

# Contributions Policy

For the covered Pilbara Network

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## 1. ABBREVIATIONS AND DEFINED TERMS

The following abbreviations are used in this document and have the meaning provided in the table below.

Table 1: Document Abbreviations

Abbreviation	Meaning
AS	Australian Standard
GST	Goods and Services Tax
ISO	Independent System Operator
kVA	kilo Volt-Amps (equals 1,000 Volt Amps)
NSP	Network Service Provider
PV	photovoltaic

The following defined terms are used in this document and have the meaning provided in the table below.

Table 2: Document Defined Terms

Defined term	Meaning
<b>Act</b>	the Electricity Industry Act 2004 (WA).
<b>allocated forecast costs</b>	the amount of the <i>forecast costs</i> allocated to the <i>applicant</i> under clause 7.3.
<b>alternative options</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>alternative options</i> as alternatives to part or all of a network <i>augmentation</i> or <i>new facilities investment</i> (whether capital-related costs or <i>non-capital costs</i> ), including stand-alone power systems, storage works, demand-side management and generation solutions (such as distributed generation), either instead of or in combination with network <i>augmentation</i> or <i>new facilities investment</i> .}
<b>applicant</b>	a person (who may be a <i>user</i> , a <i>customer</i> or a real estate developer) who has lodged, or intends to lodge, a <i>connection application</i> , and includes a person who does so on behalf of another person.
<b>augment, augmentation</b>	has the same or corresponding meaning given to <i>augmentation</i> in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>augmentation</i> in relation to a light regulation network as an increase in the capability of the light regulation network to provide <i>covered services</i> .}

Defined term	Meaning
<b>bidirectional service</b>	<p>a <i>covered service</i> provided at a <i>connection point</i> on a light regulation network that is a bidirectional point.</p> <p>{As at 25 June 2021, the <i>Code</i> defines bidirectional point as a point on a light regulation network which is, or is to be, identified as such (explicitly or by inference) in a contract for services at which, subject to the contract for services, electricity is expected to be, on a regular basis, both transferred into the light regulation network and transferred out of the light regulation network.}</p>
<b>capital base</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>capital base</i> for a <i>light regulation network</i> as the value of the <i>network assets</i> that are used to provide <i>covered services</i> on the <i>light regulation network</i> prescribed or determined under sections 52, 53, 54 or Chapter 7 as applicable.}</p>
<b>capital contribution</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>capital contribution</i> as a payment or provision in kind made, or to be made, by a <i>user</i> either in respect of any <i>new facilities investment</i> in <i>required work</i> or under a headworks scheme.}</p>
<b>Code</b>	the Pilbara Networks Access <i>Code</i> 2021.
<b>connect</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>connect</i> as to form a physical link to or through a light regulation network.}</p>
<b>connection application</b>	<p>an application lodged with Horizon Power that has the potential to require a modification to the network, including an application to—</p> <ul style="list-style-type: none"> <li>• <i>connect facilities and equipment</i> at a new <i>connection point</i>; or</li> <li>• increase consumption or generation at an existing <i>connection point</i>;</li> </ul> <p>or;</p> <ul style="list-style-type: none"> <li>• materially modify <i>facilities and equipment</i> connected at an existing <i>connection point</i>; or</li> <li>• <i>augment</i> the network for any other reason,</li> </ul> <p>and;</p> <ul style="list-style-type: none"> <li>• includes any additional information provided by the <i>applicant</i> in regard to the application.</li> </ul>
<b>connection assets</b>	for a <i>connection point</i> , means all of the <i>network assets</i> that are used only in order to provide <i>covered services</i> at the <i>connection point</i> .
<b>connection point</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>connection point</i> as a point on a light regulation network which is, or is to be, identified (explicitly or by inference) in, a contract for services as an entry point, exit point, interconnection point or bidirectional point.}</p>

