two changes to the Access Code. Firstly, the decision relating to the types of reference tariffs to be provided by Western Power during an access arrangement should be conducted as part of the Framework and Approach process. Secondly, the Taskforce considers there would be merit in emulating the Tariff Structure Statement (TSS) from the national regulatory regime and requiring Western Power to submit a TSS with its access arrangement that works in conjunction with its price list obligations.⁹

The TSS is to be a document with high level guidance on the structures of the reference tariffs to apply in the next access arrangement, with information on the charging parameters and the approach that Western Power will take in setting each tariff in each price list during the access arrangement period. The inclusion of the TSS will also require Western Power to consult with end-use customers such that they are able to understand the economic rationale for its tariffs and enable them to understand the likely annual changes in reference tariffs. The TSS will be approved by the ERA as part of the access arrangement reset, and comprise of the following components:

- the structure of each proposed tariff;
- the charging parameters for each proposed tariff;
- a description of the approach that the service provider will take in setting each tariff in each price list of the service provider during the access arrangement; and
- a demonstration of how the proposed tariffs comply with the network pricing objectives and pricing principles.

Having the TSS approved as part of the access arrangement process provides retailers with greater certainty about how network prices will evolve over the access arrangement period. Providing retailers with greater certainty is expected to increase the likelihood that retail price structures will broadly reflect network price structures.

Table 14 summarises the proposed amendments to the Access Code to enable better customer engagement.

Table 14: Summary of proposed Access Code changes to enable better consumer engagement

Section	Description of change
1.3	Concept of 'end-use customer' and 'customer' (being either an end-use customer or user) inserted, to be used where consideration of end-use customers is required. 'Reference service' definition amended to make it clear that services are provided to users.

⁹ Western Power will not be required to produce a TSS in relation to its transmission reference tariffs of which it has two such reference tariffs, but Western Power will be required to develop a TSS for distribution reference tariffs.

4.A14	Inserts requirement that any submissions in respect of the Framework and Approach that propose the introduction of a new reference service must include information justifying and supporting the need for that new reference service.
4.3(b)	Access arrangement information must include information describing how the proposed tariff structure statement complies with the pricing principles and the consultation the service provider has undertaken with users and end-use customers.
5.2(b)	Section 5.1(b)(i) amended to refer to ‘customers’ (i.e. end-use customers and users) rather than just users, so that types of reference services are based on services likely to be sought by (or the benefit of which is likely to be sought by) a significant number of end-use customers.
5.2A	Inserts an obligation for the ERA to have regard to evidence provided by stakeholders as part of the Framework and Approach process when the ERA considers the types of reference service that the service provider must offer.
7.1A-7.1C	New provisions inserted setting out the requirements for a TSS and its contents, including that a TSS must include the service provider’s pricing methods.
7.1D	Inserts provision requiring the service provider to include a ‘price change forecast’ with its TSS, which sets out the service provider’s forecast of the weighted average annual price change for that reference tariff for each pricing year of the access arrangement period.
Chapter 8	Requirements for price lists and price list information to be amended to align with the concept of a TSS and annual pricing proposals.
14.5(d)(iii)	Adds requirement for ERA’s public register to include each submission received in relation to a TSS.

4.3 Enabling cost recovery for Advanced Metering Infrastructure

The ERA’s further final decision on Western Power’s fourth access arrangement period (AA4) submission approved the deployment of advanced-capable meters but did not approve expenditure for associated communications infrastructure. The communications infrastructure allows for remote meter reading and facilitates the other functionality of AMI, including the provision of interval data and the ability to detect and monitor neutral fault defects for safety.

Western Power obtained funding from Government of \$100 million to deploy the radio mesh communications as part of the 2019-20 State Budget. Western Power commenced construction of the radio mesh communications network in October 2019 as part of its deployment of AMI. However, as the ERA did not approve this expenditure as part of the AA4 process, there is a risk that Western Power cannot recover the cost of the radio mesh network through its metering reference tariffs in the future.

The Taskforce considers that implementation of the complete AMI solution, including the communications infrastructure, is essential to enable the technical functionality required to deliver safe and reliable supply, and manage a high-DER future. AMI has been mandated in the National Electricity Market (NEM) on a new and replacement basis since 1 December 2017 and is also considered a critical enabler of alternative tariff structures and network visibility as key components of a high-DER environment.

