

Our reference: DMS#3446198
Contact: Simon Middleton
Phone: 08 6212 1397

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Attention of Manager Project Access
Economic Regulation Authority
Emailed to: publicsubmissions@erawa.com.au

Dear Sir/madam

New Facility Investment Test– Mid West Energy Project (Southern Section)

Synergy appreciates the opportunity to comment on the appropriateness of Western Power's application for the new facilities investment forecast cost of \$383.4 million referred to as the Mid West Energy Project - Southern Section (**the MWEP**).

Synergy understands that the amount proposed by Western Power, which includes 201 km of double circuit 330 kV transmission line to be delivered by Western Power and Karara Mining Ltd (**KML**) and upgrades to an existing and construction of a new terminal, is the result of a number of studies and public consultations. Synergy has participated in each of these consultation stages.

The existing network infrastructure in the Mid West is inadequate to service current operations in the region which are being capacity limited and requiring frequent support from Mungarra gas turbine. The existing infrastructure is therefore inadequate to accommodate future growth in customer demand and the connection of new or expanded generation capacity. Although this point is obvious and now agreed, the question to be addressed by this submission is to what extent such enhancement costs should be rolled into Western Power's capital base and so recovered via network tariffs.

Comments for New Facility Investment Test

Synergy has expressed a consistent view, in its previous submissions, of supporting Western Power's preferred design, recognising this design is both an efficient solution for current requirements and the best approach to reliably cater to future growth. In Synergy's initial submission to Western Power, the appropriateness of the selection of line configuration and terminal station construction was confirmed as the best choice from amongst those proposed. This view was reinforced in Synergy's following two submissions.

In Synergy's most recent submission, comments were made regarding the need for open access in the arrangements with KLM assets. Synergy is now satisfied such arrangements will be in place.

Regarding the incremental and net benefit tests, Synergy accepts Western Power's modelling. Such assessments are always estimates and by their uncertainty must be conservatively based with appropriate project contingencies included. Synergy's view is that the MWEP will open the gate for both mining load and generation investment and wider benefits that will accrue to the SWIS.

Broader Benefits to SWIS and Wholesale Electricity Market (WEM)

Synergy has referred to benefits accruing to both the Mid West region, and also broader benefits to the SWIS and the Wholesale Electricity Market (**WEM**) in its previous submissions. Synergy believes the positive consequences the MWEF will bring to the broader SWIS and WEM will include:

- The development of generation capacity in the Mid West will provide some degree of enhanced reliability through the locational diversity of generator supply.
- The development of the Mid West will increase off-peak electricity consumption in the SWIS which will enhance the potential for increased penetration of renewable energy generation in the SWIS. This is due to a greater coincidence of the off peak load profile and the renewable energy generation profile, particularly that of electricity generation from wind farms.
- By providing the infrastructure to allow mining facilities to develop in the Mid West, the MWEF will improve the total SWIS load factor which will contribute to higher electricity production efficiency arising from the increased capacity factor of baseload power stations.
- The MWEF will allow more options for the connection of renewable energy generation facilities that will lower the carbon intensity of the SWIS and hence lower the cost of any future carbon tax or similar scheme.
- The MWEF will deliver better options for the placement of new generation capacity, not only base load but also mid merit and peaking types technologies. This will assist in meeting the IMO's SWIS forecast of demand, as annually published in the Statement of Opportunity, and place downward pressure on the network connection component of the Maximum Reserve Capacity Price.

Concluding Comments

Synergy has satisfied itself that the total of incremental revenue and net benefit, being \$477 million which exceeds the project cost, will be delivered by the MWEF. Synergy's view is that the \$477 million could be "on the low side".

Yours faithfully

Simon Middleton

SIMON MIDDLETON
MANAGER, BUSINESS DEVELOPMENT AND PLANNING

