



Energy Transformation
Taskforce

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

Improving access to the Western Power network

Consultation Paper

April 2021

Thank you for joining us this afternoon for the Improving access to the Western Power network Virtual Industry Forum

This event will begin promptly at 1pm.

In the meantime, please confirm that your
microphone and outgoing video is turned off.



Government of Western Australia
Energy Policy WA

Improving access to the Western Power network

Virtual Industry Forum

13 May 2021

Working together for a
brighter energy future.

Title: Agenda

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- | | |
|--------|--|
| 1.00pm | Welcome and opening remarks <ul style="list-style-type: none">• Jai Thomas, Program Director, Energy Transformation Implementation Unit |
| 1.10pm | Improving Access to the Western Power network <ul style="list-style-type: none">• Ashwin Raj, Project Lead |
| 1.30pm | Other amendments <ul style="list-style-type: none">• Noel Ryan, Director |
| 1.50pm | Questions and answers <ul style="list-style-type: none">• Panel (Noel Ryan, Ashwin Raj and Jai Thomas) |
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Improving Access to the Western Power Network

Access Code main body

Transitional AQP

Transitional ETAC

Transitional Contributions Policy

Background

Adoption of a constrained model of network access

The ability for all facilities to access available network capacity and export electricity into the network will be determined by market dispatch outcomes (not by their terms of access)

Key changes to the Access Code made in September 2020 relating to constrained access:

- Prohibition on Western Power from entering into access contracts that do not permit for users to be curtailed in circumstances where constraints on the network are caused by other users, or where curtailment is required in connection with SCED.
- Removed the concept of bare transfers.
- Removed the ability to 'relocate' contracted capacity.

Further changes to the framework governing connection and access to the Western Power Network are required to complete implementation.

Approach

Updating the ETAC, AQP, and Contributions Policy

Timing mismatch between gazettal of the first tranche Access Code changes and commencement of AA5.

Insert amended versions of the ETAC, AQP, and Contributions Policy as transitional documents to apply from gazettal for remainder of AA4.

Minimal change approach to account for constrained access and generator performance standards.



Transitional policy documents deemed to apply following gazettal until new policies are approved by the ERA as part of AA5

Proposed changes

Access Code amendments

Departures from model documents

- Allow ERA to approve departures from model documents that are necessary to give effect to constrained access or SCED.

Spare capacity

- Removal of obligations on Western Power to publish and maintain a register of spare capacity.
- Western Power is required to notify users of any additional capacity that would be provided by an augmentation funded by the user.

Bi-directional services

- Amendments to definitions to help clarify that constrained access applies only to entry services.



Electricity Networks
Access Code 2004

Establishes a
framework for third
party access to
electricity
transmission and
distribution networks

Proposed changes

AQP amendments

Provision of information relating to generation applications

- Certain information relating to generation applications will be provided to all generation applicants.
- Western Power can share certain information with AEMO relating to a connection application.

Capacity related concepts

- Retained mainly for exit services. Instead of assessing spare capacity for entry services, Western Power will assess potential asset configurations to provide the requested contracted capacity, and its cost.
- Competing applications retained for exit services, but there may be factors where entry service applications require works or are classified as competing.
- Removal of the capacity allocation swap service.
- Applications to increase contracted capacity only permitted if user agrees for all of its contracted capacity to be on a constrained basis.

Applicant specific solutions

- Objections cannot be made on the basis that the solution would increase constraints on the network.



Processes, procedures and requirements for customers seeking and obtaining access to the Western Power network

Proposed changes

ETAC amendments

Clarifying the nature of entry services

- Provided on a constrained (non-firm) basis.
- Contracted capacity is based on maximum capacity available at the connection point in the absence of constraints.

Curtailement of users

- Users required to comply with AEMO directions to reduce / cease the transfer of electricity.
- Western Power may assist and provide information to AEMO where required to preserve Power System Reliability.
- Western Power can curtail users, either to give effect to an AEMO direction or if necessary to preserve Power System Reliability.
- Limitations on Western Power's liability for curtailment.

Assignment

- Clarifications to the rights of a user to assign their ETAC in light of the removal of bare transfers.



Electricity Transfer
Access Contract

Standard access
contract used by
Western Power for the
provision of reference
services to customers

