

Level 3 Exchange House
68 St Georges Terrace
Perth WA 6000

Phone: +61 (8) 6143 1850
Fax: +61 (8) 6316 4411

TESLA
Corporation

Tyson Self
Manager Projects Access
Economic Regulation Authority
PO Box 8469
Perth BC
WA 6849

23 November 2011

Dear Tyson

Thank you for the opportunity to respond to the Access Arrangement 3 submission to the ERAWA. We wish to comment on the significantly large increases in connection tariffs (both distribution and transmission) requested by Western Power.

While we understand the need for investment in the grid assets, we do not agree with the method of fundraising proposed. It is recognised that the Network is aging and some action must be taken to prevent further deterioration. However, the Western Power proposal is essentially raising money through reoccurring revenues for long dated assets. The proposed funding methodology requires review - perhaps by evaluating notional or actual borrowings against the significant regulated revenue streams currently enjoyed by Western Power. In essence, the request for increased tariff charges funds investment through proxy "equity" which is not necessarily the most efficient investment structure.

For a company to arbitrarily request recurring revenue increases of approximately 77% (in real terms) over 5 years is extremely significant. In nominal terms, this is an even greater value. No privately held utility anywhere in the world is likely to receive approval for such regulatory increases and we do not believe that a publicly held utility should receive this approval either.

Essentially, the people and businesses of Western Australia would be lumbered with a real 77% increase in their electricity costs and tariffs for an unknown period of time. Given there has been no indication that Western Power would reduce the tariffs once the projected works are complete, one raises the question as to where these abnormal funds will go after the upgrade period.

Reasonable increases in the Network tariff would allow Western Power to borrow the funds required to enact most of the significant upgrades Western Power attests is required, while natural growth will allow the revenue stream to increase to amortise the debt over a period of time.

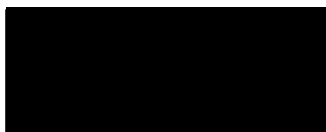
If the Government is supportive of such a large upgrade (and believes that this upgrade is indeed in the best interests of all West Australian taxpayers) then the Government should examine the most

appropriate method to fund proposed works rather than rely solely on tariffs. There is an underlying long-term issue that should be addressed via long-term solutions.

This impost is particularly significant for those affected that have limited ability to pass on the increased charges. Raising the tariffs this sharply on a continuous basis is substantially damaging for our business and all other businesses that utilise power in Western Australia. We feel that this proposal does not meet the fundamental basis of the Access Code objective as it is not an economically efficient way to fund investment in the South West Interconnected Network in Western Australia. There are clearly more economically efficient methods to achieve the outcome Western Power wishes.

We recommend you reject the revised Access Arrangements and request Western Power to revert with a more reasonable and thoroughly thought through funding plan.

Yours Sincerely

A black rectangular box redacting the signature of Ben Tan.

Ben Tan
CEO