Economic Regulation Authority

Framework and approach for Western Power's sixth access arrangement review

Issues Paper

1 December 2025

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Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

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Invitation to make submissions

Submissions are due by 4:00pm WST, Friday, 6 February 2026

The ERA invites comment on this paper and encourages all interested parties to provide comment on the matters discussed in this paper and any other issues or concerns not already raised in this paper.

We would prefer to receive your comments via our online submission form https://www.erawa.com.au/consultation.

You can also send comments through:

Email: publicsubmissions@erawa.com.au
Post: Level 4, Albert Facey House, 469 Wellington Street, Perth WA 6000

Please note that submissions provided electronically do not need to be provided separately in hard copy.

All submissions will be made available on our website unless arrangements are made in advance between the author and the ERA. This is because it is preferable that all submissions be publicly available to facilitate an informed and transparent consultative process. Parties wishing to submit confidential information are requested to contact us at info@erawa.com.au.

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Overview

Western Power is due to lodge its next access arrangement proposal (AA6) with the ERA in February 2027. Following review and consultation with stakeholders, we will approve revisions to the access arrangement to take effect from 1 July 2028. The revised access arrangement will apply until 30 June 2032 and determine the target revenue that can be recovered through network tariffs for the period from 1 July 2027 to 3 June 2032.[1]

Prior to Western Power submitting its proposal, we are reviewing the framework and approach for the AA6 access arrangement review. This will determine the services that will be regulated through the access arrangement and the broad nature of regulatory arrangements for the AA6 review. It is intended to facilitate early public consultation on the access arrangement and will assist Western Power to prepare its proposal.

This issues paper is seeking stakeholder input to inform changes needed to the current access arrangement and review process. A draft framework and approach will be published for consultation in March/April next year and finalised in July 2026.

Challenges

The AA6 period 2027 to 2032 will be a pivotal time for the development of the SWIS. There are significant challenges Western Power will need to meet during the period, including:

- Maintaining a reliable and resilient network able to cope with the demands of climate change.
- Delivering the new network infrastructure and customer connections required by the SWIS Transmission Plan and to supply likely higher volumes of electricity required by customers due to electrification, including the take-up of electric vehicles.
- Meeting new requirements from the continuing evolution of the Electricity System and Market Rules such as the design and implementation of new roles and systems for the integration of distributed energy resources and providing power system security and reliability during the energy transition.
- Higher levels of more complex customer connections to both the transmission and distribution network and on the customer side of the connection behind Western Power's meter.
- Potential requirements for Western Power to support broader State Government objectives including decarbonising the economy, developing local supply chains and building network infrastructure to enable growth in residential, commercial and industrial developments and essential community services.
- Cost pressures and affordability for customers.

What is needed

The future development and operation of Western Power's network is a core component of the energy transition and affects all aspects of the energy supply chain. This is particularly the case during the AA6 period, leading up to and beyond 2030, which will see closures of coal generators and increasing levels of renewable generation seeking to access the power

[1] The current access arrangement will continue to apply until the new revisions come into effect on 1 July 2028.

system. Further, given the energy transition will continue well after 2030, Western Power's AA6 development and operation of its network will be critically important to the achievement of Government net zero aspirations.

So, although the focus of this access arrangement review is the AA6 period, Western Power's proposal needs to clearly set out the long-term vision and plan for the development of the network and how the proposal for the AA6 period fits within that long-term plan.

Also, consumers are facing significant uncertainties about the transition. As the network operator for the SWIS, it is incumbent on Western Power to try to reduce uncertainties for consumers by sharing information about what might happen in the long-term and clearly outlining its intentions in its access arrangement proposal.

Specifically, Western Power's proposal will need to comprehensively identify and address the challenges for the AA6 period. It needs to present to the ERA a clear plan of how it intends to meet these challenges, including identifying uncertainties and how they will be managed. The ERA intends requiring more detail from Western Power than in previous access arrangements in articulation of its plan, implications for proposed expenditure, and outcomes for network users.

The proposal should focus on outputs and outcomes for customers and include a demonstration that customers have been engaged effectively in its development so that the proposed outputs and outcomes have taken account of customer preferences.

Western Power's customers are spread over a large geographical area. The proposal should be tailored geographically to ensure the outputs and outcomes are visible and respond to customer preferences within a geographical region.

Western Power will need to demonstrate it has identified and considered all options when developing its proposal, including non-network solutions and making use of new technologies to improve the efficiency and utilisation of its network.