Western Power currently recovers revenue for previously deferred items under a building block within the target revenue forecast. These items relate to a change in treatment of customer capital contributions from Western Power’s first access arrangement. The requirement to include this deferred revenue in the revenue forecast was specified in the Access Code in September 2011, under clauses 6.5A to 6.5E. These clauses set out the amount and manner in which the ERA must allow Western Power to build-in recovery of the deferred revenue.

The proposed approach to provide for the cost recovery of the communications component of AMI is to use similar provisions to those used for the recovery of deferred revenue. That is, to include a specific provision for AMI as an input to the building block process.

Table 15 summarises the proposed amendments to facilitate recovery of AMI costs.

Table 15: Summary of Access Code changes to facilitate recovery of AMI costs

Section	Description of change
6.4(a)(iiB) 6.5F-6.5K	Provisions inserted to allow recovery of AMI expenditure as deferred revenue.

4.4 Improving access to the Western Power network

Arrangements by which generators gain access to Western Power’s network are important as they determine the terms under which they can export energy into the network. For large generators connected to the transmission network this, in turn, affects how they are able to participate in the WEM.

The current network access arrangements mean that where there is insufficient spare network capacity, generators seeking to connect to the network are required to bear the cost of augmenting the network themselves, the cost of which can reach hundreds of millions of dollars and can create a barrier to investment in new generation capacity.

More recently, many generators have instead sought a form of non-standard access to the Western Power transmission network that allows their output to be curtailed to maintain the safe and secure operation of the power system. This has allowed for some new investment; however, as the number of these arrangements has risen, the complexity involved in managing them has increased and there is limited scope to allow more generators to connect under these arrangements given the limited capability and automation of current market systems.

Reforms to the access framework for Western Power’s network will enable generators to access the transmission network without the need to fund augmentation to increase network capacity.¹⁰ The improved network access framework will enable the new security constrained economic dispatch (SCED) market design and other associated market reforms to be implemented in the WEM.¹¹ The market and network reforms will optimise the use of the existing grid and provide a greater return on investment for existing network infrastructure.

At this stage, the proposed changes to the Access Code do not include changes to the model documents in the Access Code¹². Changes to the model documents will be considered as the Taskforce undertakes further industry consultation on the required changes to the connection and access framework during 2020.

¹⁰ Provided they comply with other technical connection requirements. While augmentation won’t be required to create additional network capacity, it may be required for other reasons, such as system security.

¹¹ SCED is a set of systems and processes can be used by AEMO to automatically determine the combination of generators that should be dispatched across energy and most essential system services markets to achieve the overall least-cost secure and reliable supply in the presence of network constraints.

¹² The Model AQP, the Model Capital Contributions Policy, and the Model Standard Access Contract.

The proposed changes to the Access Code aim to ensure that future network access contracts between network users and Western Power allow for the export of electricity into the network to be curtailed, including where the curtailment occurs as a result of SCED.¹³ Changes will also be made to ensure that decisions made by the ERA and Energy Disputes Arbitrator regarding network access related matters also account for the adoption of the new SCED market arrangements and the improved network access regime.

The proposed changes to the Access Code will alter Western Power’s obligations to permit users to transfer their rights under access contracts and to relocate their contracted capacity. Western Power will still be required to permit users to undertake a transfer of their rights under their network access contracts.¹⁴

However, users will no longer be permitted to undertake a type of transfer of network capacity known as a ‘bare transfer’, which is where an existing network access contract holder can legally transfer its rights (or benefits) under the access contract to a third party while continuing to hold all the legal obligations. This introduces administrative and commercial complexity into the contractual relationship, as the party who has been assigned rights (e.g. to whom network services are now provided) is not the same party that owes the legal obligations under the contract (e.g. to pay for the services). Removing the concept of bare transfers from the Access Code does not preclude an access holder transferring their rights and obligations under the access contract to a third party in accordance with the provisions of the Access Code and their ETAC.

The concept of ‘contracted capacity’¹⁵ (and the ability to ‘relocate’ that capacity from one connection point to another) is no longer relevant for the export of power into the network under the proposed improvements to the network access framework that will enable generators to connect to the grid irrespective of the available network capacity in their location. A generator’s access to the network will be determined through the application of SCED.

