

Attachment D – Draft Contributions Policy

Appendix C.1

Contribution Policy

Amended proposed access arrangement

28 February 2019

Approved by the Economic Regulation Authority

28 February 2019

(as amended by corrigenda of 10 May 2019)

Contributions Policy

1 July 2019

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1. Defined Terms and Interpretation

1.1 Defined Terms

In this *contributions policy*, unless the contrary intention is apparent:

“access arrangement” means the current *access arrangement* approved in respect of the *network* under the *Code*.

“access contract” has the same meaning given to ~~“access agreement”~~ it in the *Code*.

{Note: Under the *Code* ~~“access agreement contract” has the meaning given to it in part 8 of the Act, and under section 13.4(d) of the Code includes a “deemed access contract”~~ has the same meaning as ‘access agreement’ does in Part 8 of the Act, and under section 13.4(d) includes a deemed access contract. The definition of **“access agreement”** under the Act is “an agreement under the Code between a network service provider and another person (a “network user”) for that person to have access to services”.}

“Act” means the *Electricity Industry Act 2004*.

“additional revenue” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* “additional revenue” has the meaning given to it in section 6.42 of the *Code* when used in section 6.41 of the *Code*.}

“alternative options” means alternatives to part or all of a *network* enhancement, including demand-side management and *generation* solutions (such as distributed *generation*) either instead of or in combination with a *network* enhancement.

“alternative option contribution” means a *contribution* made, or to be made, by an *applicant* in respect of an *alternative option*.

“alternative option test”, in respect of the *network*, means the test set out in section 6.41 of the *Code*.

“anticipated incremental revenue” has the same meaning given to it in the *Code*.

{Note: Under the *Code* “anticipated incremental revenue” for a new facility means “the present value (calculated at the *rate of return* over a reasonable period) of the increased income from charges (excluding any contributions)~~tariff income~~ reasonably anticipated to arise from the increased sale of *covered services* on the *network* to one or more *users* (where “increased sale of *covered services*” means sale of *covered services* which would not have occurred had the *new facility* not been commissioned), minus

the present value (calculated at the *rate of return* over the same period) of the best reasonable forecast of the increase in *non-capital costs* directly attributable to the increased sale of the *covered services* (being the *covered services* referred to in the expression “increased sale of *covered services*” in paragraph (a) of this definition)”.}

“Appendix 8 work” has the same meaning given to it in the *Code*.

{Note: Under the *Code* ~~“Appendix 8 work”~~ means “work in connection with the *Western Power Network* of a type specified in clause ~~A~~8.2 of ~~A~~appendix 8”.

“applicant” means a person (who may be a *user*, a *customer* or a *developer*) who has lodged, or intends to lodge, a *connection application*, and includes a person who does so on behalf of another person.

“applications and queuing policy” means the *applications and queuing policy* (as defined in the *Code*) in the *access arrangement*.

“augmentation” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "augmentation" in relation to a *covered network*, means "an increase in the capability of the *covered network* to provide *covered services*".}

“Authority” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "Authority" means "the Economic Regulation Authority established by the *Economic Regulation Authority Act 2003*".}

“bidirectional point” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "bidirectional point" means "a single, indivisible (except as allowed under this *applications and queuing policy*) point, that for purposes under the *access arrangement* involving the transfer of electricity, is deemed to consist of a single *attachment point*, *connected* or to be *connected* to a *user’s connection point*, with a single *meter* (regardless of the actual configuration of *network assets* making up the *bidirectional point*), at which electricity is to be transferred into and out of the *network*".}

“bidirectional service” means a *covered service* provided by Western Power at a *connection point* under which the *user* may transfer electricity into and out of the *network* at the *connection point*.

“capital contribution” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "capital contribution" means "a payment or provision in kind made, or to be made, by a *user* in respect of any *new facilities investment* ~~(or *forecast new facilities investment*)~~ in *required work*".}

“Code” means the *Electricity Networks Access Code 2004* (as amended).

“connect” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "connect" means "to form a physical link to or through a *network*".}

“connection application” means an application lodged with Western Power under the *applications and queuing policy* that has the potential to require a modification to the *network*, including an application to:

- (a) *connect facilities and equipment* at a new *connection point*; or
- (b) *increase consumption or generation* at an existing *connection point*; or
- (c) *materially modify facilities and equipment connected* at an existing *connection point*; or
- (d) *augment the network* for any other reason,

{Note: this might be, for example, to service a subdivision.}

and includes any additional information provided by the *applicant* in regard to the application.