In broad terms we consider the current regulatory framework is capable of addressing the AA6 challenges, but we are seeking to adapt the framework where needed to:

- Increase accountability for Western Power to deliver and provide transparency about its plans and performance in a format that customers and stakeholders can understand and engage with.
- Provide sufficient regulatory cost oversight that can also deal with uncertainty.
- Encourage efficient expenditure but focus on achieving outputs.
- Ensure the most efficient option is chosen regardless of whether it is capital or non-capital costs.
- Ensure timely connections to the network.
- Incentivise Western Power to consider the whole picture and enable more innovative approaches to be taken, for example:
  - Network planning, reference services, tariff structures and connection policies that work together to encourage and facilitate solutions that minimise the size of network (and costs) needed to connect new or upgraded supplies (from single properties to large developments) and improve reliability and resilience.

  - Enable community groups and DER providers to work together to develop and implement solutions that address local reliability issues and/or facilitate the capacity for new or upgraded customer connections in the local area.

The approach we took for the AA5 decision differed from previous decisions because the review was undertaken during a period of significant change and uncertainty in the energy sector. Our decision included areas of special focus requiring actions for Western Power to progress and increased Western Power's reporting requirements during the access arrangement period. The special focus actions included:

- Reducing connection times for generators, large businesses, industrial and mining customers.
- Addressing longstanding streetlighting issues.
- Developing and implementing a strategy to address regional reliability.

Our decision also made some investments subject to the investment adjustment mechanism so that if Western Power over or under delivers against the activity and approved expenditure, the expenditure variation can be adjusted at the next access arrangement.

We have been monitoring and publishing annual reports on their progress since the AA5 final decision.

With the ongoing changes and uncertainty in the energy sector, we propose to continue and expand this approach for AA6. We expect Western Power to take this into account in the proposal it submits to us to provide the starting point for establishing what they will deliver over the period and ongoing progress monitoring.

The AA6 review covers a critical period where it is vital Western Power can deliver the infrastructure and services needed for Western Australians. We would like to properly understand customer experience and issues customers would like to see addressed to help us identify more innovative approaches to the review.

This paper includes some specific questions, but we are interested in stakeholder views on any aspect of the access arrangement and review process. We are very open to meet with any stakeholders to discuss.

1. Background

Western Power's network is a covered network under the *Electricity Networks Access Code 2004*. The Access Code sets out the overarching objective and requirements to regulate the network. Its intent is to ensure that Western Power invests in and operates the network as efficiently as possible for the long-term benefit of electricity consumers. Western Power must also maintain security, reliability and safety and take account of the environmental consequences of energy supply and consumption.

The main instrument of regulation is the access arrangement, which governs the terms and conditions, including prices, for third parties to access the network.

The access arrangement must:

- meet the Access Code objective
- comply with the relevant specific requirements in chapter five of the Access Code.

The Access Code objective, as amended prior to the AA5 review, is similar to the more recently introduced State Electricity Objective and is as follows:

> To promote the 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 greenhouse gas emissions, considering land use and biodiversity impacts and encouraging energy efficiency and demand management.[2]

Western Power's access arrangement was first approved by the ERA in April 2007. Since then, the access arrangement has been reviewed and revised periodically with the most recent revisions being approved in March 2023 for the period 2022/23 to 2026/27 (AA5).

Western Power is due to lodge its next access arrangement proposal (AA6) with the ERA on 1 February 2027.

As introduced for the AA5 review, there is a two-stage decision making process.

In the first stage, the ERA decides on some elements of the access arrangement before Western Power submits its proposal. The second stage is the review of Western Power's proposal.

For the first stage, the Code specifies some elements that must be determined.[3]

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2 "Consumers" in the context of the Code objective is defined as being "a person who consumes electricity".

3 The elements that must be determined are:

- A list of and classification of services, including whether services are reference services or non-reference services, the eligibility criteria for each reference service, the structure and charging parameters for each distribution reference tariff and a description of the approach to setting each distribution reference tariff.
- The method for setting the service standard benchmarks for each reference service and the service standard adjustment mechanism.
- The form of price control.
- The investment adjustment mechanism.

Any other matter relating to the access arrangement may also be considered. The ERA's decision is set out in a document called the "framework and approach". An indicative timetable for the first stage is set out in Table 1.

Table 1: Indicative timetable for the framework and approach

Milestone	
Close of public consultation on the issues paper	6 February 2026
Draft framework and approach	March/April
Public consultation on the draft framework and approach	April/May
Western Power submits on draft framework and approach	May/June
Final framework and approach	31 July 2026

The second stage of the process commences with Western Power submitting its access arrangement to the ERA for approval. Western Power's proposal must be consistent with the elements that the ERA has already determined in the framework and approach.[4] The ERA will then consider the elements of the access arrangement that were not determined in the framework and approach. The ERA may not change its decision on matters decided in the framework and approach unless there has been a material change in circumstance, in which case it must provide reasons for the departure.