Maintaining a separate concept of ‘relocation’ of contracted capacity for loads is not necessary as an application to relocate contracted capacity will be similar to an application to increase the contracted maximum demand at a connection point. Western Power will be required to undertake the same assessment and may withhold its consent where, for example, to allow the increase would impede Western Power’s ability to provide a covered service or that there are reasonable technical grounds for doing so.

Table 16 summarises the proposed amendments to support improved access to the Western Power network.

Table 16: Summary of Access Code changes to improve network access

Section	Description of change
2.4C 2.4D	Inserts prohibition on service providers entering into access contracts that do not permit the user to be curtailed in circumstances where constraints on the network are caused by other users or where curtailment is required in connection with the operation of security constrained economic dispatch. Inserted provision to state that section 2.4C does not limit the other circumstances in which an access contract may permit curtailment or interruption.
4.35(b)	Limitation inserted so that the ERA cannot reject an access arrangement on the basis that provisions that have been implemented to reflect security constrained economic dispatch deprive a person of contractual rights (e.g. a right to unconstrained access).

¹³ In practice, currently only generators who participate in the WEM are curtailed by the WEM dispatch engine. No additional mechanisms to curtail generators are being proposed as part of this package of changes to the Access Code.

¹⁴ These obligations will be transferred to the AQP.

¹⁵ Contracted capacity is defined under Western Power’s Transfer and Relocation Policy as the maximum rate at which a user is permitted to transfer electricity to or from the network at the connection point.

5.5(b) 5.11(b) 5.17(b) 5.38	Amends provisions so that the ERA must not have regard to provisions of the model documents that are inconsistent with SCED when determining whether to approve a service provider's Standard Access Contract, AQP or Contributions Policy.
1.3 5.1 5.8A-5.8D 5.18 - 5.24	The concept of bare transfers and relocations has been removed. The remaining provisions of the transfer and relocation policy (in relation to transfers that are not bare transfers) have been absorbed into the AQP, and the concept of a transfer and relocation policy removed. The definition of transfer and relocation policy has been retained but amended to refer to the relevant parts of the AQP, to ensure that existing references to the transfer and relocation policy in current ETACs are not broken.
10.21 10.22	Amends provisions to ensure that terms of an access contract determined by an arbitrator must allow the user to be curtailed in circumstances where constraints on the transmission system are caused by other users.

4.5 Enabling cost recovery for constraint-related functions

On 23 August 2019, the Taskforce endorsed the design of a framework for the governance of constraint equations and their development¹⁶. The framework for the development and governance of constraint-related information will predominantly be contained in the WEM Rules, with supporting changes to the Access Code also being required.

It is proposed that amendments will be made to the WEM Rules to confer constraint-related functions on AEMO, the ERA, and Western Power. Draft Amending Rules and a related explanatory memorandum¹⁷ were released by the Taskforce for comment in December 2019 and consultation closed on 31 January 2020. Responses to consultation are currently being considered by the Taskforce prior to the proposed Amending Rules being submitted to the Minister for Energy.

The functions outlined in the proposed Amending Rules include requirements that:

- Western Power develop limit advice (through processes described in a Market Procedure);
- AEMO develop constraint equations, including those relating to Essential System Services; and
- the ERA undertake a triennial (once every three years) 'Constraints Review' to assess whether AEMO and Western Power are developing limit advice and constraint equations consistent with the principles outlined in the WEM Rules.

AEMO will also be required to prepare a 'Congestion Information Resource'. The purpose of the resource is to make information about constraints transparent and accessible to market participants.

The draft Amending Rules include transitional provisions that will apply until the commencement of new market arrangements on 1 October 2022. These provisions will provide AEMO, the ERA, and Western Power with a regulatory head of power to enable them to undertake required activities prior to the commencement of new market arrangements and recover associated costs.

¹⁶ Constraint equations are mathematical formulae that AEMO will use under new market arrangements commencing on 1 October 2022 to dispatch energy, set Essential System Service requirements around power system limitation, and inform the allocation of capacity credits under the Reserve Capacity Mechanism.

¹⁷ These positions are outlined in the information paper, [Governance Framework for Constraint Equations](#), and [draft amending rules](#), available on [Energy Policy WA's website](#).

Changes to the Access Code are required to enable Western Power to recover costs that it incurs in respect to the Government’s reforms to network access to the extent these costs are prudent and efficient and are summarised in Table 17 below.