“connection assets” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "connection assets" for a *connection point*, means "all of the *network assets* that are used only in order to provide *covered services* at the *connection point*".}

“connection point” means an *exit point* or an *entry point* or a *bidirectional point* identified or to be identified as such in an *access contract*.

“consume” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "consume" means "to *consume* electricity".}

“consumption”, for a *connection point*, means the amount of electricity *consumed* at the *connection point*, and is measured in Watt-hours.

“contracted capacity” means the maximum rate at which a *user* is permitted to transfer electricity at a *connection point* under the *user’s access contract*.

“contribution” has the same meaning given to it in the *Code*, but also includes an *alternative option contribution*.

{Note: Under the *Code* "contribution" ~~in relation to a covered network~~, means “a *capital contribution*, a *non-capital contribution* or a *headworks charge*” .}

“contributions policy” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "contributions policy" means “a policy in an *access arrangement* under section 5.1(h) dealing with *contributions by users*” .}

“contributions rate of return” means the rate of return most recently approved by the *Authority* for use in *price control* for the *network*.

“covered service” has the same meaning given to it in the *Code* ~~but also includes a bidirectional service~~.

{Note: Under the *Code* "covered service" means "a service provided by means of a *covered network*, including:

- (a) a *connection service*; or
 - (b) an *entry service*, ~~or~~ *exit service* or *bidirectional service*; or
 - (c) a *network use of system service*; or
 - (d) a *common service*; or
 - (e) a *service* ancillary to a service listed in paragraph (a) to (d) above,
- but does not include an *excluded service*".}

“cpi” means the “all capitals consumer price index” as defined by the Australian Bureau of Statistics.

“customer” has the meaning given to it in the *Act*.

“distribution low voltage connection headworks scheme” means the scheme described in clause 6 of this *contributions policy*.

“distribution low voltage connection headworks scheme application” means a *connection application* where the proposed or existing *connection point* for a new or upgraded *connection* is to the *distribution system low voltage network* and is within 25 kms of the *relevant zone substation*.

“distribution low voltage connection headworks scheme base charge” means the value determined in accordance with section 6.3 of this *contributions policy*.

“distribution low voltage connection headworks scheme contribution” means a *contribution* in respect of the *distribution low voltage connection headworks scheme*.

“distribution low voltage connection headworks scheme works” with respect to a *distribution low voltage connection headworks scheme application*, means *works* on the *distribution system* reasonably adjacent to the *connection point* (to which the *distribution low voltage connection headworks scheme application* relates) that directly provides for delivery of electricity capacity to that *connection point* and that may include switchgear, *HV* cable, transformers, *low voltage* cable and ancillary equipment.

“distribution system” has the same meaning given to it in the *Code*, but excludes equipment within zone substations used for the transportation of electricity at nominal voltage of less than 66 kV.

{Note: Under the *Code* “distribution system” means “any apparatus, equipment, plant or buildings used, or to be used, for, or in connection with, the transportation of electricity at nominal voltages of less than 66 kV” .}

“entry point” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "entry point" means "a single, indivisible (except as allowed under this applications and queuing policy) point, that for purposes under the *access arrangement* involving the transfer of electricity, is deemed to consist of a single *attachment point*, ~~connected to~~ or to be *connected* to a *user's connection point*, with a single *meter* (regardless of the actual configuration of *network assets* making up the *entry point*), at which electricity is more likely to be transferred into the *network* than out of the *network*".}

“entry service” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "entry service" means "a *covered service* provided by Western Power at a *connection point* under which the *user* may transfer electricity into the *network* at the *connection point*".}

“exit point” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "exit point" means "a single, indivisible (except as allowed under this applications and queuing policy) point, that for purposes under the *access arrangement* involving the transfer of electricity, is deemed to consist of a single *attachment point*, ~~connected to~~ or to be *connected* to a *user's connection point*, with a single *meter* (regardless of the actual configuration of *network assets* making up the ~~exit~~*entry* point), at which electricity is more likely to be transferred out of the *network* than into the *network*".}

“exit service” has the same meaning given to it in the *applications and queuing policy*.

{Note: Under the *applications and queuing policy* "exit service" means "a *covered service* provided by Western Power at a *connection point* under which the *user* may transfer electricity out of the *network* at the *connection point*".}

“facilities and equipment” has the same meaning given to it in the *Code*.

{Note: Under the *Code*, "facilities and equipment" in relation to a *connection point*, means "the apparatus, equipment, plant and buildings used for or in connection with *generating*, *consuming* and *transporting* electricity at the *connection point*".}

~~**“feeder diversity factor”** means the factor applied to the capacity requirement that reflects the effective contribution of the connection capacity to the feeder peak load.~~

“forecast costs” means any or all of the *forecast new facilities investment* or the forecast *alternative option costs*, as applicable, to be incurred by Western Power with regards to *works*.

