



12 September 2011

Economic Regulation Authority
Attention Manager Projects Access
PO Box 8469
Perth
PERTH BC WA 6849

Dear Sir/Madam,

RE: New Facilities Investment Test Application for Western Power's Mid West Energy Project (Southern Section)

ERM Power is an integrated energy company which operates electricity sales, generation and gas procurement businesses. ERM Power is leveraged to the forecast growth in the Western Australia Electricity Market (WEM) through its sales business that focus on larger business customers and its generation business that comprises low emission gas-fired power stations at Kwinana (320MW CCGT) and Neerabup (330MW OCGT).

ERM Power is supportive of Western Power's Mid West Energy Project as the establishment of this critical and enabling infrastructure supports energy solutions for emerging loads from the Mid West and the South West Interconnected Network more broadly. As part of our energy solution, ERM proposes the establishment of a new 330MW OCGT power station at Three Springs (TSPS). ERM has taken an interest in land adjoining Western Power's Three Springs Terminal station and has obtained EPA approval for the TSPS including a 60km gas pipeline between Three Springs and the Dampier to Bunbury Pipeline.

Since Western Power's New Facilities Investment Test Application, ERM Power had its Connection and Access Application for TSPS formally registered on 28 July 2011 and forecast generator revenues should be recalculated to reflect payments from same beginning 2014. These payments together with payments from the forecast wind farm generation will improve the net present value of incremental revenues under the test in Section 6.52(b)(i)A of the Access Code.



ERM Power concurs with the ACIL analysis provided in Attachment 4 of Western Power's Application insofar as the increased wind generation resulting from the establishment of the subject infrastructure will likely displace dependence on higher cost CCGT generation and cause a reduction in STEM prices.

ERM Power believes that Western Power's proposal will have a catalytic effect on the development of Mid West mining projects which will not only be to the benefit of electricity uses but more broadly provide a positive economic impact to the state of Western Australia.

Yours sincerely,

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Tony Petersen
WA Director
ERM Power Limited