Friday, 23 January 2026

Attention: Jai Thomas

CEC submission on WA Government's proposed changes to Western Power's capital contributions framework for transmission connections

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing nearly 1,000 of the leading businesses operating in renewable energy, energy storage, and renewable hydrogen. The CEC is committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible while maintaining a secure and reliable supply of electricity for customers.

The CEC welcomes this opportunity to comment on the Western Australian Government's amended approach to the treatment of capital contributions for connections to Western Power's transmission network.

Some CEC members were supportive of the proposed approach to introduce a Fixed Capital Contribution (FCC) as a fairer way to provide certainty to project developers on their connection costs. They also agreed with the replacement of the current arrangements that are difficult to forecast and do not provide price certainty until very late in the connection process. Notwithstanding, these CEC members are mindful of the cost impost the FCC will have on their projects and seek confirmation from the WA Government that the amount of the FCC will be effectively monitored to ensure it is set at a level that balances its impact on the commercial viability of private industry projects versus the benefit these projects bring to network users and that should be borne by these network users.

However, other CEC members do not support the FCC in its current form and consider it to be a blunt instrument that appears to unfairly penalised BESS (especially where co-located with renewables) when compared with stand-alone renewable solar- and wind-generation projects. These members are of the view that the WA Government appears to be more focussed on deferring costs and introducing payment plans rather than looking at ways to reduce the fees to be paid by connection applications or introducing a more nuanced fee structure based on the types of generation or load connecting to the network.

The remainder of this submission will touch on a couple of areas where CEC members considered further amendments to the proposed arrangements could be made to improve their efficacy.

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Fixed capital contribution

Recommendation to pursue a more nuanced FCC

Some CEC members consider the proposed approach of a single fixed FCC leveraged on all projects (at the level of their maximum DSOC or CMD) is too blunt an instrument that did not appropriately factor in the emergence of hybrid renewable energy projects where the technology selection could significantly impact the transmission network augmentation requirements.

These CEC members contend that the Energy Policy WA should seek to develop a more balanced arrangement to calculate the level of capital contribution required for the transmission network that considers hybrid renewable and BESS or co-located projects. The intent of these revised arrangements is to introduce the scope to enable Western Power to consider the interactions between load and generation projects that are co-located and the implications on the required need for additional transmission network infrastructure at the connection point – as opposed to just considering the standalone load (CMD) and/or generation (DSOC) in isolation.

For example, we consider the Energy Policy WA could incorporate elements of the NEM regulatory regime around the NEM/AEMO cost sharing principles for transmission assets, where multiple projects connect into the same infrastructure, and that allows cost sharing arrangements with earlier projects. Where Western Power are trying to reduce those projects at risk of not meeting financial close, there may be a combo of cash sized at $ per peak export MW (not nameplate) plus bonding that is held until an appropriate cost/benefit reflective annuity is agreed based on project benefits.

The CEC recommends the Energy Policy WA consider AEMO's approach to the cost allocation policy for Victorian terminal stations as a fairer methodology to encourage multiple transmission connections to common terminal stations, in preference to multiple terminal stations servicing individual connections in close proximity to one another.[1] This policy also applies to generation, load and energy storage systems like the FCC.

Recommendation where a single FCC is pursued

The CEC understands from a network regulation perspective that the efficient costs of transmission network expansion and/or augmentation in Western Australia will be recovered through a combination of connection charges and network tariffs. As such, we appreciate the initial value of the FCC will impact what proportion of these costs are recovered from up-front customer contributions (and thereby not included in Western Power's forward-looking regulatory asset base (RAB)), versus those efficient costs incurred by Western Power, incorporated into the RAB and recovered over time via network tariffs.

It is against this backdrop that the CEC is mindful that the level of the FCC needs to strike the right balance between its impact on the commercial viability of private industry projects versus the benefit these projects bring to network users and that should be borne by these network users. To achieve this balance and ensure the FCC level continues to be set at an efficient level, it should be regularly reviewed.

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[1] AEMO | Cost allocation policy for Victorian Terminal Stations - Negotiated transmission services, January 2025.

Section 4.7 of the consultation paper proposes that Energy Policy WA review the FCC at least once every five years to consider whether it is meeting its policy objectives. During the first few years of implementation of the new regime, the CEC considers that five years would be too long.