“forecast new facilities investment” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "forecast new facilities investment" for a *covered network* means "the capital costs forecast to be incurred in developing, constructing and acquiring new *network assets* for the *covered network*".}

“generation”, for a *connection point*, means the amount of electricity *generated* at the *connection point*, and is measured in kilowatts.

“good electricity industry practice” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "good electricity industry practice" means "the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably and ordinarily exercise under comparable conditions and circumstances consistent with applicable *written laws* and *statutory instruments* and applicable recognised codes, standards and guidelines".}

“GST” means Goods and Services Tax.

“HV” means the high voltage level of the distribution *network* where the voltage is greater than 6 kV and less than 66 kV.

“low voltage” means the low voltage level of the *distribution system network* where the voltage is less than 1 kV.

~~“market rules” means the ‘market rules’ referred to in section 123(1) of the Act, and includes all rules, policies or other subordinate documents developed under the Market Rules.~~

“minimum practical works” with regard to *covered services* sought by an *applicant*, means the minimum *works* Western Power must undertake, acting efficiently in accordance with *good electricity industry practice*, to provide only those *covered services* required by that *applicant*.

“network” has the meaning given to “Western Power Network” in the *Code*.

{Note: Under the *Code* "Western Power Network" means "the *covered network* that is *covered* under section 3.1". The "Western Power Network" is the portion of the SWIN that is owned by the Electricity Networks Corporation.}

“network assets” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "network assets", in relation to a *network* means "the apparatus, equipment, plant and buildings used to provide or in connection with providing *covered services* on the *network*, which assets are either *connection assets* or *shared assets*".}

“new facilities investment” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "new facilities investment" means, ~~“for a new facility, means “the capital costs incurred in developing, constructing and acquiring the new facility”.~~

“new facilities investment test” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "new facilities investment test" means, ~~“in respect of a covered network, means “the test set out in section 6.52”.~~

“new revenue” means the *anticipated incremental revenue* or *additional revenue* or both, as applicable, with respect to *works*.

“non-capital contribution” means a payment or provision in kind made, or to be made, by a *user* in respect of any *non-capital costs* (or forecast *non-capital costs*) of *required work*.

“non-capital costs” means the *non-capital costs* (as defined in the *Code*), but excluding *alternative option costs*, to be incurred by Western Power with regards to *works*.

“price control” has the same meaning as given to it in the *Code*.

{Note: Under the *Code* "price control" means ~~“the provisions in an access arrangement under section 5.1(d) and Chapter 6 of the Code which determine target revenue.”~~

“reasonable and prudent person” means a person acting in good faith and in accordance with *good electricity industry practice*.

“reasonable time” means the time determined in accordance with clause 5.3.

“relevant distribution transformer” with respect to the *distribution low voltage connection headworks scheme* and a *connection application* means the transformer from which the new or upgraded *connection* (to which that *connection application* relates) will be supplied under normal system operating conditions.

“relevant zone substation” means the zone substation to which the new or upgraded *connection* will be connected under normal system operating conditions.

“required work” means *work* which is necessary in order to provide a *covered service* sought in a *connection application*.

“retailer” has the meaning given to it in the *Act*.

“scheme” has the same meaning as given to it in Appendix 8 of the *Code*.

“service provider” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "service provider" in relation to a *network* means "a person who owns or operates the *network*".}

“shared assets” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "shared assets" means "those *network assets* which are not *connection assets*".}

“SWIS” is the South West Interconnected System and it has the meaning given to it in the *Code*.

{Note: Under the *Code* "SWIS" has the meaning as given to it in the Act, being "the interconnected transmission and distribution systems, generating *works* and associated *works* -

- (a) located in the South West of the State and extending generally between Kalbarri, Albany and Kalgoorlie; and
- (b) into which electricity is supplied by -
 - (i) one or more of the electricity *generation* plants at Kwinana, Muja, Collie and Pinjar; or
 - (ii) any prescribed electricity *generation* plant".}

“technical rules” means the *technical rules* (as defined in the *Code*) applying from time to time to the *network* under Chapter 12 of the *Code*, as modified in accordance with the *Code*.

“transmission system” has the same meaning given to it in the *Code*, but also includes equipment within zone substations used for the transportation of electricity at nominal voltage of less than 66 kV.

“user” has the same meaning given to it in the *Code*.

{Note: Under the *Code* "user" means "a person, including a *generator* or a *consumer*, who is a party to an ~~an~~ *access* contract for services with a *service provider*, and under section 13.4(e) includes an *other business* as a party to a *deemed access contract*".}

“WEM rules” means the ‘market rules’ referred to in section 123(1) of the Act, and includes all rules, policies or other subordinate documents developed under the WEM Rules.