- The gain sharing mechanism.
- The demand management innovation allowance mechanism.

4 Unless there has been a material change in circumstances in which case Western Power must provide reasons for the departure.

An indicative timetable for the access arrangement review is set out in Table 2.

Table 2: Indicative timetable for the access arrangement review

Milestone	Indicative dates
Western Power submits proposal	1 February 2027
ERA publishes issues paper	March 2027
ERA holds public forum	March 2027
Public consultation closes	April 2027
Western Power may submit further access arrangement information	May 2027
ERA publishes draft decision for public consultation	September 2027
ERA holds public predetermination conference	September 2027
Western Power submits revised proposal	November 2027
Public consultation closes	December 2027
Western Power may submit further access arrangement information	January 2028
ERA publishes final decision	31 March 2028
Western Power submits 2028/29 price list	April 2028
ERA approves 2028/29 price list	May 2028
Revised access arrangement and 2028/29 price list commence	1 July 2028[5]

This issues paper is seeking stakeholder input to inform what changes may be required to the current access arrangement and review process. Matters have been grouped as follows:

- General approach and content of Western Power's AA6 proposal
- Services offered and payments for those services
- Service standards
- Connecting customers
- Price control, incentives and adjustment mechanisms
- Uncertainty

Our paper sets out some specific questions, but we are interested in stakeholder views on any aspect of the access arrangement and review process. We are open to meet with any stakeholders to discuss.

[5] The current version of the access arrangement continues to apply until approved revisions come into effect.

2. General approach and content of Western Power's AA6 proposal

Similar to the AA5 review, the AA6 review is taking place in a broader environment of rapid and ongoing transformation of the energy sector. These challenges and the urgency of response is increasing.

Western Power's proposal for AA5 included strategies it was adopting to address the transformation challenges such as:

- Transitioning the network to a modular grid – including undergrounding assets where possible in urban areas and adopting stand-alone power systems and microgrids in more remote areas. It considered this would enable increasing levels of renewable and distributed energy resources, accommodate new loads including electric vehicles, improve the reliability and resilience of the network and facilitate faster restoration of supply in the event of extreme weather events.

- Upgrading its monitoring and control systems and accelerating the roll out of advanced meters to provide greater visibility of the network and enable the effective integration of distributed energy resources.

- Changing network tariffs to shift energy demand to periods where the supply of energy from renewable generation is greatest, particularly during the middle of the day.

While the strategies in the AA5 proposal appeared reasonable in terms of addressing the challenges, in some areas there was a lack of robust information to support forecast expenditure and the pace at which the strategies could be implemented. It also became evident there were gaps in some areas such as augmentation requirements for the transmission network, addressing regional reliability, streetlighting services and connecting large customers.

Consequently, our AA5 decision included areas of special focus requiring actions for Western Power to progress and increased Western Power's reporting requirements during the access arrangement period. The special focus actions and reporting included:

- Reducing connection times for generators, large businesses, industrial and mining customers. This included requiring quarterly public reporting of queuing data to provide visibility and accountability for Western Power to reduce connection times.

- Addressing longstanding streetlighting issues. This included Western Power developing a Public Lighting Strategy that it must comply with in consultation with customers and updating it on an annual basis in consultation with customers.

- Developing and implementing a plan to address regional reliability. Requirements for the plan were set out in the decision. An allowance to develop the plan was included in forecast expenditure and the service standard penalty that would otherwise apply will be waived if an effective plan is developed.

Our decision also made some investments subject to the investment adjustment mechanism so that if Western Power over or under delivers against the activity and approved expenditure, the expenditure variation can be adjusted at the next access arrangement.

However, making such decisions within the time constraints of the access arrangement review process reduces our ability to consider complex issues and consult stakeholders. For its AA6 proposal, Western Power will need to comprehensively identify and address the challenges for the AA6 period and beyond. It needs to set out a clear plan of how it intends to meet the challenges, including identifying uncertainties and how they will be managed.

Although the focus of the access arrangement review is the AA6 period, the proposal needs to clearly set out Western Power's long-term vision and plan for the development of the network and how the proposal for the AA6 period fits within that long-term plan.

Western Power will need to demonstrate it has identified and considered all options when developing its expenditure proposal, including non-network solutions and the adoption of new technologies to improve the efficiency and utilisation of its network.

The proposal should focus on outputs and outcomes for customers and include demonstration that customers have been engaged effectively in the development of the plan so that the proposed outputs and outcomes respond to customer preferences.

Western Power's customers are spread over a large geographical area. We are contemplating that Western Power should present a proposal which is disaggregated to a local level, in the form of local area plans. In other words, an overall proposal for the network but with a level of geographic disaggregation. We consider that this will enhance SWIS wide relevance of the Access Arrangement at this crucial period of the energy transition, through greater visibility of and accountability for expenditure on the network and outcomes at the local level.