We recommend that Energy Policy WA liaise with Western Power and the Economic Regulation Authority of WA as part of the first two annual price list determinations of AA6 to quantitatively ascertain how much of the transmission network capex has been recovered from direct customer funding (the FCC) and ultimately what amount is being recovered more generally from customers through network tariffs. The results of this analysis could subsequently be used by Energy Policy WA in any consultation on adjustments to the level of the FCC to ensure it is set at an efficient level that ameliorates any over-recovery against the efficient cost of providing network services, across the life of the network assets.

In summary, the CEC considers the currently proposed FCC approach is too blunt and does not reflect the changing technological arrangements around the connection of generation, storage and hybrid projects and recommends Energy Policy WA consider alternative cost allocation policies for the funding of transmission services available in the NEM to develop a fairer methodology to leverage these costs from developers. Should Energy Policy WA not deviate from a single FCC across all projects as currently proposed, the CEC recommends they leverage existing regulatory processes (such as, the annual price list determination process) in the first couple of years of implementation as a form of true-up to ensure that the FCC continues to be set at an efficient level. This should prevent the over recovery of transmission related capital costs that impact the commercial viability of private industry projects and, in turn, limit economic growth and diversification opportunities in WA.

Payment timing

The CEC appreciates the intent in the proposed arrangements for consistency with the current regime to have the FCC payable at the conclusion of the planning stage of Western Power's connection process. We also understand the WA Government's intent to have these costs paid as quickly as possible to enable the timely consultation of the necessary transmission network to support the energy transition.

However, as noted in the consultation paper, the FCC is expected to represent a significant up-front cost ($10 million plus connection asset costs for a 100 MW development), payable well before any anticipated revenue is derived from their project. While the option to provide the FCC over two years, rather than as a single up-front payment is welcome, CEC members do not think this goes far enough to ameliorate cashflow concerns.

The CEC notes under the current approved Contributions Policy for Western Powers fifth access arrangement[2] where the total amount of the contribution exceeds $50,000 (clause 8.2), a contribution may be made by the applicant by way of a financial payment comprising periodic financial payments (clause 8.1(a)(i)). Clause 8.3 subsequently enables the applicant to make periodic financial payments under clause 8.1(a)(i) up to a maximum term of 5 years (clause 8.3(a)(1)). The commercial rate of interest leveraged on each periodic payment under clause 8.3 is the same as that proposed in section 4.5 of the consultation paper to enable

[2] Economic Regulatory Authority of WA | Approved Access Arrangement - Appendix C.1 - Contributions Policy (31 March 2023)

recovery of the additional debt holding costs incurred by Western Power because of the deferred payment.

As such, the CEC considers there is precedence for spreading the costs of a contribution over multiple invoices, and certainly more than the proposed two years. We contend that permitting longer payment horizons would help project proponents better manage their cash-flow and ultimately allow them to provide the most competitive PPAs to the market, helping to lower electricity prices for all Western Australians. Other CEC members considered an annuity approach could result in a more efficient outcome as the cost of capital for projects is typically higher than the funding costs of government.

In summary, the CEC considers the Western Australian Government should reconsider its proposed approach to enforce payments within two years and contemplate longer time horizons or the consideration of annuity type arrangements.

Transitional arrangements

The CEC is supportive of the proposed introduction of transitional arrangements in the consultation paper that would allow project proponents with the flexibility to choose whether to continue with the existing arrangements for an additional six-month period post 1 July 2026.

However, feedback from our members indicates this consultation is likely add to uncertainty for late-stage projects, particular for those projects trying to optimise their utilisation of existing transmission infrastructure. That is, these proposed changes may jeopardise the project viability or at the very least delay investment decisions in such late-stage projects on-foot. As such, the CEC considers the suggested length of the grandfathering arrangements for projects that are already significantly advanced in development and grid connection processes should be considered carefully; and does not believe the current six-month period proposed in this consultation paper is sufficient and risks delaying projects that are well advanced.

The CEC welcomes further engagement with Energy Policy WA and the Energy Minster’s Office as any regulatory changes are made to support the introduction of the amended capital contribution framework for transmission connections in WA. Further queries can be directed to jeastcott@cleanenergycouncil.org.au.

Kind regards,

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