Defined term	Meaning
<b>contribution</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>contribution</i> as a <i>capital contribution</i> or a <i>non-capital contribution</i> .}
<b>contributions policy</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>contributions policy</i> as a policy in a network development policy under section 41(2) dealing with <i>contributions</i> by <i>users</i> .}
<b>contributions rate of return</b>	the real pre-tax weighted average cost of capital that has been used to calculate Horizon Power's <i>target revenue</i> for <i>covered services</i> prevailing at the time of the connection offer.
<b>covered Pilbara network</b>	has the same meaning given to it in section 3 of the <i>Act</i> and for the purposes of this policy includes both a network and a right of the <i>NSP</i> to use a network (to the extent of that right of use).  {As at 07 April 2020, the <i>Act</i> defines <i>covered Pilbara network</i> as a covered network that is located wholly or partly in the <i>Pilbara region</i> .}
<b>covered service</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>covered service</i> as a service provided by means of a light regulation network, but does not include an excluded service.}
<b>customer</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>customer</i> as a—  (a) <i>user</i> ; or (b) <i>end-use customer</i> in the <i>end-use customer's</i> capacity as <i>indirect customer</i> for <i>covered services</i> .}
<b>distribution system</b>	has the meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>distribution system</i> as 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.}
<b>entry service</b>	a <i>covered service</i> provided at a <i>connection point</i> on a light regulation network that is an entry point.  {As at 25 June 2021, the <i>Code</i> defines <i>entry point</i> as a point on a light regulation network, which is, or is to be, identified as such (explicitly or by reference) in a contract for services at which, subject to the contract for services, electricity is more likely to be transferred into the light regulation network than transferred out of the light regulation network.}
<b>estimated new revenue</b>	the amount calculated under clause 7.2.

Defined term	Meaning
<b>exit service</b>	<p>a <i>covered service</i> provided at a <i>connection point</i> on a light regulation network that is an exit point.</p> <p>{As at 25 June 2021, the <i>Code</i> defines exit point as a point on a light regulation network which is, or is to be, identified as such (explicitly or by inference) in a contract for services at which, subject to the contract for services, electricity is more likely to be transferred out of the light regulation network than transferred into the light regulation network.}</p>
<b>facilities and equipment</b>	<p>the apparatus, equipment, plant and buildings used for or in connection with generating, consuming and transporting electricity at the <i>connection point</i>.</p>
<b>forecast costs</b>	<p>any or all of the <i>new facilities investment</i> and <i>non-capital costs</i> forecast to be incurred by Horizon Power with regard to the works.</p>
<b>good electricity industry practice</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>good electricity industry practice</i> as the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably exercise under comparable conditions and circumstances consistent with applicable written laws and statutory instruments and applicable recognised codes, standards (including relevant Australian Standards) and guidelines.}</p>
<b>interconnection service</b>	<p>a <i>covered service</i> provided at a <i>connection point</i> on a light regulation network that is an interconnection point.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>interconnection point</i> as a point on a <i>network</i> at which an interconnector <i>connects</i> to the network.}</p>
<b>network assets</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>network assets</i>, in relation to a Pilbara network, as the apparatus, equipment, plant and buildings used to provide or in connection with providing <i>covered services</i> on the Pilbara network.}</p>
<b>network service provider (NSP)</b>	<p>has the same meaning given to “Pilbara <i>network service provider</i>” in the <i>Act</i>.</p> <p>{As at 07 April 2020, the <i>Act</i> defines “Pilbara <i>network service provider</i>” as the person who—</p> <ul style="list-style-type: none"> <li>(a) owns, controls or operates a Pilbara network or any part of a Pilbara network; or</li> <li>(b) proposes to own, control or operate a Pilbara network or any part of a Pilbara network.} </li></ul>
<b>new facilities investment</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>new facilities investment</i> for a new facility as the capital costs incurred in developing, constructing and acquiring the new facility.}</p>
<b>new facilities investment test</b>	<p>has the same meaning given to it in the <i>Code</i>.</p> <p>{As at 25 June 2021, the <i>Code</i> defines <i>new facilities investment test</i> for a light regulation network as the test established under section 55.}</p>