Local governments have an important role to play in terms of co-ordinating their communities, particularly during the energy transition – and particularly in the regions. It is important they have transparency of Western Power's plan for their region. Local Area plans based around WALGA zones is therefore one option for consideration. However, the ERA is, at this point, open to the form and level of geographic designation and will be interested in stakeholder perspectives in submissions to the Issue Paper.

The proposal needs to:

- Be clear and output based.
- Consider the long-term beyond AA6, not just the period under review.
- Include arrangements for visible reporting and accountability for delivery during the access arrangement period.
- Provide full transparency of costs and assumptions. Where these are uncertain, there should be full disclosure of how estimates have been made. Where relevant, they should be provided in a form that can be scaled up or down depending on the volume delivered.
- Where costs to maintain existing services are forecast to increase, there needs to be evidence that costs have been minimised as far as possible and/or identify options that could reduce expenditure depending on priorities.
- For new requirements (for example, additional expenditure to undertake the Distribution System Operator role) evidence that costs have been minimised as far as possible and include identification and quantification of benefits arising to consumers in a form that can be monitored going forward.

Issue 1

We are seeking stakeholder views on their expectations for Western Power's AA6 proposal.

3. Services offered and payments for those services

Western Power's network connects generators and storage facilities to about 1.2 million homes and businesses across the south- west of Western Australia. Other than the generators and some very large customers, retailers contract with Western Power for network services to transport electricity to their customers.[6]

Covered services

As Western Power's network is a covered network under the Access Code, network services are covered (regulated) services and can be obtained as reference (standard) or non-reference services:[7]

Payments for covered services are currently classified as follows:

- Included in network tariffs:
  - Reference and non-reference connection, exit, entry, bi-directional, standard metering and streetlight maintenance services.[8]
- Not included in network tariffs and have fixed fees or are priced on application:
  - Ancillary reference and non-reference services (including supply abolishment, capacity allocation swaps, direct load control/limitation, de-energise/re-energise, streetlight LED replacements).
  - Services under the model service level agreement (including extended metering services.)[9]
  - Access applications under the applications and queuing policy.
  - Temporary supply and disconnections, high load escorts and permits, works in vicinity, line relocations.

Covered service customers are also required to pay separately for the cost of new or upgraded connections. The payment usually includes the cost of the connection assets and, in some circumstances, may include a contribution to costs relating to shared assets.[10]

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6 Synergy is the retailer for most residential and small business customers. Customers using more than 50 MWh/year are "contestable", meaning they can choose their retailer.

7 Reference services are standard services specified in the access arrangement with a published tariff, standard access contract and service standards.

Non-reference services are negotiated services. The Access Code enables Western Power and existing users or new applicants to negotiate an access contract for access to any service (including a service which differs from a reference service) on any terms (including terms which differ from a standard access contract).

8 Standard metering services include scheduled energy data provision and meter installation and energisation.

9 Extended metering services include user requested metering re-configurations, exchanges and communication installations, non-scheduled special meter readings, meter read route change, meter investigations and testing, de-energising and re-energising.

10 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. Shared assets means those network assets which are not connection assets.

Payments for new or upgraded connections are based on either:

- Specific charges calculated by Western Power for the relevant project following the principles set out in the contributions policy included in the access arrangement.[11]

- The distribution low voltage connection scheme which forms part of the contributions policy. The scheme was developed to allow the cost of infrastructure required for connection upgrades to be shared more evenly by all customers using the installed network.[12]

Non covered services

Western Power also provides services that are not covered and fall outside the scope of the access arrangement:

- Covered services that have been determined as an "excluded service:

  A covered service can be made an "excluded service" if it meets the following criteria:

  – The supply of the service is subject to effective competition.

  – The cost of the service can be excluded from consideration for price control purposes without departing from the Code objective.

  Currently Western Power has one excluded service – network support services provided by batteries owned by Western Power.[13]

- Unregulated activities

  Western Power can undertake unregulated activities, including using its covered network assets to provide unregulated services, providing it complies with the Access Code ringfencing objectives (which prohibit it from generating or retailing electricity except under certain circumstances) and any other requirements governing the scope of its activities.[14]

  Revenue and costs for unregulated activities fall outside the scope of the access arrangement unless covered assets have been used to provide the service. In such cases, under the multi-function asset policy Western Power is required to share 30 per cent of the net incremental revenue received with regulated network customers.

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11 As a general principle, expenditure that is efficient and is either necessary to maintain safety and reliability of the network to provide contracted services or provides a benefit to users that justifies an increase in prices is passed through to network charges. Expenditure that does not meet these requirements must be funded by other means. Typically, Western Power does this by requiring payment from the customer seeking the new or upgraded connection.