Other amendments

Deferred revenue

Public consultation process

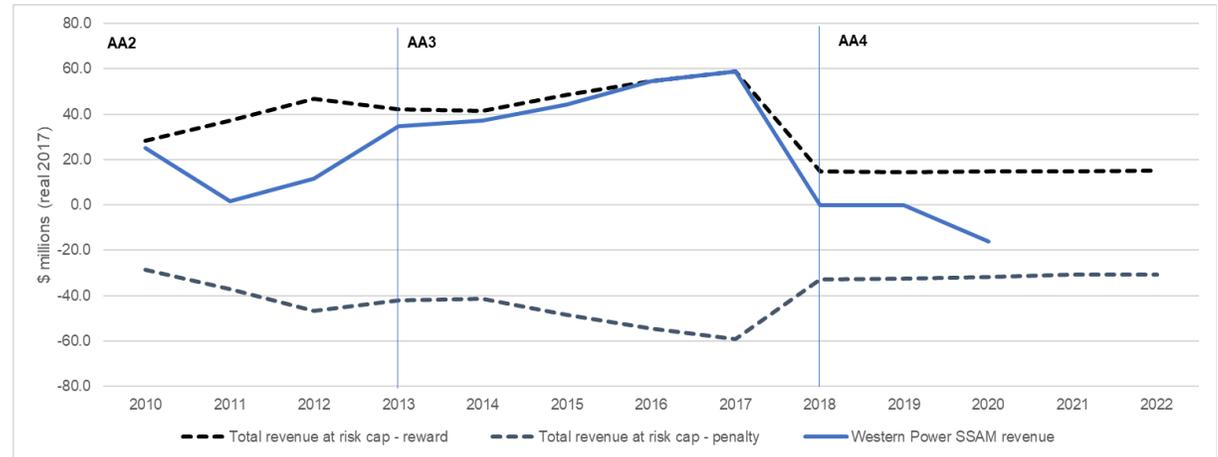
Excess network charges

Deferred revenue adjustments

In absence of any changes, Western Power's revenue and prices should decline significantly in AA5 for two reasons

1. Service standard payments

Based on current performance it is unlikely Western Power will achieve any significant incentive payments in AA5 (there is a possibility of small penalties)



2. Return on assets

Return on assets is expected to be significantly lower in AA5 due to the expected lower rate of return environment (a key driver of the WACC) at the start of the AA5 period



Deferred revenue adjustments

Deferred revenue was created in AA2

AA2

- Regulatory treatment changes would have caused a large increase in prices.
- Western Power proposed deferring some revenue – ERA deferred full change.
- \$550m in 2009 dollars deferred.

AA3

- Access Code was modified to formally allow for recovery of the deferred revenue.
- ERA initially decided on 10 year recovery.
- In year 2 of AA3, ERA modified to 42-50 year recovery period due to lower demand than forecast.

AA4

- No changes for deferred revenue

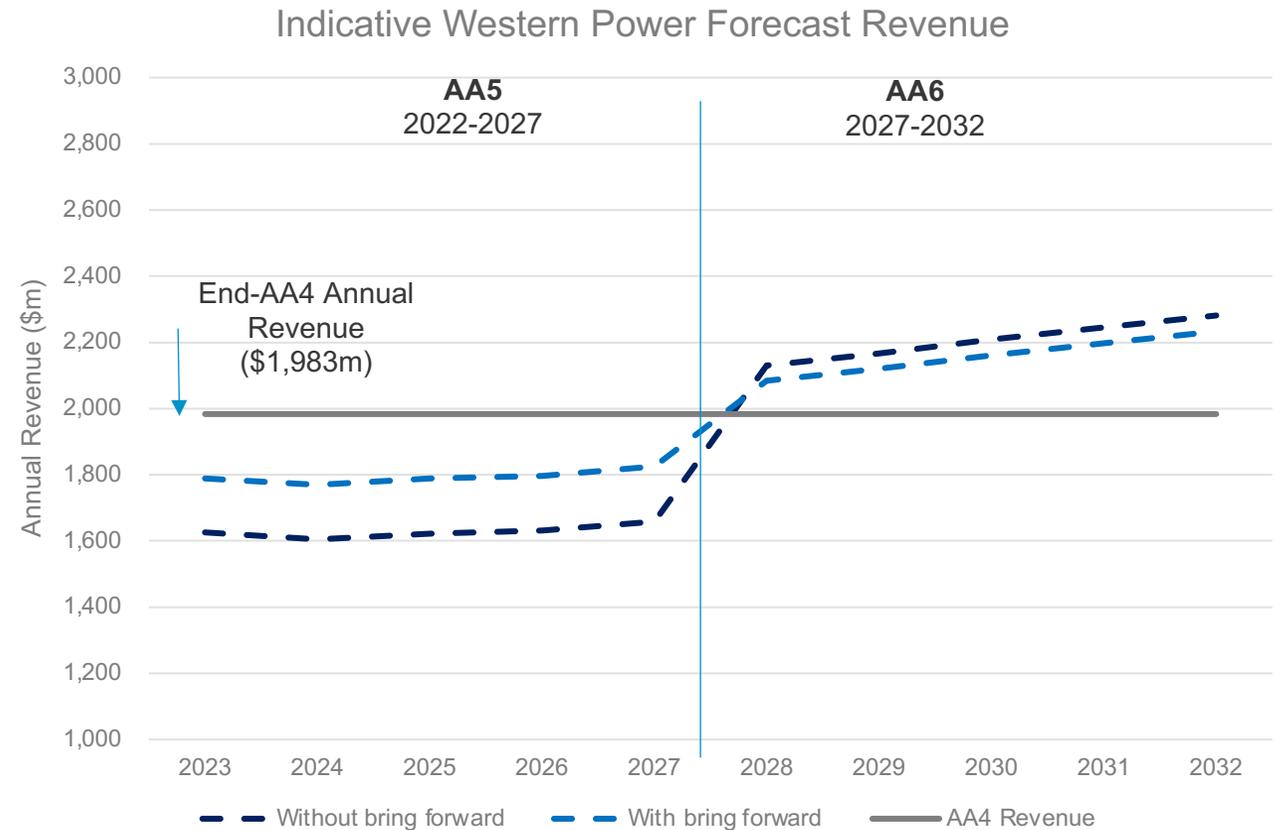
Deferred revenue adjustments

Proposed approach is to bring some revenue forward

- Reduces size of future price increases
- AA5 revenues remain lower than AA4
- Revenue increases between AA5 and AA6 are lower

