

2010-11 State Budget Factsheet

Issue

Distribution Headworks Charge and Subsidy Scheme

Background

- The headworks charge is a one-off charge for users connecting to the electricity network, or upgrading their connection, at remote or edge of grid locations where tariffs would not recover the cost of providing increased network capacity.
- The charge relates to the cost of enhancements to the distribution system, such as upgrading the capacity of transformers, and is in addition to charges for user specific connection works.
 - Connection works include installing wires and poles or underground cable to connect the customer's property to the network.
- Headworks charges do not apply to customers located within 25 kilometres of a substation.
 - Outside the metropolitan area, substations are located in most major regional centres such as Albany, Bunbury, Busselton, Geraldton and Margaret River.
- Prior to 2007, the headworks charge was based on a "first user pays all" approach.
- The amended scheme, which commenced in August 2007, was based on charging customers an average cost.
 - The cost was based on the customer's distance from a substation, the feeder +
- Under this Scheme, a Government subsidy was provided to cap high headworks charges at the more remote locations.
 - The charge cap is currently \$2,000/kilovolt-amp (kVA) for residential subdivisions and \$1,000/kVA for commercial subdivisions.
- Despite the cap, some customers are still facing high charges and it has been suggested that the scheme has been constraining regional development.

Key Points

- The distribution headworks charge subsidy has been increased to 100% of the charge from 1 July 2010.
- The subsidy will be capped at \$1.0 million for any one connection.
- Applications with a subsidy in excess of \$1.0 million will be dealt with individually.
 - There have been no charges in excess of \$1 million since the Scheme commenced.
- The subsidy will be met by a Community Service Obligation paid to Western Power.
 - Due to timing issues, funding is not included in the 2010-11 Budget but will be incorporated as part of the Mid Year Review process.
- Customers who have paid headworks charges since the Scheme's inception in 2007, and up to 30 June 2010, will receive a refund.
- This refund, which is estimated to cost \$7.33 million in total, will be met from Royalties for Regions funds and is included in the 2010-11 Budget.