

NOTICE

DETERMINATION OF THE PREFERRED WEIGHTED AVERAGE COST OF CAPITAL METHODOLOGY TO APPLY TO COVERED ELECTRICITY NETWORKS

The Economic Regulation Authority (**Authority**) today made and published a determination of the preferred weighted average cost of capital methodology (**WACC methodology**) to apply to networks which are covered under the *Electricity Networks Access Code 2004* (**Access Code**).

The determination may be downloaded from the Authority's website www.era.wa.gov.au/electricity. Printed copies of the determination may also be obtained directly from the Authority for \$10.00 per copy.

The Authority published a discussion paper on 14 January 2005 on the WACC methodology to apply to covered networks and invited submissions by 2 February 2005. In accordance with Appendix 7 of the Access Code, the Authority has considered all submissions received during the public consultation process and has also had regard to the discussion paper prepared by The Allen Consulting Group prior to making its determination.

The determination of the preferred WACC methodology has effect for five years, commencing on 25 February 2005.

The determination is effective for the first Access Arrangement submitted for Western Power Corporation's South West Interconnected Network (**SWIN**) within the South West Interconnected System. The Authority must have regard to this determination when assessing Western Power Corporation's proposed Access Arrangement for the SWIN. If another network becomes covered while this determination is in effect, this determination will also apply to that network unless the determination is revoked or amended.

The Authority has also provided comments in Appendix 1 of the determination regarding appropriate parameter values for estimating a weighted average cost of capital that reflect prevailing market circumstances and, in the Authority's view, would represent an effective means of achieving the objectives of the Access Code for the SWIN. The figures in Appendix 1 do not represent a pre-determination of the weighted average cost of capital by the Authority, but are intended to represent a reasonable depiction of the cost of capital at the time of publication of this determination.

For further information please contact Mr Alistair Butcher (A/Director – Electricity Access) on (08) 9213 1900.

LYNDON ROWE
CHAIRMAN

25 February 2005

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