“works” includes *distribution low voltage connection headworks scheme works* and all works required to be undertaken to provide an *applicant* with the *covered services* sought by the *applicant* in a *connection application*, including works associated with:

- (a) *augmentation* of *connection assets*;
- (b) *augmentation* of *shared assets*;
- (c) *alternative options*; and
- (d) other *non-capital works*.

1.2 Interpretation

- (a) Unless the contrary intention is apparent:
 - (i) a rule of interpretation in the *Code*; and
 - (ii) the Interpretation Act 1984

apply to the interpretation of this *contributions policy*.

- (b) Unless:
 - (i) the *contrary* intention is apparent; or
 - (ii) the term has been redefined in clause 1.1,

a term with a defined meaning in the *Code* has the same meaning in this *contributions policy*.

|

2. Applications of this Contributions Policy

- (a) Subject to (b), and (c) below, this *contributions policy* applies if it is necessary for Western Power to perform *works* to provide *covered services*.
- (b) If the *works* required for Western Power to provide the *covered services* sought by an *applicant* are *Appendix 8 works*, then the *contribution* for those *works* is the amount determined under and in accordance with Appendix 8 of the *Code*. For the avoidance of doubt, any such *contribution* is to be paid in addition to any *contribution* payable under this *contributions policy*.
- (c) An *applicant* is required to pay a *contribution* for *works* in any (including any combination of) the following circumstances:
 - (i) in the case of *new facilities investment*, where the capital costs incurred in relation to the relevant *works* do not satisfy the *new facilities investment test*;
 - (ii) in the case of *works* related to *alternative options*, where the *non-capital costs* associated with such *works* do not satisfy the requirements of clause 6.41(b) of the *Code*;
 - (iii) in the case of non-capital *works* including *alternative options*, where the costs of the *works* were not included, and could not reasonably have been included, in forecasts of *non-capital costs* taken into account in setting the *price control*; or
 - (iv) where the *works* meet the requirements of clause 6 of this *contributions policy* (*distribution low voltage connection headworks scheme*).

3. Lowest Sustainable Cost

A *contribution* with respect to *covered services* sought by an *applicant* must not exceed the amount that would be required by a prudent *service provider* acting efficiently, in accordance with *good electricity industry practice* seeking to achieve the lowest sustainable cost of providing the *covered services*.

4. Applicant Must Make Contribution

4.1 Applicant Must Make Contribution

- (a) Subject to paragraph (b) of this clause 4.1, if the application of this *contributions policy* in relation to the *works* produces a *contribution* amount that is greater than zero, Western Power is not required to undertake the *works* in respect of a *connection application* for a *covered service* until the *applicant* enters into a contract with Western Power under which the *applicant* agrees to provide the *contribution*, including any *GST* liability, to Western Power in accordance with this *contributions policy*.
- (b) If the *work* falls within the class of *distribution low voltage connection headworks scheme works*, Western Power must undertake and fund the *work* whether or not the *work* is a *required work*. This does not excuse the *applicant* from any obligations to make a *contribution* under this *contributions policy*.

4.2 Payment of GST

The payment of a *contribution* may be subject to *GST* and, if so, Western Power will request an *applicant* to pay an additional amount equal to Western Power's *GST* liability. Western Power may request payment of this additional amount at the time Western Power's *GST* liability arises.

4.3 Applicant Must Provide Security for New revenue

- (a) Western Power may require an *applicant* to provide security under this clause if Western Power determines there to be a risk of not receiving the *estimated new revenue*.
- (b) Western Power may require the *applicant* to provide security in the form of an unconditional, irrevocable bank guarantee, or equivalent financial instrument in terms acceptable to Western Power guaranteeing *new revenue* in the amount of:
 - (i) the *estimated new revenue* (where the *estimated new revenue* is less than the *allocated forecast costs*); or
 - (ii) the *allocated forecast costs* (where the *estimated new revenue* is more than the *allocated forecast costs*).
- (c) Where Western Power requires security under clause 4.3(b), the *applicant* must provide it before the commencement of the *works* the subject of the *connection application*.
- (d) Where an *applicant* has provided security under clause 4.3(c), then 24 months after the commencement of the associated *exit service*, *entry service*, or *bidirectional service* Western Power will reconsider the risk of not receiving the *estimated new revenue* (based on the then expected use of those *services*) and if that risk:
 - (i) no longer remains, Western Power will return the security;
 - (ii) remains, but has abated, Western Power may reduce the amount of the security by requiring a new security for the reduced amount; or
 - (iii) has crystallised (such that some or all of the *estimated new revenue* will not be recovered by Western Power), Western Power will re-determine the *contribution* under this *contributions policy* and recover from the *applicant* any difference from the amount of any original *contribution* and, after that recovery, return the security.