Defined term	Meaning
<b>non-capital contribution</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>non-capital contribution</i> as a payment or provision in kind made, or to be made, by a <i>user</i> in respect of any <i>non-capital costs</i> of <i>required work</i> or under a headworks scheme.}
<b>non-capital costs</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>non-capital costs</i> , in relation to <i>covered services</i> provided by a <i>NSP</i> by means of a light regulation network for a period of time, as all costs incurred in providing the <i>covered services</i> for the period of time which are not <i>new facilities investment</i> or capital-related costs, including those operating, maintenance and administrative costs which are not <i>new facilities investment</i> or capital-related costs.}
<b>Pilbara region</b>	has the same meaning given to it in the <i>Act</i> .  {As at 07 April 2020, the <i>Act</i> defines <i>Pilbara region</i> as the <i>Pilbara region</i> defined in the Regional Development Commissions Act 1993 Schedule 1.}
<b>price list</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>price list</i> as the schedule of tariffs for a light regulation network.}
<b>pricing period</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>pricing period</i> as the defined future period, which must be no more than 5 years, for which a <i>services and pricing policy</i> is applicable.}
<b>reasonable and prudent person</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>reasonable and prudent person</i> as a person acting in good faith and in accordance with <i>good electricity industry practice</i> .
<b>reference service</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>reference service</i> as a <i>covered service</i> designated by a <i>services and pricing policy</i> to be a <i>reference service</i> , and which is provided on the corresponding <i>reference</i> terms and conditions.}
<b>reference tariff</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>reference tariff</i> as the tariff specified in a <i>price list</i> for a <i>reference service</i> .}
<b>required work</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>required work</i> as the work which is necessary in order to provide a <i>covered service</i> under an access contract and includes anything the subject of an arbitrator's determination under section 115(2)(c).}

Defined term	Meaning
<b>sub-transmission system</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>sub-transmission system</i> as any apparatus, equipment, plant or buildings used, or to be used, for, or in connection with, the transportation of electricity at nominal voltages of 22 kV or higher but less than 66 kV dedicated to a single <i>connection point</i> above 15 MVA.}
<b>target revenue</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>target revenue</i> for a <i>light regulation network</i> for a <i>pricing period</i> , as [the revenue] determined in accordance with sections 47 to 60.}
<b>harmonised technical rules</b>	has the same meaning given to it in the Pilbara Network Rules.  {As at 29 June 2021, the Pilbara Network Rules define the <i>harmonised technical rules</i> as the Pilbara <i>Harmonised Technical Rules</i> in the Schedule to these rules, having effect under rule 58.}
<b>Horizon Power technical rules</b>	set of rules established and updated from time to time by Horizon Power that are compliant with the <i>harmonised technical rules</i> and details the technical requirements to be met by Horizon Power on the <i>transmission</i> and <i>distribution systems</i> and by <i>users</i> who connect facilities to the <i>transmission</i> and <i>distribution systems</i> .
<b>user</b>	has the same meaning given to it in the <i>Code</i> .  {As at 25 June 2021, the <i>Code</i> defines <i>user</i> as a person, who is a party to a contract for services with an <i>NSP</i> , and in connection with a deemed associated arrangement, includes the <i>NSP's</i> other business.}

## 2. POLICY STATEMENT

This policy provides the community served by Horizon Power with information on the requirements, timing and quantum of *contributions* payable for works to enable *covered services* to be provided in the *Pilbara region*.

## 3. WHO THIS POLICY APPLIES TO

This policy applies where it is necessary for Horizon Power to perform works to provide *covered services* in the *Pilbara region*.

An *applicant* is required to pay a *contribution* for any works in any (including any combination of) the following circumstances:

- (a) in the case of *new facilities investment*, where the forecast cost for the relevant works exceeds the anticipated incremental revenue from those works, any net benefits that reasonably justify higher *reference tariffs* and any costs to maintain the safety or reliability of the *covered Pilbara network* or its ability to provide contracted *covered services*;
- (b) in the case of works related to *alternative options*, where the *non-capital costs* associated with such works exceeds the anticipated incremental revenue from those

works, any net benefits that reasonably justify higher *reference tariffs* and any costs to maintain the safety or reliability of the *covered Pilbara network* or its ability to provide contracted *covered services*;

- (c) 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 *reference tariffs*; or
- (d) where the *applicant* seeks a *covered service* that is better or different in some respect than an equivalent service in the *Horizon Power technical rules* or an equivalent *reference service*.