Table 17: Summary of Access Code changes to enable cost recovery for access reform

Section	Description of change
1.3	Definition of ‘access reform costs’ inserted Definition of ‘access reform work’ inserted, which includes: <ul style="list-style-type: none"> • the development and provision of network constraints information; and • preparation of the initial whole of system plan.
6.81 – 6.83	Approval for access reform costs where prudent and efficient, and deemed to be part of the non-capital costs component

A component of access reform costs for Western Power is expected to be the development of information related to the Constraints Review and Congestion Information Resource. Changes to enable Western Power to recover costs associated the development of constraints information is necessary to ensure that constraint equations can be developed and tested in time to enable the commencement of new market arrangements in October 2022.

Additionally, Western Power is incurring costs in assisting in the development of the inaugural WOSP which has been included as a transitional provision and discussed in section 6.1.1.

5. Improving the access arrangement process

The Access Code provides the framework for preparing, approving and reviewing an access arrangement for a regulated network. While progressing other changes to the Access Code, it is opportune to progress measures that improve the access arrangement process.

5.1 Introducing a Framework and Approach process

Currently, the obligations relating to the target revenue (including the form of price control, incentive mechanisms and the tariff equalisation contribution) that apply in each access arrangement period must be proposed by the service provider in its proposed access arrangement. Whether the proposed incentive mechanisms satisfy the requirements of the Access Code is determined as part of the access arrangement approval process.

The ERA is required to accept the proposed incentive mechanisms where they satisfy the requirements of the Access Code. The ERA can reject or modify the proposed incentive mechanisms if it determines they are inconsistent with the Access Code objective, but currently cannot propose or approve a more effective mechanism.

Under the amendments to the Access Code, the Taskforce is proposing that the ERA will also be required to produce a Framework and Approach document prior to the access arrangement reset process for Western Power that sets out which services will be regulated and the broad nature of any regulatory arrangements.¹⁸ The objective of the Framework and Approach process is to facilitate early public consultation and to get early stakeholder feedback on the reference services that will apply in the next access arrangement period.

The Framework and Approach will also assist Western Power to prepare its proposed access arrangement, with reference to the incentive mechanisms and reference services included in its tariff structure statement for the next access arrangement period. The Framework and Approach document will set out:

- the incentive mechanisms that will apply during the regulatory period;
- the classification of services (that is, which services will be regulated);
- the eligibility criteria for each reference service, the structure and charging parameters for each tariff, and a description of the approach for setting each tariff in accordance with the network pricing objective and principles;
- the form of control mechanism (that is, price cap, revenue cap, and/or revenue yield); and
- the method for setting the service standard benchmarks for each reference service.

As outlined in 6.1.2 below, transitional provisions are being proposed for Western Power's fifth access arrangement (AA5), but generally the Taskforce proposed that the ERA must publish an issues paper on the Framework and Approach for an upcoming access arrangement period no later than 31 months before the end of the current access arrangement period. Concurrent with publication of the Framework and Approach issues paper the ERA will publish an indicative timeline

¹⁸ In the NEM, the development of incentive mechanisms is not determined as part of the access arrangement process. Instead, the regulator is required to develop guidelines in respect of each of the incentive mechanisms that it will apply to regulated network businesses. The regulator is also required to produce a Framework and Approach document at the start of the regulatory reset process for each network business that sets out which services will be regulated and the broad nature of any regulatory arrangements.

covering both the Framework and Approach and access arrangement processes, setting out relevant milestones and anticipated timeline dates. The final Framework and Approach paper must be published by the ERA no later than 23 months prior to the end of the access arrangement period.

The Taskforce considers that separating the approval of those aspects of the access arrangement that can be done in advance of the rest of the access arrangement approval process would lessen the current time pressures on the ERA during the access arrangement process. This has the potential to reduce the need for extensions and the possibility that final approval of the access arrangement occurs after the start of the period.

Table 18 summarises the proposed amendments to implement a Framework and Approach process.