(e) In applying this clause Western Power will act as a *reasonable and prudent person*.

(f) For the purposes of this clause 4.3:

“**estimated new revenue**” means the amount calculated under clause 5.2(d).

“**allocated forecast costs**” means the amount of the *forecast costs* allocated to the *applicant* under clause 5.4.

4.4 Payment of Tax

The receipt by Western Power of a *contribution* may result in Western Power incurring a tax liability (whether under Commonwealth or State income tax and other legislation or under a tax equivalent regime applicable to Western Power as a government owned enterprise) and Western Power may recover from the *applicant*, as part of the *contribution* payable by the *applicant*, Western Power’s forecast of the net tax liability it will incur as a result of the receipt of such *contribution*. For the avoidance of doubt, this clause 4.4 and clause 5.5 do not deal with liability for *GST*, which is dealt with in clause 4.2.

5. Amount of Contribution

5.1 Interpretation

- (a) For the avoidance of doubt, this clause 5 is to be read subject to the provisions of clauses 2 and 6 of this *contributions policy*.
- (b) For the purposes of this clause 5:
 - (i) the definition of '*new facilities investment test*' is that set out in section 6.52 of the *Code*, but without having regard to subsection 6.52(b)(i) thereof; and
 - (ii) the definition of '*alternative option test*' is that set out in section 6.41 of the *Code*, but without having regard to subsection 6.41(b)(i) thereof.

5.2 Calculation of Contribution

The *contribution* payable in respect of any *works* to which this *policy* applies is calculated by:

- (a) determining the appropriate portion of any of the *forecast costs* of the *works* (excluding *distribution low voltage connection headworks scheme works*, but including any *works* relating to a *distribution low voltage connection headworks scheme application* excluded from clause 6 by clause 6.5), which do not meet the *new facilities investment test* or the *alternative option test* (as applicable) to allocate to the *applicant* under clause 5.4; and
- (b) adding any applicable amount calculated under clause 6.3 (*distribution low voltage connection headworks scheme base charge*); and
- (c) adding any applicable amount calculated under clause 7.4; and
- (d) deducting the amount likely to be recovered in the form of *new revenue* gained from providing *covered services* to the *applicant*, or, if the *applicant* is a *customer* (including residential *customers*), to the *customer's retailer*, as calculated over the *reasonable time*, at the *contributions rate of return*; and
- (e) adding any applicable amount calculated under clauses 7.1, 7.3 and 7.5; and
- (f) adding any tax liability (of the nature referred to in clause 4.4) which Western Power forecasts it will incur due to the receipt of the amount payable under paragraphs (a) to (e) of this clause 5.2, as calculated in accordance with clause 5.5; and
- (g) adding any applicable amount calculated under clause 7.2.

5.3 Reasonable Time

For the purposes of this *contributions policy*, the *reasonable time* is to be determined by Western Power, as a *reasonable and prudent person*, having regard to:

- (a) the anticipated commercial life of the *works*, up to a maximum of 15 years; and
- (b) the purpose for which the *applicant* requires the *covered services*.

{Note: For example, if the *applicant* is proposing to build a plant with an expected 5 year operating life, then the *reasonable time* might be 5 years or less.}

5.4 Amount of Forecast Costs

- (a) Western Power may, acting as a *reasonable and prudent person*, determine that the amount of the *forecast costs* to be allocated to the *applicant* for the purposes of clause 5.2(a) is:
 - (i) the full amount of the *forecast costs*; or
 - (ii) an amount determined under clauses 5.4(b) to 5.4(e).
- (b) If Western Power chooses to undertake *works* in excess of the *minimum practical works* to provide *covered services* sought by an *applicant*, then Western Power will determine that the amount of costs allocated to the *applicant* are the *forecast costs* of the *minimum practical works*.
- (c) If:
 - (i) Western Power reasonably expects to receive *tariff* income from future *applicants*, because of *works* to provide *covered services* sought by an *applicant*, within a period of 10 years, (or such longer period as reasonably determined by Western Power acting as a *reasonable and prudent person*), of the original *applicant's connection application*; or
 - (ii) an *applicant* seeks a *covered service* that will make use of *works* undertaken to provide *covered services* to a previous *applicant*, within a period of 10 years, (or such longer period as reasonably determined by Western Power acting as a *reasonable and prudent person*), of the original *applicant's connection application*, and for which the original *applicant* paid a *contribution* calculated under clause 5.2;then Western Power will apportion the costs based on the relative use of the *works* by the *applicant* compared to the relative use of the *works* expected to be sought by those future *applicants*, or the relative use of the *works* sought by previous *applicants*, or both, as applicable.
- (d) If Western Power has received more than one *connection application* requiring the same *works*, then Western Power may negotiate with the *applicants* under the *applications and queuing policy* to apportion the *forecast costs* of the *works* between the *applicants*, based on the relative use of the *works* sought by each *applicant*.
- (e) If *works* to provide *covered services* to an *applicant* provide specific savings to Western Power in performing its legal obligations, then Western Power will determine that the costs to be allocated to the *applicant* are the *forecast costs* less the amount saved.