Changes to Access Code

Proposed to give Western Power flexibility to bring forward deferred revenue recovery, **subject to prices not increasing**



Public consultation process

Adjustments are intended to provide ERA with flexibility

- Changes made on 18 September made some guidelines subject to Appendix 7 process
- New Facilities Investment Test
- Net Benefit Valuation
- Multi-function assets
- Timeframes in Appendix 7 will be too rigid in some instances
- ERA has been provided leeway to extend deadlines where it has used reasonable endeavours

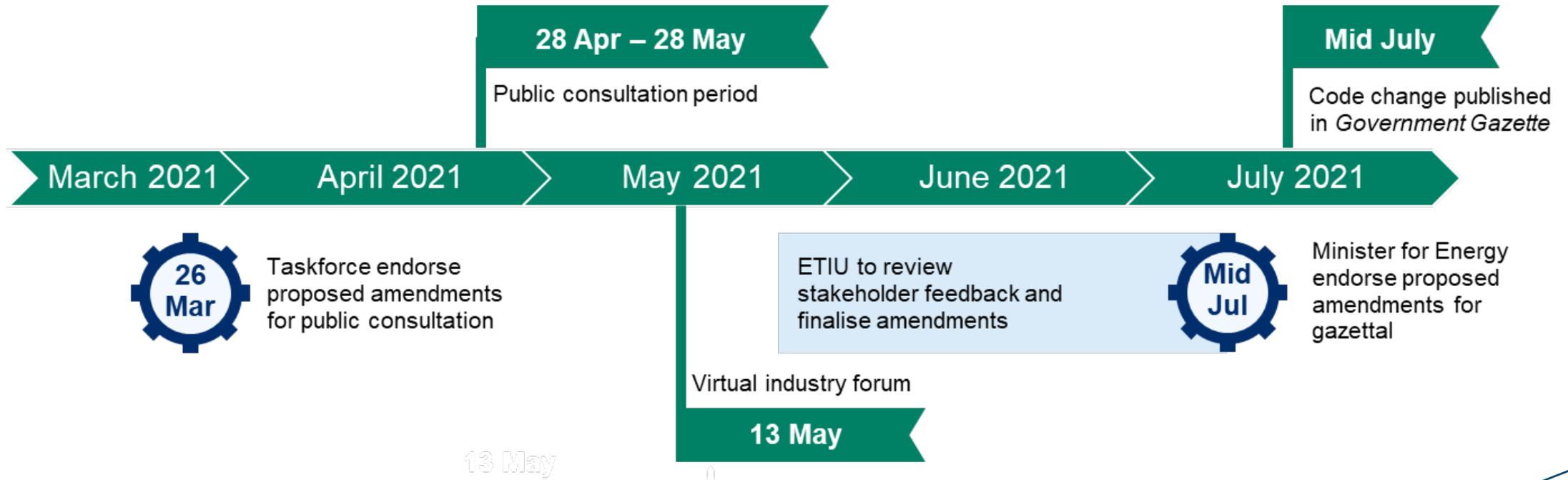
Excess Network Usage Charges

Desired outcome is fair network use

- Excess Network Usage Charges (ENUC) applies to customers who have a contract with Western Power for a fixed amount of the network (ie customers with a Contracted Maximum Demand or Declared Sent Out Capacity contract with Western Power)
- Access Code requires tariffs to be set by reference to costs
- Where a user exceeds their entitlement, other users can be impacted in terms of interruptions to supply to customers or curtailment of other generators
- The cost impact only becomes clear after the event which makes it difficult to set realistic cost based tariffs in advance
- The proposed change makes it clear that ENUCs are intended to act as a disincentive and don't need to be restricted to forecast costs
- Amount is still subject to review by the ERA

Implementation timeframe

Next steps



Make a submission

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

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

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

Postal submission – send your submission to Energy Policy WA at Locked Back 11, Cloisters Square, WA 6850.

Consultation on these proposed Access Code changes close 5.00pm (AWST), Friday 28 May 2021.

Upcoming Events

2 June 2021 – Energy Transformation Strategy Industry Forum, featuring:

- The Hon Bill Johnston MLA – Minister for Energy
- Stephen Edwell – Chair, Energy Transformation Taskforce

Registration email to be sent soon

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

*We're working for
Western Australia.*