For the avoidance of doubt, this policy does not apply to:

- (a) The connection of residential and small commercial premises where:
  - (i) supply is available (i.e. there is a line available, at the required voltage and with sufficient capacity for the proposed connection);
  - (ii) there is minimal or no network *augmentation* required (other than network extension beyond the standard service line); and
  - (iii) the maximum connection capacity is 150 kVA.
- (b) The connection of micro embedded generation (e.g. PV installations) with exporting capability and inverter capacity as per the definition in AS4777 where there is minimal or no network *augmentation* required.
- (c) Temporary connections for short term supply, which is defined as connection for a period of 12 months or less, excluding temporary connections in place as part of the construction of a major *customer* connection.
- (d) The connection of unmetered supply (other than public lighting).

This policy applies to real estate developers. For the purposes of the policy, a real estate developer will be treated as a single *customer* for a particular development.

## 4. PURPOSE OF THE CONTRIBUTIONS POLICY

Section 41(2)(a) of the *Code* states that a *contributions policy* must set out principles for—

- (i) determining when the *NSP* may require a *user* to pay a *contribution* in respect of *required work*; and
- (ii) determining the amount of any such *contribution*; and
- (iii) determining how any *contributions* are to be accounted for when calculating *reference tariffs*; and
- (iv) ensuring that there is no double recovery of costs as a result of any *capital contributions* associated with *new facilities investment* being included in the *capital base*.

This policy outlines how Horizon Power will treat any *contributions* required to be made to provide a *covered service* or extend the network to provide *covered services* to an *applicant* in the *Pilbara region* to ensure that:

- appropriate economic pricing signals are provided to *users* that reflect the true cost of *connection* to Horizon Power's network or any new or upgraded *covered services*;

- *connections* made to Horizon Power's covered Pilbara network are commercially viable; and
- outcomes for both new and existing *users* are more equitable.

Specifically, this policy outlines the circumstances where an *applicant* may have to make a *contribution* with respect to the *required works* to provide *covered services* to them. The policy sets out:

- when a *contribution* needs to be made;
- how the *contribution* is calculated; and
- the manner in which the *contribution* is to be made.

## 5. 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*.

## 6. APPLICANT MUST MAKE CONTRIBUTION

### 6.1 Applicant must make contribution

If the application of this *contributions policy* to *required works* produces a *contribution* amount that is greater than zero, Horizon 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 Horizon Power under which the *applicant* agrees to provide the *contribution*, including any GST liability, to Horizon Power in accordance with this *contributions policy*.

### 6.2 Payment of GST

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

### 6.3 Applicant must provide security for new revenue

- (a) Where the *allocated forecast costs* are greater than \$50,000, Horizon Power may require an *applicant* to provide security under this clause if Horizon Power determines there to be a risk of not receiving the *estimated new revenue*.
- (b) Horizon 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 Horizon 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 Horizon Power requires security under clause 6.3(b) the *applicant* must provide it before the commencement of the *required works* the subject of the *connection application*.
- (d) Where an *applicant* has provided security under clause 6.3(c), then 24 months after the commencement of the associated *exit service, entry service, bidirectional service* or *interconnection service* Horizon 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, Horizon Power will return the security;
  - (ii) remains, but has abated, Horizon 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 Horizon Power), Horizon 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) Where an *applicant* has provided security under clause 6.3(c) and then terminates the contract with Horizon Power, under which the *applicant* agreed to provide the *contribution*, after the commencement of the *required works* the subject of the *connection application* and prior to the commencement of the associated *exit service, entry service, bidirectional service* or *interconnection service*, then Horizon Power will recover from the *applicant*:
  - (i) any costs incurred by Horizon Power in undertaking the *required works* the subject of the *connection application*; less
  - (ii) any of those costs that can reasonably be recovered from subsequent *applicants*,before returning the security.
- (f) In applying this clause Horizon Power will act as a *reasonable and prudent person*.

## 6.4 Payment of tax

The receipt by Horizon Power of a *contribution* may result in Horizon Power incurring a tax liability (whether under Commonwealth or State income tax and other legislation or under a tax equivalent regime applicable to Horizon Power as a government owned enterprise) and Horizon Power may recover from the *applicant*, as part of the *contribution* payable by the *applicant*, Horizon 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 6.4 and clause 7.4 do not deal with liability for GST, which is dealt with in clause 6.2.