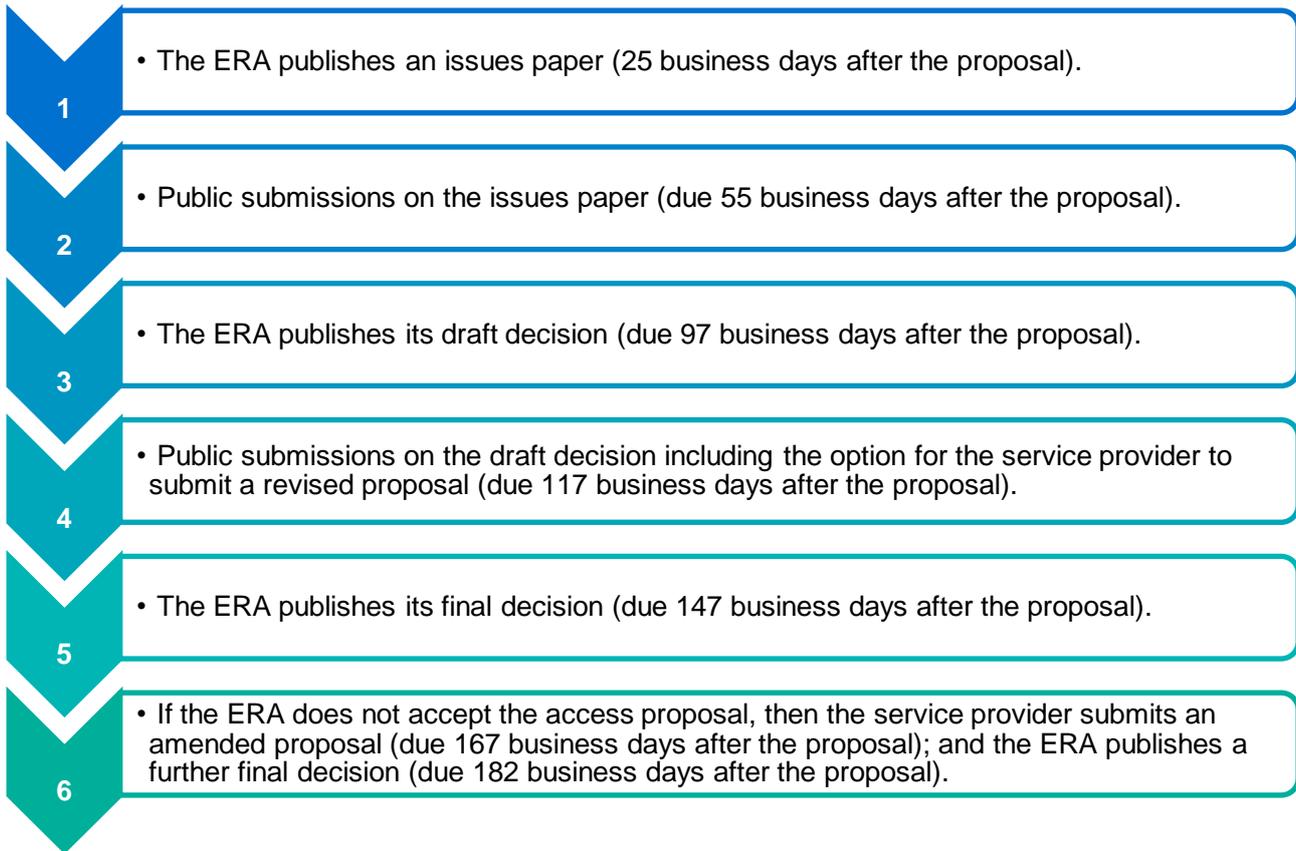
Table 18: Summary of Access Code changes to implement a Framework and Approach

Section	Description of change
1.3	Definition of 'Framework and Approach' inserted to refer to the document prepared and issued by the ERA under section 4.A1.
4.A	Addition of Framework and Approach requirements and process.
4.1 4.3(a)(e) 4.33 5.31 6.4(a)(ii) 6.21-6.28 6.34	Miscellaneous changes to enable implementation of Framework and Approach.