12 The scheme is a headworks scheme as provide for under the Access Code and applies to connections within 25 kilometres of the nearest zone substation. Charges are based on requested capacity, rather than on whether the current network will have to be expanded as a consequence of the submitted application.

13 See the determination published in October 2021.

14 Examples of unregulated activities include external fleet maintenance, private vegetation management, power training services and underground cable connection work from the pillar in the street to the adjacent property.

Issues

Reference services have an important role to play in encouraging efficient operation and use of services of the network. They can also affect the environmental consequences of energy supply (particularly in relation to customers with distributed generation) and the encouragement of energy efficiency and demand management.

Although network tariffs are not charged directly to consumers (but rather form part of the retail tariff), their structure, in terms of fixed and variable components (particularly how rates vary with when electricity is consumed) influences how retailers structure their services and ultimately how households and businesses manage their electricity use.[15]

Changes were made to reference services and network tariffs for AA5 that were intended to shift energy demand to periods where the supply of energy from renewable generation is greatest, particularly during the middle of the day and support new technologies (grid connected storage and electric vehicle chargers).

The new time of use tariffs introduced for residential and business customers were based on time periods that reflected forecast demand patterns for AA5 and include a super off-peak period from 9am to 3pm. To implement the new time of use periods, the existing time of use tariffs were closed to new customers.

New services were introduced for grid-connected batteries (transmission and distribution) and dedicated electric vehicle charging stations. Existing services can be used by these customers if suitable but as the existing services were not designed for these new technologies, new services designed specifically for them were introduced.

It is important that the reference services and tariff structures continue and adapt to support new technologies and energy models, while providing incentives that will reduce overall costs for consumers. We are interested in stakeholder views on changes needed to the current list of reference services and tariff structures to enable this.

Issue 2

What changes are needed to the current list of reference services and tariff structures to support new technologies and energy models, while providing incentives that will reduce overall costs for consumers.

Metering services are split across reference services and the model service level agreement. The current services were developed prior to the decision to accelerate the rollout of advanced meters to all customers and were designed so that users could choose the frequency (and type of meter reading (manual or remote).

For AA6, most customers will have advanced meters. The current metering services may no longer be appropriate. The ERA is interested in stakeholder views on what changes may be needed.

[15] Western Power's network tariffs are charged to the users of the network, i.e. electricity retailers (such as Synergy), generators and some very large customers connected to the transmission network. Network tariffs are paid by retailers. The retailers decide how those charges will be passed on to end users along with wholesale electricity and other related costs. Most households and small businesses are supplied by Synergy. The State Government sets Synergy's retail tariffs as part of the State Budget.

Issue 3

We are interested in stakeholder views on what changes may be needed to metering services to reflect that most customers have advanced meters.

As described above, there are a range of covered services that are not recovered through network tariffs. For some of these services (particularly related to new and upgraded connections where the costs of the project are recovered from the customer) we are aware stakeholders have concerns about a lack of transparency and long timeframes to receive quotes from Western Power.

The current framework is relatively light touch with either the principles in the contributions policy applying or that charges be negotiated in good faith, consistent with the Code objective and be reasonable.

We are interested in stakeholder views on whether changes are needed to the framework for charges that are not included in network tariffs. For example, standard services, charges and pricing principles could be considered during the access arrangement review.

Issue 4

We are interested in stakeholder views on improvements that could be made to the framework for payments for services (including new and upgraded connections) that are not included in network tariffs.

4. Service standards

Each reference service must have a service standard benchmark. Service standard benchmarks are important for setting the level of reliability customers can expect to receive. Service standard benchmarks also set the service levels for business processes such as metering services and disconnection/reconnection times.

We identified significant concerns about regional reliability during the AA5 review. This highlighted that setting and reporting on service standards at an aggregate level does not provide an accurate picture of the actual level of reliability across the network. We required Western Power to develop disaggregated reporting so that more targeted service standards could be set for future reviews.

Since 2022/23, Western Power has provided the average outage duration and frequency of outages by individual feeder and grouped into local government areas. For AA6 we are expecting it will be possible to set more granular service standard benchmarks for reliability and will be working with Western Power and stakeholders during the framework and approach process to agree the methodology. We would welcome any stakeholder views on this.

We would also be interested to hear from users about service standard benchmarks that are relevant to their business processes. With the increasing complexity of the energy sector, effective and efficient business processes are essential.

Issue 5

We are interested in stakeholder views on setting disaggregated service standards for reliability and improving service standards relevant to business processes.