## 7. AMOUNT OF CONTRIBUTION

### 7.1 Calculation of contribution

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

- (a) determining any applicable amount calculated under clauses 8.1, 8.2 and 8.5; and

- (b) adding either the amount calculated as follows, or zero, whichever is the greater:
  - (i) determine the appropriate portion of any of the *forecast costs* of the works, which do not meet the *new facilities investment test*, to allocate to the *applicant* under clause 7.3; and
  - (ii) add any applicable amount calculated under clauses 8.3 and 8.4; and
  - (iii) deduct 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, over a reasonable time at the *contributions rate of return*; and
- (c) add any tax liability (of the nature referred to in clause 6.4) which Horizon Power forecasts it will incur due to the receipt of the amount payable under paragraphs (b)(i) to (iii) of this clause 7.1, as calculated in accordance with clause 7.4.

## 7.2 Amount of revenue

For the purposes of this *contributions policy*:

- (a) When calculating the new revenue gained from providing *covered services* to a *connection point* on the *distribution system*, except that part of the *distribution system* that is the *sub-transmission system*, Horizon Power will use:
  - (i) the prices and/or price path set out in the *price list* at the time of the connection offer, until the end of the *pricing period*; and
  - (ii) a flat real price path after the end of the *pricing period* for the reasonable time;
  - (iii) a fair and reasonable estimate of demand based on an assessment of the connection *applicant's* particular circumstances.
- (b) The reasonable time is to be determined by Horizon Power, as a *reasonable and prudent person*, having regard to:
  - (i) the anticipated commercial life of the works, up to a maximum of 15 years, unless a contract has been entered into with the *applicant* for the provision of *covered services* over a longer period than 15 years, in which case the anticipated commercial life of the works is the length of that contract; and
  - (ii) 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.}

## 7.3 Amount of forecast costs

- (a) Horizon 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 7.1(a) is:
  - (i) the full amount of the *forecast costs*; or
  - (ii) an amount determined under clauses 7.3(b) to 7.3(e).

- (b) If Horizon Power chooses to undertake works in excess of the minimum practical works to provide *covered services* sought by an *applicant*, then Horizon Power will determine that the amount of costs allocated to the *applicant* are the *forecast costs* of the minimum practical works.
- (c) If:
  - (i) Horizon 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 Horizon 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 Horizon 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 7.1;

then Horizon 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 Horizon Power has received more than one *connection application* requiring the same works, then Horizon Power may negotiate with the *applicants* 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 Horizon Power in performing its legal obligations, then Horizon Power will determine that the costs to be allocated to the *applicant* are the *forecast costs* less the amount saved.

#### 7.4 Forecasting tax liability

For the purposes of determining the costs representing Horizon Power's tax liability arising due to receipt of an amount calculated under paragraphs (a) to (d) of clause 7.1, Horizon 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 that may be passed through to Horizon Power's shareholder and the statutory tax depreciation benefit which offsets the tax costs incurred by Horizon Power.

## 8. GENERAL PROVISIONS

### 8.1 Connection assets

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

## 8.2 Non-capital costs

The *applicant* must pay to Horizon Power the full amount of any *non-capital costs* that Horizon 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.}

## 8.3 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 *Horizon Power technical rules* or an equivalent *reference service*, then the *applicant* must pay to Horizon 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:
  - (i) provide a net benefit in the *covered Pilbara network* over time that justifies higher *reference tariffs*; or
  - (ii) be necessary to maintain the safety or reliability of the *covered Pilbara network* or its ability to provide contracted *covered services*.

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

## 8.4 Costs related to compliance with the Horizon Power technical rules

- (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 Horizon Power complies with the *Horizon Power 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 *Horizon Power technical rules*.

## 8.5 Temporary supplies

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



## 9. MANNER OF CONTRIBUTION

### 9.1 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 9.2; 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 9.4.

Where the *contribution* is greater than \$1,000,000, the *applicant* and Horizon 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*.

### 9.2 When applicant may choose periodic payment

The *applicant* may not elect under clause 9.1(a)(i) to make the *contribution* by way of a periodic financial payment unless the total amount of the *contribution* exceeds \$25,000.

