



**Energy Transformation
Taskforce**

Energy Transformation Strategy Access Code Virtual Industry Forum

Wednesday, 20 May 2020
2.00 pm – 3.30 pm





Agenda

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Q&A: Panel Discussion

Welcome & Opening Remarks

Stephen Edwell
Energy Transformation
Taskforce Chair

Increasing opportunities for new technologies

Presented by:

- Jai Thomas
- Aditi Varma
- James Eastcott
- Noel Ryan
- Mena Gilchrist

Non-network solution obligations

Now defined as 'Alternative Options'



**Alternative Options Strategy and
Alternative Options Service Contract**



Network Opportunity Map



**Demand Management
Innovation Allowance**



**Links to New Facilities Investment
Test, Net Benefit Guideline, Shared
Asset Guidelines**

Changes to the New Facilities Investment Test

The proposed changes seek to:

Provide increased clarity that investments should consider the overall net benefit for end-use customers

Remove bias as to whether investment is made through regulated capital and/or operational expenditure

Facilitate greater use of alternative options such as DER in lieu of network investment, where this is efficient

Promote transparency of investment decisions while minimising regulatory compliance costs

Account for market costs, including costs emerging in the Wholesale Electricity Market due to network issues



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

Changes to the *Electricity Industry Act* were passed by Parliament in April 2020 that specifically define stand-alone power systems, storage activities and storage works.

The following changes to the Access Code are required 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:

Definitions for stand-alone power systems and storage works included in the Access Code

Definition of 'alternative options' amended to refer to both a major augmentation or a new facilities investment, including stand-alone power systems and storage works

Stand-alone power system provided by a service provider **treated as part of the covered network** to which it is an adjunct if it satisfies the new facilities investment test

Multi-function assets

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.

Western Power required to develop a multi-function asset policy

Accommodates interests of all users

Sufficiently detailed to enable all parties to understand how the policy will operate

Sets out the method to determine net incremental revenue

Consistent with any guidelines

Regulation of multi-function assets (inclusion of a new subchapter 6.4)