5. Connecting customers

During the AA5 review, generators, large businesses, industrial and mining customers told the ERA that they were experiencing extended waiting periods for applications to connect to the network. At the time of the final decision, Western Power was in the process of developing an implementation plan to deliver changes it considered would reduce connection times.

The final decision acknowledged the improvements Western Power was seeking to make to its processes and that implementing the changes would take time. In recognition of this, the ERA made some changes to the applications and queuing policy, but the main feature of the decision was to require additional reporting to ensure Western Power is held accountable for reducing connection times.

The final decision required quarterly reporting on current queuing times to be published. This was intended to increase transparency and allow Western Power's progress towards reducing connection times to be monitored.

Most process changes were implemented by July 2024. The quarterly reporting showed a reduction in queuing times between September 2024 and March 2025 of around six months. Since then, the average time for the enquiry stage has continued to reduce but average times for other components of the process appear to have plateaued. [16]

A substantial number of new enquiries and connection applications continue to come in each quarter. The number of enquiries in the queue at the end of the quarter decreased between June 2024 and September 2025.[17] The number of connection applications in the queue increased between June 2024 and September 2025 reflecting that the number of access offers issued was smaller than the number of new applications coming in.

Queuing times for customers seeking new or upgraded connection to the distribution network for residential, commercial and industrial developments are also long.

Western Power has indicated it is continuing to work on its processes to improve both the transmission and distribution connection times and will be consulting with stakeholders in advance of submitting its AA6 proposal.

With advances in technology, particularly storage and electric vehicle chargers, customers are also increasingly seeking to install equipment behind the meter that requires approval from Western Power. Anecdotal reports indicate approval processes are difficult to navigate and lengthy.

As well as being a problem for the customers seeking new or upgraded network connections and changes behind the meter, delays cause wider issues including:

- New generators and storage facilities may not be connected in time to provide the energy supplies and essential services required to supply the market and maintain power system security.

[16] The overall average queuing time reduced from 36.9 months in September 2024 to 31.2 months in March 2025. The average enquiry queuing time then reduced from 11 months in March 2025 to 9.6 months in September 2025 but the average queuing time for network applications increased from 20.2 months in March 2025 to 21.6 months in September 2025, resulting in the overall average queuing time remaining at 31.2 months between March 2025 and September 2025.

[17] There were 101 enquiries in the queue at the end of June 2024 and 88 in September 2025. There were 75 connection applications in the queue at the end of June 2024 and 92 in September 2025.

- Delays in housing/commercial/industrial and other essential service developments.
- Opportunities to use non-network solutions to reduce network costs are reduced.

We will continue to monitor Western Power's progress over the coming months but are also interested in stakeholder views about whether additional mechanisms are needed in the access arrangement to incentivise Western Power to develop and implement the changes needed to manage the higher levels of complex customer connections it is experiencing and will likely continue to receive for the foreseeable future.

Issue 6

We are interested in stakeholder views on what improvements could be made to Western Power's connection processes and whether additional mechanisms are needed to incentivise Western Power.

6. Price control, incentives and adjustment mechanisms

The price control determines the revenue Western Power can earn during an access arrangement period. It must give Western Power the opportunity to earn sufficient revenue to meet the efficient costs of providing regulated services, including a return on investment commensurate with the commercial risks involved.

Western Power's current form of price control is a modified revenue cap. This means that when Western Power updates its tariffs each year, it must ensure that the forecast revenue from those tariffs is equal to the target revenue determined in the final decision (after adjusting for actual inflation and changes in the cost of debt and tariff equalisation contribution).

There is no adjustment for any under-recovery or over-recovery of actual revenue compared with forecast revenue from previous years. In addition, the forecast customer numbers and energy volumes must be consistent with the demand forecast used for the access arrangement.

This form of price control ensures Western Power is exposed to demand risk rather than guaranteeing it a fixed level of revenue and passing on the costs (or returning revenue) to users. This provides incentives for Western Power to develop more efficient tariffs, encourage the connection of new customers and offer services that meet user requirements and benefit Western Power through increased revenue, reduced costs or a combination of both.

Historically, the target revenue included in the price control formula has been determined using a building block approach. The main building block components are:

- Operating expenditure
- Capital expenditure, which is included in target revenue via:
  - depreciation recovered over the economic life of the asset
  - a return on the regulated asset base.[18]
- Taxation
- Tariff Equalisation Contribution
- Adjustments from the previous access arrangement period for incentive and adjustment mechanisms.[19]

Although Western Power's target revenue was determined based on forecast expenditure at the time of the access arrangement review, the regulatory framework regulates total revenue, not expenditure. This means Western Power is generally able to spend the revenue it collects in whatever way it determines to be the most efficient to provide a safe and reliable supply of electricity.