5.5 Forecasting Tax Liability

For the purposes of determining the costs representing Western Power's tax liability arising due to receipt of an amount calculated under paragraphs (a) to (e) of clause 5.2, Western Power must estimate the net tax liability, with respect to the *contribution*, it will incur over the life of the assets to which the *contribution* relates. The calculation of the grossed up tax expense takes into account the circularity arising from the payment of tax costs by the *customer*, the dividend imputation franking credit passed through to Western Power's shareholder and the statutory tax depreciation benefit which offsets the tax costs incurred by Western Power.

6. *Distribution Low Voltage Connection Headworks Scheme*

6.1 *Application*

Subject to clause 6.5 this *distribution low voltage connection headworks scheme* applies to an *applicant* that falls within the class of *applicant* that may make a *distribution low voltage connection headworks scheme application* and where the *works* required to meet the requirements of the *connection application* of that *applicant* are *distribution low voltage connection headworks scheme works*.

6.2 *Distribution Low Voltage Connection Headworks Scheme Contribution*

- (a) If, in accordance with *good electricity industry practice*, Western Power reasonably considers that the *forecast costs* of *distribution low voltage connection headworks scheme works* (required to meet the requirements of the *connection application* of an *applicant*) over a 15 year period exceed the amount of *new revenue* likely to be gained from providing *covered services* using those *distribution low voltage connection headworks scheme works* to *distribution low voltage connection headworks scheme applicants* over that period, then, upon receiving the *distribution low voltage connection headworks scheme application* of that *applicant*, Western Power will, in accordance with this clause 6, require a *distribution low voltage connection headworks scheme contribution* from the *applicant*.
- (b) Where a *distribution low voltage connection headworks scheme contribution* is made by an *applicant* no further *contribution* shall be required from the *applicant* for the *distribution low voltage connection headworks scheme works* for which that *distribution low voltage connection headworks scheme contribution* was made.
- (c) For the purpose of this *contributions policy* a *distribution low voltage connection headworks scheme contribution* is a *capital contribution*.

6.3 *Determination of the Distribution Low Voltage Connection Headworks Scheme Base Charge*

The *distribution low voltage connection headworks scheme base charge* is determined by:

- (a) identifying the *applicant's* incremental electrical capacity requirement:
 - (i) by deducting from the *applicant's* required electrical capacity, the original design capacity for a greenfield development on an existing serviced lot as determined by Western Power's policies and procedures from time to time; or
 - (ii) as the *applicant's* required electrical capacity sought in the *distribution low voltage connection headworks scheme application* for an un-serviced lot.
- (b) determining whether the location of the *connection point* (to which the *connection application* relates) is on a land lot separate from the *relevant distribution transformer*; and
- (c) applying the parameters determined under 6.3(a) and 6.3(b) to the prices determined in clause 6.4.

6.4 *Distribution Low Voltage Connection Headworks Scheme Prices*

The methodology used to develop the *distribution low voltage connection headworks scheme prices* is described in Appendix C (*Distribution low voltage connection headworks scheme Methodology*) of this *Access Arrangement*.

- (a) The *distribution low voltage connection headworks scheme* price is expressed as \$ per kVA.
- (b) The *distribution low voltage connection headworks scheme* prices will vary depending on:
 - (i) whether the incremental capacity requirement at the *connection point* determined under clause 6.3(a) is:
 - (A) less than 216 kVA; or
 - (B) between 216 kVA and 630 kVA; or
 - (C) greater than 630 kVA, and
 - (ii) whether the location of the *connection point* is on a land lot separate from the *relevant distribution transformer*.

6.5 Exclusion from *Distribution Low Voltage Connection Headworks Scheme*

The methodology used to develop the *distribution low voltage connection headworks scheme* exclusion threshold is described in Appendix C (*Distribution Low Voltage Connection Headworks Scheme Methodology*) of this *Access Arrangement*.