### 9.3 Terms and amount of periodic payment

If the *applicant* elects to make a *contribution* by way of periodic financial payment under clause 9.2, then:

- (a) where the *contribution* is up to \$1,000,000, the term over which the periodic payments are made will be commensurate with the *contribution*, up to a maximum of 5 years;
- (b) where the *contribution* is greater than \$1,000,000, the maximum term over which the periodic payments are made will be negotiated between the parties;
- (c) interest will be payable on each periodic payment, at a reasonable commercial rate to be negotiated between Horizon Power and the *applicant*; and
- (d) Horizon 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 Horizon Power, guaranteeing the *contribution*.

### 9.4 Augmentations undertaken by applicant

- (a) An *applicant* may, with Horizon Power's approval, construct an *augmentation* of the *covered Pilbara network*.
- (b) Where an *applicant*, in accordance with (a) above, constructs an *augmentation* of the *covered Pilbara network*, the *applicant* shall agree to transfer the ownership of the *augmentation* to Horizon Power on such reasonable terms and conditions as may be stipulated by Horizon Power (after Horizon Power has tested the *augmentation* and certified that it meets the applicable technical standards) but in

no circumstance will Horizon 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 Horizon Power the fees set by Horizon Power from time to time associated with Horizon Power testing the *augmentation* to establish that it meets the applicable technical standards for the *augmentation* to connect to the network.}

## 10. REBATES AND RECOUPMENT

### 10.1 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 *required works* associated with a *connection point*; and
- (ii) the value of the *contribution* is in excess of \$1,000,000,

then Horizon Power and the *applicant* may negotiate to require Horizon 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 *required works* associated with a *connection point* for which the full *forecast costs* of the works were allocated to the *applicant* under clause 7.3;
- (ii) at the time that the works are carried out, it is only the *applicant* who will benefit from the *required works* associated with that *connection point*; and
- (iii) the value of the *contribution* is in excess of \$200,000 but less than \$1,000,000,

then Horizon Power and the *applicant* may negotiate to require Horizon 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 *required works* associated with a *connection point* for which the full *forecast costs* of the works were allocated to the *applicant* under clause 7.3;
- (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 Horizon Power and the *applicant* may negotiate to require Horizon 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 10.1(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) Horizon 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 10.1(a), (b) or (c).

## 10.2 Subsequent new applicants must pay rebate

Where Horizon Power must pay a rebate to a *user* or a *customer* in respect of a *connection point* under clause 10.1, each subsequent *applicant* that triggers such a rebate must pay to Horizon Power an upfront amount equivalent to the rebate.

## 11. OBLIGATION TO PROVIDE INFORMATION

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

- (a) where the *contribution* is in respect of *new facilities investment*, details of the assessment of the *new facilities investment* against:
  - (i) the *estimated new revenue*; and
  - (ii) the estimated net benefits that reasonably justify higher *reference tariffs*; and
  - (iii) any necessity to maintain the safety and reliability of the *covered Pilbara network* or its ability to provide contracted *covered services*;
- (b) where the *contribution* is made in respect of *non-capital costs* related to *alternative options*, details of the assessment of the *non-capital costs* against:
  - (i) the additional estimated revenue for the alternative option relative to the alternative option *non-capital costs*; and
  - (ii) the estimated net benefits that reasonably justify higher *reference tariffs*; and
  - (iii) any necessity to maintain the safety and reliability of the *covered Pilbara network* or its ability to provide contracted *covered services*; and
- (c) details of the calculation of the amount that does not satisfy these tests; and
- (d) 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 Horizon Power under clause 7.3 of this *contributions policy*.

## 12. ACCOUNTING FOR CONTRIBUTIONS WHEN CALCULATING REFERENCE TARIFFS

When calculating the *target revenue* for providing *covered services* in the *Pilbara region*, which is used to calculate *reference tariffs*:

- (a) the forecast *non-capital costs* are net of any *non-capital contributions*;
- (b) the forecast *new facilities investment* is net of any forecast *capital contributions*; and
- (c) the *new facilities investment* that is added to the *capital base* is net of any *capital contributions*.

### 13. REFERENCES

The following material is required and should be read in conjunction with this document:

LEGAL REFERENCES:	Electricity Industry Act 2004 Pilbara Networks Access Code 2021 Pilbara Network Rules 2021
STANDARD & GUIDELINES:	<i>Horizon Power Technical Rules</i>
RELATED POLICIES AND OTHER DOCUMENTS:	