Regulating target revenue in this way is intended to incentivise Western Power to manage its costs and seek additional efficiencies because it will retain the benefit of out-performance

[18] The regulated asset base represents the capital investment in regulated assets and is calculated by adding capital expenditure to and deducting depreciation from the opening regulated asset base.

[19] Including the service standard adjustment mechanism, gain sharing mechanism, investment adjustment mechanism, D-factor and deferred revenue.

during the access arrangement period or will need to separately fund (not from consumers) any under-performance during the access arrangement period. This helps to ensure that electricity customers only pay for efficient costs incurred during the access arrangement period and additional efficiencies can be passed through to consumers in future access arrangement periods.

Under the current framework, the incentives for operating expenditure compared to capital expenditure are different. The Access Code does not include a mechanism for the retrospective recovery of non-capital costs. In contrast, all efficient capital costs incurred during the period are added to the opening regulatory asset base for the next access arrangement period. This could result in Western Power choosing a solution that requires capital costs even when a solution that includes non-capital costs would be the overall least cost option. The D-factor was introduced to remove this disincentive. It provides for the recovery, in the next access arrangement period, of operating expenditure incurred as a result of deferring a capital expenditure proposal or for network control services or demand-management initiatives.

Other mechanisms in the current framework that are intended to incentivise efficient expenditure while maintaining (or improving) service standard performance are:

- The service standard adjustment mechanism which is intended to ensure that cost efficiencies are not achieved at the expense of service standards and that service standards are maintained or improved. Western Power earns a financial reward if it exceeds the service standard benchmark and incurs a penalty if it performs below the service standard benchmark.

- The gain sharing mechanism which increases the incentive for Western Power to achieve operating cost efficiencies as it allows Western Power to retain the out-performance or under-performance for the same period of time, regardless of which year during the access arrangement period the out-performance or under-performance was made.

  Without this mechanism, out-performance or under-performance in year one would be retained for five years but out-performance or under-performance in year five would be retained for only one year. Consequently, there would be less incentive to minimise operating costs in the latter years of an access arrangement period.

- The investment adjustment mechanism can be applied to capital expenditure.

  For expenditure that is not subject to the investment adjustment mechanism, Western Power is incentivised to minimise its costs or find additional efficiencies during the access arrangement period because it can retain outperformance on the forecast return on investment or must fund any underperformance on the forecast return on investment.

  For expenditure that is subject to the investment adjustment mechanism, target revenue will be adjusted at the next review to adjust the return on investment to reflect the actual expenditure incurred.[20]

[20] The following expenditure categories are currently subject to the investment adjustment mechanism:

- The transmission network expansion projects identified by Government to support the announced closures of coal fired generation as set in the AA5 final decision.
- Underground power program.

Actual capital expenditure (whether it was subject to the investment adjustment mechanism or not) is reviewed at the next access arrangement review and only efficient capital expenditure is added to the opening capital base for the next period.

We are considering how the price control and incentives and adjustment mechanisms can be adapted to better:

- Improve Western Power's accountability for delivering the access arrangement and complying with it.
- Deal with uncertainty while maintaining incentives for efficient investment and accountability for Western Power to deliver.
- Ensure the most efficient option is chosen regardless of whether it is capital or non-capital costs.

For example:

- For specific programs where the actual volume of outputs may vary from forecast, tie the expenditure to outputs with rules on how it will be adjusted at the next review.
- For large projects that span over a number of years where future costs are uncertain, include an allowance in target revenue based on a reasonable estimate of what is needed over the period with rules for how that allowance can be drawn down.
- For categories that are likely to include capital expenditure and operating expenditure, include a total forecast allowance in target revenue with rules on how it will be accounted for at the next review depending on whether the actual expenditure is classified as capital or operating expenditure. This might be suitable for "augmentations" that could be addressed by additional network or a non-network solution or "reliability" that could be a combination of operating and capital expenditure.

Issue 7

We are interested in stakeholder views on changes to the price control and incentives and adjustment mechanisms that would:

- Improve Western Power's accountability for delivering the access arrangement and complying with it.
- Deal with uncertainty while maintaining incentives for efficient expenditure and accountability for Western Power to deliver.
- Ensure the most efficient option is chosen regardless of whether it is capital or non-capital costs.

- Standalone power systems program.
- Allowance for developing and implementing an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas, as set out in the AA5 final decision.

7. Uncertainty

The Access Code is based on a regime of regular periodic reviews and revisions of the access arrangement. At each access arrangement review, a decision is made on the length of time over which the revised access arrangement will apply and specifies a "revisions submission date" and a "target revisions commencement date".[21]

Setting the access arrangement for a defined period of time is intended to provide a stable framework for the service provider to plan investments, customers to have predictable prices and to minimise regulatory costs. As described in the previous section, it creates incentives for the service provider to reduce costs and innovate during the regulatory period.