A *distribution low voltage connection headworks scheme application* is excluded from the provisions of this clause 6 where the *forecast costs of works* (as determined assuming clause 5.4 applies to those *works*) is in excess of the *distribution low voltage connection headworks scheme base charge* plus the exclusion threshold. For the purposes of applying this clause 6.5, only the cost of those *works* which would otherwise fall within the *distribution low voltage connection headworks scheme* apply.

Where a *distribution low voltage connection headworks scheme application* is excluded, the *contribution* is determined under this *contributions policy* excluding the provisions of this clause 6.

7. General Provisions

For the avoidance of doubt, this clause 7 is to be read subject to the provisions of clause 2 of this *contributions policy*.

7.1 Connection Assets

The *applicant* must pay the full *forecast costs* of any *works* to provide *connection assets*.

7.2 Non-capital Costs

The *applicant* must pay to Western Power the full amount of any *non-capital costs* that Western Power incurs in performing *works*, which in any case must not exceed such costs that would be incurred by a prudent *service provider* acting efficiently in accordance with *good electricity industry practice*.

{Note: these costs might include, for example, adjusting protection settings, reprogramming computer equipment and so on.}

7.3 Works Over and Above Standard Works

If an *applicant* seeks a *covered service* that is better or different in some respect than an equivalent *service* in the *technical rules* or an equivalent *reference service* in the *access arrangement*, then the *applicant* must pay to Western Power:

- (a) a *contribution* calculated under this *contributions policy* for the equivalent *service*; and
- (b) the difference between the *forecast costs* of the *works* required to provide the equivalent *service* and the *forecast costs* of the *works* required to provide the better or different *service*, to the extent that the better or different *service* does not otherwise meet those parts of the *new facilities investment test* dealing with *net benefit*, safety or reliability.

{Note: this could be, for example, a design philosophy delivering increased security of supply}

7.4 Costs Related to Technical Rules Compliance

- (a) The *applicant* must pay a *contribution* calculated under this *contributions policy* in respect of any *works* required to upgrade the fault level ratings of *network assets*, or any other *works* required to ensure that Western Power complies with the *technical rules* with respect to the *network assets*.
- (b) The *applicant* must pay all of its own costs in relation to ensuring that its *facilities and equipment* comply with the *technical rules* and with any requirements of the [WEM rules \(including any Registered Generator Performance Standards \(as that term is defined in the \[WEM rules\\)\]\(#\)\)](#) applicable to those *facilities and equipment*.

7.5 Temporary Supplies

The *contribution* to be paid by an *applicant* who seeks a temporary supply is, if no applicable amount is published on Western Power's website, an amount equal to the full *forecast costs* of the *required works*.

8. Manner of Contribution

8.1 Options for Payment

A *contribution* may be made:

- (a) by the *applicant* by way of a financial payment comprising either:
 - (i) periodic financial payments, subject to clause 8.2; or
 - (ii) an upfront financial payment;
- (b) by the Western Australian Government under any appropriate government policy; or
- (c) by the *applicant* undertaking the *augmentation* and transferring ownership of the *augmentation*, subject to clause 8.4.

Where the *contribution* is greater than \$1,000,000, the *applicant* and Western Power may negotiate to adjust the *contribution* to reflect actual costs of the *required works* determined after the completion of the *works*. This does not exclude the *applicant* from any obligations to pay a *contribution* under this *contributions policy*.

8.2 When Applicant May Choose Periodic Payment

The *applicant* may not elect under clause 8.1(a)(i) to make the *contribution* by way of a periodic financial payment unless the total amount of the *contribution* exceeds \$50,000.

8.3 Terms and Amount of Periodic Payment

- (a) If the *applicant* elects to make a *contribution* by way of periodic financial payment under clause 8.2, then:
 - (i) the maximum term over which the periodic payments may be made is 5 years;
 - (ii) interest will be payable on each periodic payment, at a reasonable commercial rate to be negotiated between Western Power and the *applicant*; and
 - (iii) Western Power (acting as a *reasonable and prudent person*) may require the *applicant* to procure an unconditional, irrevocable bank guarantee, or equivalent financial instrument, in terms acceptable to Western Power, guaranteeing the *contribution*.

8.4 Augmentations Undertaken by Applicants

- (a) An *applicant* may, with Western Power's approval, construct an *augmentation* of the *network*.
- (b) Where an *applicant*, in accordance with (a) above, constructs an *augmentation* of the *network*, the *applicant* shall agree to transfer the ownership of the *augmentation* to Western Power on such reasonable terms and conditions as may be stipulated by Western Power (after Western Power has tested the *augmentation* and certified that it meets the applicable technical standards) but in no circumstance will Western Power become obliged to make any payment to the *applicant* or any other person with respect to the *augmentation*.