5.2 Streamlining the access arrangement process

The Access Code currently requires a service provider to submit its revised access arrangement proposal no later than six months before the commencement date of the next access arrangement period. The exact date that the revised submission is due is proposed by the network service provider in its previous access arrangement proposal. The approval process then has the following main steps:

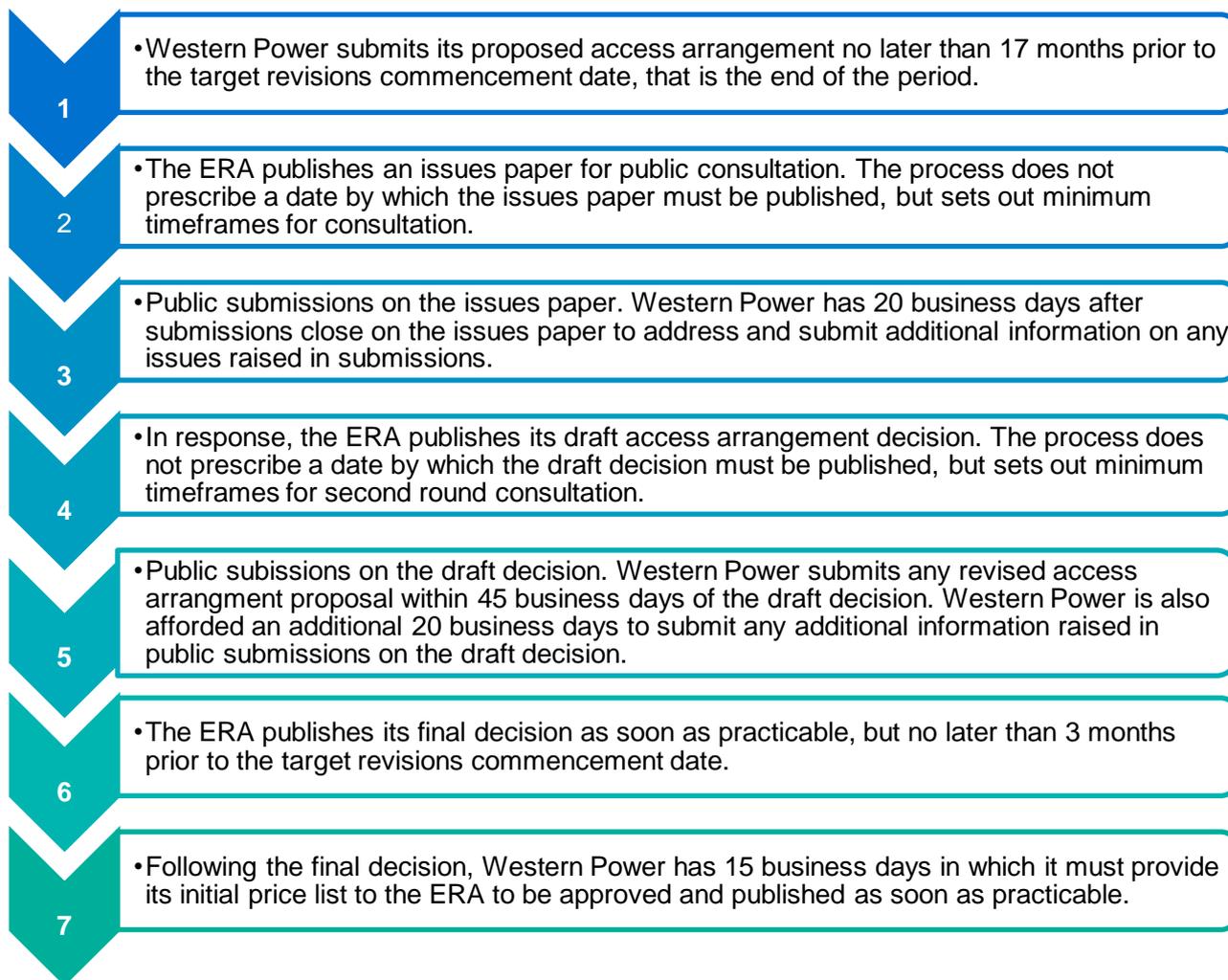
Figure 2: Current access arrangement process and timeframes



This process can potentially require the network service provider to submit three proposals and the ERA to make three separate decisions. In addition, there is no opportunity for interested parties to make submissions on the network service provider’s revised proposal (as all submissions to the draft decision are due at the same time). Furthermore, given the limited time of six months to complete the approval process, extensions to each stage in the process are common, which results in the access arrangement period typically commencing after the target revisions commencement date.