In general terms, the service provider bears the risk of cost overruns or demand shortfalls during the period and customers bear the risk of paying more if the service provider outperforms forecasts. This balance should generally encourage prudent management and discourage gold-plating.

However, during periods of significant change and uncertainty when innovation and risk taking may be required to deliver new infrastructure and services within the required timescales, additional measures may be needed to allow for changes within the regulatory period.

As discussed in the previous section, the incentives and adjustment mechanisms that operate during the access arrangement period can provide flexibility to deal with some uncertainties that might occur during an access arrangement period.

The Access Code also includes specific provisions for the recovery of costs incurred as a result of an unforeseen force majeure event or unforeseen costs or savings relating to amendments to the Technical Rules during an access arrangement period.[22] Providing Western Power submits sufficient evidence in support of any such costs incurred during the previous access arrangement period with its next access arrangement proposal, an adjustment will be made to target revenue for the next access arrangement period to recover those costs.[23]

In addition, the Access Code includes provisions which enable Western Power to apply for its access arrangement to be amended prior to the target revisions commencement date.

The most "extreme" of these allows Western Power to make an application to re-open the entire access arrangement before the end of the access arrangement period and undergo a full access arrangement review. The Access Code provides for this in the event of what it terms a "trigger event".[24]

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21 The revisions submission date is the date by which Western Power must submit its proposed revisions for the next access arrangement period and the target revisions commencement date is the date targeted for the next revised access arrangement to take effect. The target revisions commencement date must be five years after the start of the access arrangement period unless a different date is proposed by Western Power and the different date is consistent with the Code objective.

22 "Force majeure" operating on a person, means a fact or circumstance beyond the person's control and which a reasonable and prudent person would not be able to prevent or overcome.

23 For both the force majeure and technical rule adjustment mechanism, any adjustment to target revenue must leave Western Power financially neutral based on the time the unrecovered cost is incurred and is required to take into account the effects of inflation and the time value of money based on the weighted average costs of capital for the Western Power network.

24 A trigger event is defined in the Access Code as a set of one or more circumstances specified in the access arrangement, the occurrence of which requires a service provider to submit proposed revisions to the ERA

Trigger events are set out in section 8.1.1 of the current access arrangement:

> Any significant unforeseen event which has a materially adverse impact on Western Power and which is:
>
> (i) outside the control of Western Power; and
>
> (ii) not something that Western Power, acting in accordance with good electricity industry practice, should have been able to prevent or overcome; and
>
> (iii) so substantial that the advantages of making the variation before the end of the access arrangement period outweigh the disadvantages, having regard to the impact of the variation on regulatory certainty.

As "trigger events" under the Access Code require a full access arrangement review, we expect it would only be utilised in the most serious of circumstances that was affecting Western Power's ability to provide covered services.

For less significant matters, Western Power can apply under section 4.41A of the Access Code for any mid-period revision it considers necessary. Unlike an application made under the trigger event provisions, the ERA is not obliged to undertake a complete review of the access arrangement.[25] However, it must be satisfied that the advantages of varying the access arrangement outweigh the disadvantages, in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay.

There are also provisions in the Code for the ERA to vary the price control or pricing methods if:

- The ERA's approval of an access arrangement contained a material error or was based on materially false, misleading or deceptive information provided to it by a person other than the service provider.
- Significant unforeseen developments have occurred that are outside the control of the service provider and not something the service provider, acting accordance with good electricity industry practice should have been able to prevent or overcome.
- The Code is amended.

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under section 4.37 of the Access Code which includes undertaking the full access arrangement review process.

If it is consistent with the Code objective, an access arrangement may specify one or more trigger events. Before determining whether a trigger event is consistent with the Code objective the ERA must consider:

- Whether the advantages of including the trigger event outweigh the disadvantages of doing so, in particular the disadvantages of decreased regulatory uncertainty.
- Whether the trigger event should be balanced by one or more other trigger events.

[25] Before making a decision on an application made under section 4.41A, the ERA must:

- Consult the public, unless in the ERA's opinion the proposed variations are not material and will not result in a material change to a reference tariff, a reference service, a standard access contract or the rights of any applicant.
- Consult the service provider.

The ERA must determine whether the advantages of varying the access arrangement outweigh the disadvantages, in particular the disadvantages associated with decreased regulatory certainty and increased regulatory cost and delay and publish a notice of its decision.

Issue 8

The current regulatory framework includes a broad range of provisions that Western Power and the ERA can use to manage uncertainties. We are interested in stakeholder views on whether additional guidance about the use of these provisions is needed in the framework and approach.