{Note: An *applicant* is required to pay to Western Power the fees set by Western Power from time to time associated with Western Power testing the *augmentation* to establish that it meets the applicable technical standards for the *augmentation* to connect to the *network*.}

9. Rebates and Recoupment

9.1 Applicability

This clause 9 does not apply to *contributions* made under clause 6 (*distribution low voltage connection headworks scheme*) of this *contributions policy*.

9.2 Parties May Negotiate a Rebate

(a) Where:

- (i) an *applicant* has paid a *contribution*, or is paying a *contribution* in the form of periodic payments, for *works* with respect to a *connection point*; and
- (ii) the value of the *contribution* is in excess of \$1,000,000,

then Western Power and the *applicant* may negotiate to require Western Power to provide a rebate in circumstances where a subsequent *applicant* associated with a different *connection point* benefits from the *works* or a part of the *works* in respect of the original *connection point*. The rebate can only be in relation to assets, the costs of which were included in the calculation of the original *contribution* under this *contributions policy*.

(b) Where:

- (i) an *applicant* has paid a *contribution*, or is paying a *contribution* in the form of periodic payments, for *works* with respect to a *connection point* for which the full *forecast costs* of the *works* were allocated to the *applicant* under clause 5.4;
- (ii) at the time that the *works* are carried out, it is only the *applicant* who will benefit from the *works* in relation to that *connection point*; and
- (iii) the value of the *contribution* is in excess of \$200,000 but less than \$1,000,000,

then Western Power and the *applicant* may negotiate to require Western Power to provide a rebate in circumstances where a subsequent *applicant* associated with a different *connection point* benefits from the *works* or a part of the *works* in respect of the original *connection point*.

(c) Where:

- (i) an *applicant* has paid a *contribution*, or is paying a *contribution* in the form of periodic payments, for *works* with respect to a *connection point* for which the full *forecast costs* of the *works* were allocated to the *applicant* under clause 5.4;
- (ii) at the time that the *works* are carried out, it is only the *applicant* who will benefit from the *works* in relation to that *connection point*; and
- (iii) the value of the *contribution* is less than or equal to \$200,000,

then Western Power and the *applicant* may negotiate to require Western Power to provide a rebate in circumstances where a subsequent *applicant* associated with a different *connection point* benefits from the *works* or a part of the *works* within 10 years of the date that the *contribution* was paid, or periodic payments of the *contribution* began, in respect of the original *connection point*.

(d) Any negotiated rebate will be payable to the *customer* or the *user* associated with that *connection point* at the time of the *rebate* being payable.

(e) The amount of a rebate given to a *user* or *customer* under clause 9.2(a), (b) or (c) is determined by apportioning the amortised *contribution* paid in respect of the original *connection point*

between the *user* or *customer* associated with the original *connection point* and each subsequent *applicant* based on the relative *contracted capacity* of each party, where the *contribution* is amortised completely in a straight line over 10 years.

- (f) Western Power is not under any obligation to pay any rebate for a *contribution* to any *user* or *customer* under any circumstance other than that expressly provided for under clause 9.2(a), (b) or (c).

9.3 New Applicants Must Pay Rebate

Where Western Power must pay a rebate to a *user* or a *customer* in respect of a *connection point* under clause 9.2, each subsequent *applicant* that triggers such a rebate must pay to Western Power an upfront amount equivalent to the rebate.

9.4 Scheme Rebates Determined Under Appendix 8 of the Code

Nothing in this clause 9 affects the obligations of Western Power to pay a member of a *scheme* a rebate in accordance with the provisions of Appendix 8 of the *Code*.

10. Obligation to provide information

Upon request from an *applicant*, and in respect of a *contribution* for *works*, Western Power will provide the *applicant* with the following information:

- (a) where the *contribution* is in respect of *new facilities investment*, details of assessment of the *new facilities investment* against the requirements of the *new facilities investment test* and details of the calculation of the amount that does not meet the *new facilities investment test*;
- (b) where the *contribution* is made in respect of *non-capital costs* related to *alternative options*, details of assessment of the *non-capital costs* against the *alternative options test* and details of the calculation of the amount that does not satisfy the *alternative options test*;
- (c) details of assumptions and calculations applied in the apportionment of any forecast cost of *works* between the *user* or *applicant* and other *users* or *applicants* or Western Power under clause 5.4 of this *contributions policy*; and
- (d) details of the calculation of a *distribution low voltage connection headworks scheme contribution* under clause 6 of this *contributions policy*.