In contrast, in other jurisdictions the length of time to determine the access arrangement is generally longer, but the requirements on both the network business and the regulator are more defined and the timeframes for each decision are set. For example, in the NEM, a network business must submit its regulatory proposal to the regulator at least 17 months before the end of the current regulatory period. The amendments to the approval process under the Access Code proposed by the Taskforce are summarised in Figure 3 as follows:

Figure 3: Proposed access arrangement process and timeframes



Following on from the conclusion of the Framework and Approach outlined in section 5.1, the approval process for an access arrangement has been amended to consist of a two-step process for both the regulator and the network business. That is, an issues paper process and Draft Decision process, followed by a Final Decision published by the ERA.

Rather than set prescriptive timeframes for each step of the process, the Taskforce is proposing to set minimum timeframes for public consultation and only prescribe the date by which the final decision must be made. These amendments will afford the ERA with discretion to manage the approval process and set the appropriate timeframes for public consultation that are proportional to the issues being addressed. The revised process should also reduce the requirement under the current process to extend each process step to afford the ERA and Western Power additional time to prepare and submit documentation.

To achieve this two-step process, the Taskforce has proposed the removal of the further final decision from the current process. To facilitate this removal, the amendments to the Access Code now provide for:

- Western Power to provide additional information in response to any issues raised by stakeholders during consultation, prior to the ERA making its next decision; and
- the price list for reference tariffs to be determined by Western Power and provided to the ERA for approval after the Final Access Arrangement Decision has been published.

The Taskforce has included the additional formal step of allowing Western Power to provide additional information to the ERA in response to stakeholder feedback to ensure the ERA has sufficient information to address these issues in subsequent decision documents. Formalising this step does not remove the ability for the ERA to either formally or informally seek additional information from Western Power during the process. Rather this step is intended to provide a transparent process through which unexpected and/or complicated issues can be resolved as part of the process.

While indicative pricing will be included in the Draft and Final Decisions published by the ERA, the intent of moving the formal setting of the price list until after the conclusion of the final decision is to focus the decision making process on formalising the allowed capital and operational expenditure and Western Power’s target or allowed revenue. Once these parameters have been set, it will be a relatively easy final step to apply the final decision to the tariff that will apply for the first year of the access arrangement period. Providing for this process to be concluded around one month prior to the commencement of the new price list should provide retailers with enough time to update their systems with the new pricing structures.

In summary, the Taskforce considers that its proposed changes to the Access Code with respect to the access arrangement process will ensure that a final decision is reached at least 3 months before the commencement of the next access arrangement period. This in turn allows for the price list for the first year of the access arrangement period to be approved at least one month prior to the commencement date of the access arrangement.

Table 19 summarises the proposed changes to the access arrangement process.

Table 19: Summary of Access Code changes to the access arrangement process.

Section	Description of change
1.3 4.54-4.59	Definition of ‘advertise’ amended so that it does not apply to the ERA, and associated requirements for the ERA to advertise something have been removed. Definition of ‘publish’ amended to clarify that the ERA may publish something by placing it on its website. Existing obligations on the ERA to publish something by placing it on the public register is still relevant.
1.3	Deletes definitions of ‘amended proposed access arrangement’ and ‘amended proposed revisions’. Definition of ‘approved amended access arrangement’ incorporated to refer to an amended access arrangement made by the ERA
1.3 4.27-4.28 4.69	Deletes definition of ‘further final decision’, and associated references throughout, as this part of the process has been removed.
4.9-4.26 4.48 4.52	Refinements to access arrangement process and timing.
4.64	The ERA may extend any deadline in Chapter 4 if it determines that a longer period is essential and it, or the service provider, has taken all reasonable steps to fully utilise the times and processes provided for. There is no specific limit on the extensions of time (as this section previously included).
4.66	A decision made by the ERA under the Access Code after the expiry of the period of time specified to make that decision is not be taken as invalid only because the decision is not made within the specified period of time.
4.67	Provisions specifying extension timeframes deleted.
4.73-4.79 (deleted)	Historic transitional provisions removed.

8.9	If the ERA does not publish its final decision under section 4.19 by the date specified, the approved price list most recently in effect continues in effect until the ERA publish its final decision under section 4.19 and the service provider submits its initial price list under section 8.1(a) and the ERA publishes an approved price list with respect to that initial price list in accordance with section 8.1A(b) or 8.6 and the approved price list takes effect in accordance with section 8.10(a) or 8.11.
Appendix 1	Flowchart amended to reflect amended process.