Process to reduce target revenue

Multi-function asset principles

Defining the materiality of net incremental revenue

Ability for the ERA to make guidelines

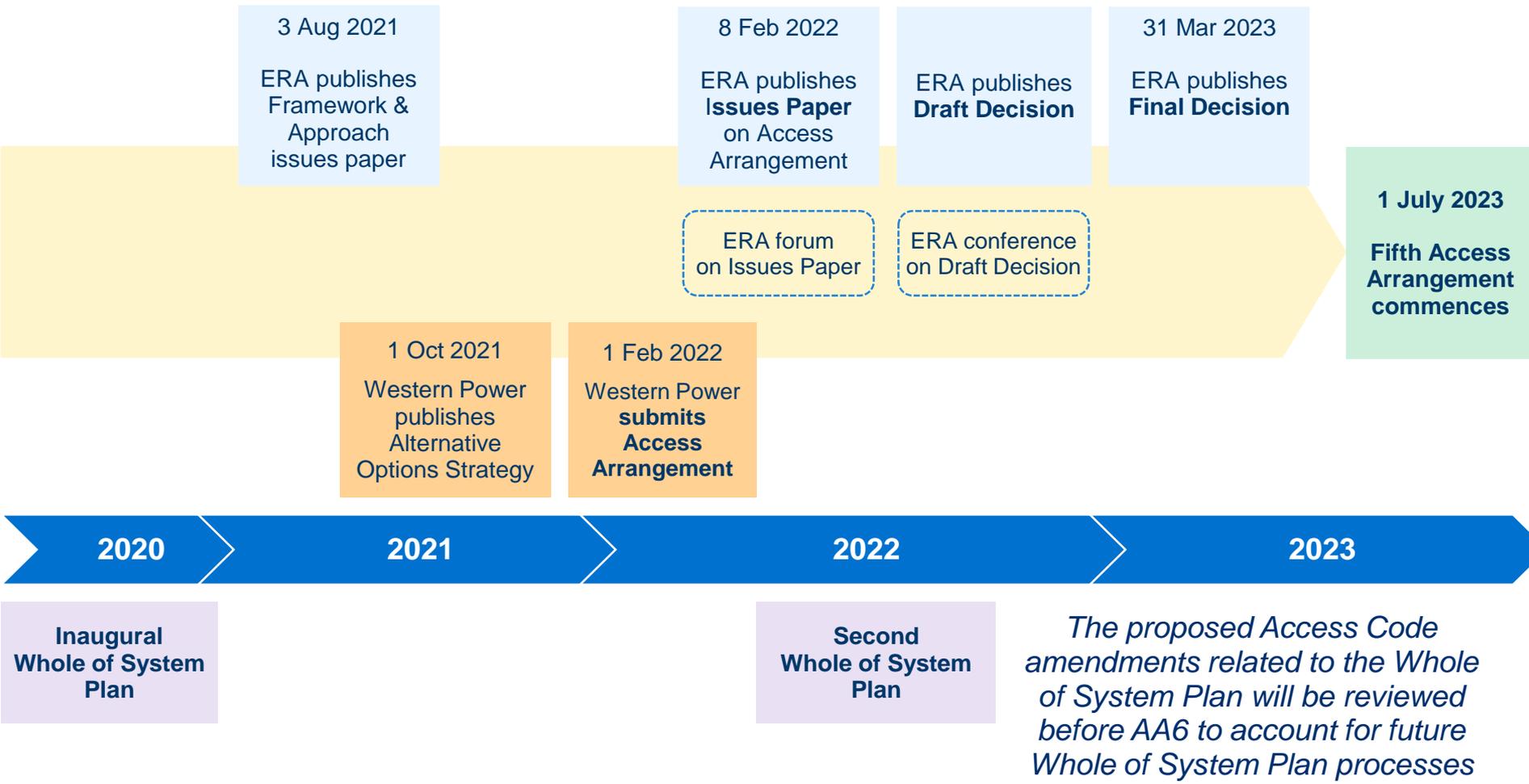
Streamlining the regulatory approach for Whole of System Plan priority projects

	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



Major milestones

Whole of System Plan and AA5



Technical Rules change management process

Any person can submit a change

Improved equity

Facilitates a more dynamic instrument

Consistent with WEM Rules and NEM processes

Flexible process

ERA can develop bespoke processes and guidelines

ERA can work with applicant before and during process

Applications can evolve

Improved Technical Rules Committee

ERA must seek the advice of the TRC on substantial requests

TRC may become a standing body

System Management included

May be involved in pre-rule process

Enhanced assessment

Consideration of PSSR impacts

Replace 'any material adverse effects' with on balance assessment

Consider impacts on end-consumers

System Management advice

Improved timeframes

Managing uncertainty



Support of high quality applications

- Pre-rule change process permitted
- Improved ability to reject unsuitable applications
- ERA can work with applicant to evolve application



Timely process

- Technical Rules Committee may become a standing committee
- ERA may consider applications out of order, or combine similar applications to manage priority or efficiency
- Total timeframe, rather than timing incremental processes
- Improved accountability



ERA may appoint any party to the Technical Rules Committee



Commencement date to allow for renewed Technical Rules

Maximising network utilisation

Presented by

- James Eastcott
- Bronwyn Gunn
- Rebecca White

Changing the Access Code objective



Regulation of network services being undertaken in the **long-term interests of consumers**



Technical parameters of equipment connected to networks and the **security and reliability of covered networks** under the Technical Rules



Potential for technological change to **facilitate environmental objectives** with respect to energy



Ensuring efficient price signals

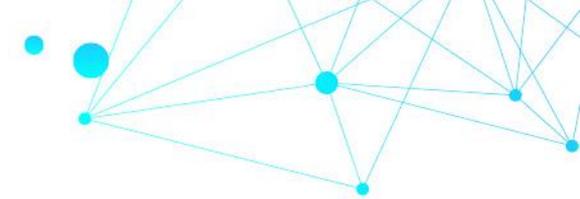
Revise and update the revenue and pricing principles

- Addition of a “network pricing principle” to guide development of the reference tariffs