5.3 Miscellaneous provisions

The Access Code contains a number of provisions that require updating as they are obsolete, require clarification or circumstances have changed.

Table 20 outlines all of these amendments.

Table 20: Summary of Access Code changes to miscellaneous provisions

Section	Description of change
1.3	Definition of 'advertise' amended so that it only relates to the Minister (and does not apply to the ERA). Definition of 'AEMO or Australian Energy Market Operator' incorporated.
1.3	Definition of 'access' updated to replace reference to <i>Trade Practices Act 1974</i> with <i>Competition and Consumer Act 2010</i> .
1.3	Definition of 'alternate pricing provisions' amended in line with reference to 'alternative pricing provisions' in section 4.33.
10.1	Updates reference to <i>Commercial Arbitration Act 1985</i> to the <i>Commercial Arbitration Act 2012</i> .
14.29 14.30	Specifies the guidelines that the ERA must or may publish under the Access Code.
14.31	This provision has been moved from existing section 4.7 and expanded to provide that ERA may waive the requirement for a service provider to comply with one or more guidelines published and referred to in section 14.29 and 14.30 if it is satisfied that doing so will better achieve the Code Objective.
14.32	Provides that the ERA may amend or replace any of its guidelines in accordance with the consultation process specified for such guidelines.
14.33	Clarifies that nothing prevents the ERA from publishing any of the guidelines in the same document as other guidelines to be published.

6. Next steps

6.1 Transitional arrangements

The changes outlined above relate to the 'business as usual' process in developing and approving an access arrangement.

A separate process is concurrently underway to extend the target revisions commencement date for AA5 by 12 months. As implementation time will be required for new processes, some transitional provisions are required.

6.1.1 Western Power transitional provisions

Western Power is incurring costs in assisting in the development of the inaugural WOSP. This includes providing input into the modelling methodology and outputs, undertaking all load flow modelling and development of network expansion costs. This work goes beyond Western Power's typical network planning processes as it is covering a longer time period and is co-optimising network investment with generation investment.

Business as usual responsibilities for WOSP development will not be developed until late 2020. As Western Power has no formal obligation to assist with the WOSP, it is unlikely that these costs will be recoverable. Therefore, it is appropriate to make it explicit in the Access Code that Western Power is entitled to recover the costs of any expenditure it incurs in the preparation of the WOSP. The ERA will only be entitled to review the efficiency of any spending that Western Power incurs.

In terms of the NOM and Alternative Options Strategy as defined in section 6A of the Access Code, it is proposed that the first versions are produced by 1 October 2021.

6.1.2 Transitional provisions for AA5

The Taskforce is conscious that there will be insufficient time between publication of the proposed Access Code amendments outlined in this paper and the required timeframes for the AA5 process under the revised process. In particular, completion of the Framework and Approach step of the new process would be very difficult within the time available. To that end, the Taskforce is proposing the inclusion of transitional provisions within Chapter 15 of the Access Code that will only apply for AA5.

The proposed transitional arrangements to apply to AA5 are:

- that the first Framework and Approach document published by the ERA will only contain those items set out in section A4.2 of the Access Code;
- a carve out of the requirement for Western Power to determine the reference services that will apply during AA5 as part of section A4.2(f) of the Framework and Approach process; and
- a requirement for the ERA to publish its final Framework and Approach document by 2 August 2021.

The Taskforce is mindful that the revised process notionally affords Western Power a shorter period to develop its capex and opex forecasts for inclusion in the access arrangement. Engagement with Western Power and the ERA will continue throughout 2020 to ensure the proposed timeframes remain achievable.

6.2 Implementation timeframes

In line with the ambitious nature of the Energy Transformation Strategy work program, the delivery timeframes to implement changes to the Access Code are tight, with proposed Access Code changes to be submitted to the Minister for Energy for approval by mid-2020. The main driver for the timing is to provide Western Power and the ERA with regulatory certainty to support Western Power's preparations for its AA5 submission.

The high-level project milestones are as follows:

- Formal public consultation and virtual Industry Forum (May – June 2020)
- Finalise regulatory amendments and seek Ministerial approval to print (July 2020)
- Publication of the Access Code changes in the Western Australian Government Gazette (Q3 2020)