Introduce a Tariff Structure Statement

- Document submitted as part of its access arrangement that provides users and end-use customers with transparent information on reference tariffs

Clarification of the price shock mechanism

- Removal of the reference to “price shocks”
 - Replace with a principle requiring Western Power to minimise distortions to pricing signals for efficient usage that would result from the reference tariff
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Enabling cost recovery for advanced metering infrastructure

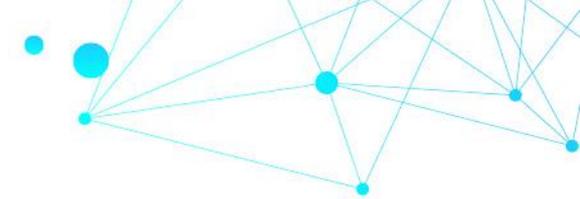
Provide for the cost recovery of the communications component of AMI

Use similar provisions to those used for the recovery of deferred revenue

Implementing the complete AMI solution is essential to enable the technical functionality required to deliver safe and reliable supply, and manage a high-DER future.



Improving access to the Western Power network



Current network access arrangements require generators to augment the network where there is insufficient spare capacity available

Generators in recent years have sought non-standard access through runback schemes or the Generator Interim Access offers to avoid this expense

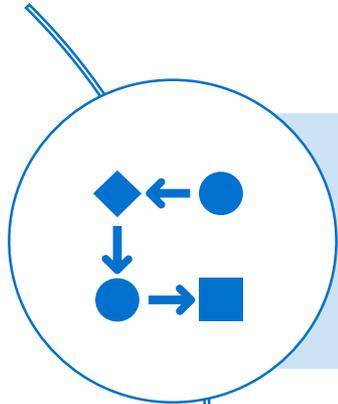
Reforms will enable generators to access the network without the need to fund augmentation to increase network capacity

This will enable security constrained economic dispatch and other associated market reforms to be implemented

The market and network reforms will optimise use of the grid and provide a greater return on investment for existing network infrastructure

Consequential amendments to model documents made under the Access Code to take place in the second half of 2020

Reforming transfer and relocation rights



Removing the concept of bare transfers, which create administrative and commercial complexity for Western Power



Removing the ability to 'relocate' contracted capacity to reflect nature of network access rights



Framework for the governance of Constraint Equations - Overview

A Constraint Equations are mathematical formulae that describe power system limitations that affect how energy can flow through the network.

In the new Wholesale Electricity Market (WEM), AEMO will use Constraint Equations to:

Undertake **constrained optimisation calculations** that produce dispatch outcomes subject to technical constraints

Inform allocation of **Capacity Credits**

AEMO will develop Constraint Equations using information from Western Power on the technical network limitations (Limit Advice).

Framework for the governance of Constraint Equations – Western Power's functions

Limit Advice = Limit Equations and supporting information



Develop and update thermal and non-thermal Limit Advice



Provide Limit Advice to AEMO (and additional information as reasonable)



Develop and maintain a Market Procedure outlining the processes to develop and update Limit Advice



Support AEMO prepare the Congestion Information Resource, including the Annual Congestion Report



Western Power cost recovery for constraint-related functions

Functions will be conferred on Western Power through the WEM Rules.

- Transitional functions (until market start)
- Ongoing functions (following market start)

Amendments to the Access Code are required to support recovery of constraint-related costs through Western Power's Access Arrangement. Cost recovery will be subject to Economic Regulation Authority approval.

Introduce the definition of **Access Reform Work**, which includes the development and provision of network constraints information

Cross reference the WEM Rules – conferral of constraints-related functions on Western Power

Improving the access arrangement process

Presented by:

- James Eastcott

Introducing a Framework and Approach

The Framework and Approach document will set out:

Incentive mechanisms that will apply during the regulatory period

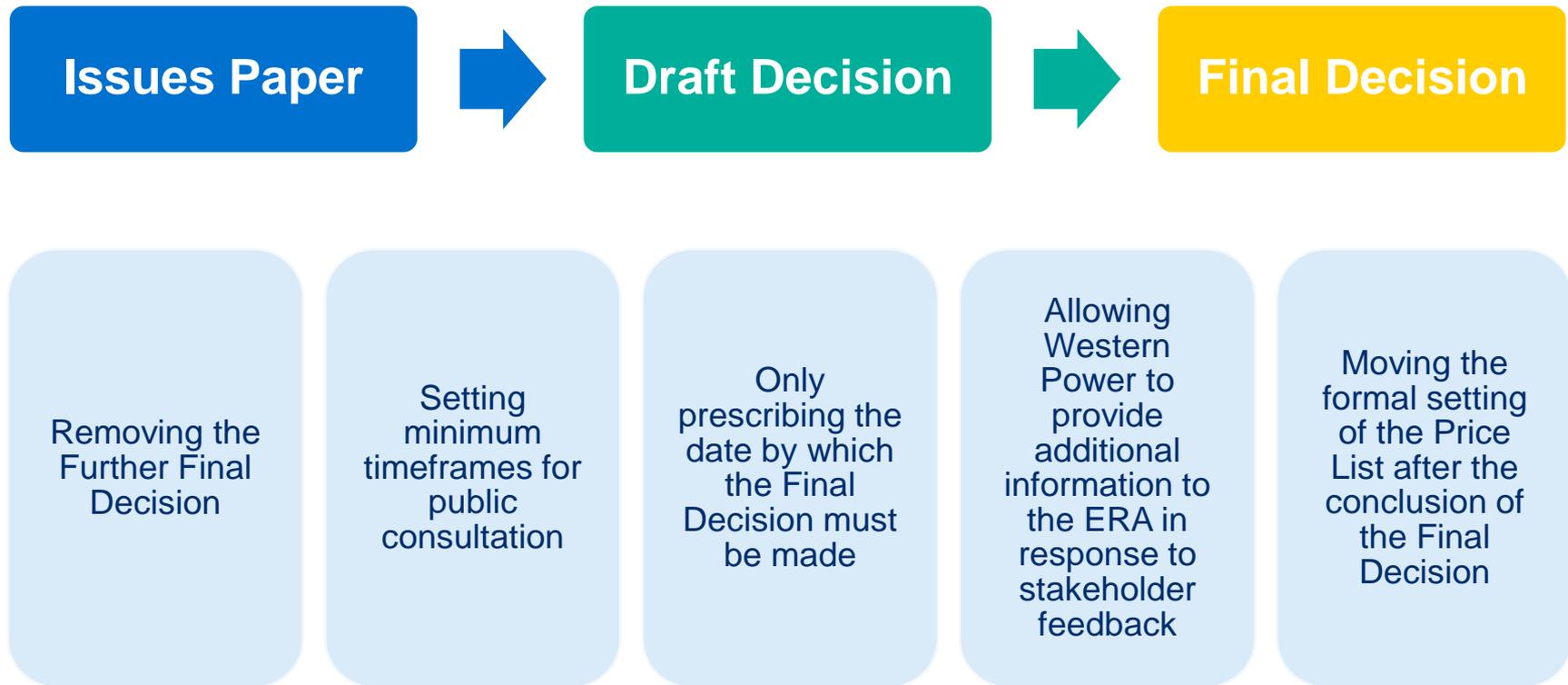
Classification of services (i.e. which services will be regulated)

Eligibility criteria for each reference service, the **structure and charging parameters** for each tariff, and a description of the **approach for setting each tariff**

Form of **control mechanism** (i.e. price cap, revenue cap, and/or revenue yield)

Method for **setting the service standard benchmarks** for each reference service

Streamlining the access arrangement process



Q&A

Please post your questions in the meeting chat including:

- who you would like to direct the question to; and
- your full name and affiliation.

Make a submission

Public comment on the proposed Access Code changes are welcome and can be submitted in any of the following ways.



Written submission – send to energytransformation@energy.wa.gov.au



Verbal discussion – contact energytransformation@energy.wa.gov.au to arrange a one-on-one discussion



Postal submission – send to Energy Policy WA at Locked Bag 11, Cloisters Square, WA 6850

Consultation on these proposed Access Code changes close on **5.00pm (AWST), 26 June 2020.**