



GRIFFIN POWER PTY LTD

A Member of the Griffin Group
ABN: 93 106 034 879

15th Floor
28 The Esplanade
Perth, Western Australia, 6000
Telephone: (08) 9261 2888
Facsimile: (08) 9261 2880

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Email: publicsubmissions@erawa.com.au

Manager Projects Access
Economic Regulatory Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
Perth, WA, 6000

PROPOSED REVISIONS TO THE ACCESS ARRANGEMENT FOR THE WESTERN POWER NETWORK

Griffin Power welcomes the opportunity to provide comments on your issues paper.

One of the fundamental flaws in the current access arrangement is the way that Western Power allocates a figure of 20% of the total transmission use of system (TUOS) charges to generators. There are a number of reasons why the recovery of any portion of the TUOS charges from generators is flawed. These reasons include:

- a. The recovery of the TUOS charges from generators seems structurally inefficient as generators will pass these on to the retail loads.
- b. The TUOS charges do not fund network augmentations for new generators;
- c. The TUOS charges should be passed on to beneficiaries of the capacity and energy generated which are retail customers and loads.
- d. TUOS charges on generators were rejected by the Australian Energy Market Commission (AEMC) when it reviewed the issue in 2009 and it is not a feature of the National Electricity Market.

Griffin recommends that Western Power does not allocate any TUOS charges to generators in the proposed AA3 revisions to the access arrangement.

Griffin's other comments have been referenced to the relevant sections in the issues paper:

4.1 Recovery of Deferred Revenue from AA2. Griffin does not support Western Power's proposal to recover all of the deferred in AA3 as a real annuity over the five year period. Griffin's preference is that the recovery period should equal the average life of the network assets.

4.2.1 and 4.2.2 Credit Rating. As Western Power is totally owned Government Corporation, the benchmark credit rating should not be market based as it should reflect the credit rating applicable to a West Australian Government entity (AAA).

4.2.3 Treatment of Taxation. It is Griffin's view that post tax returns should be used for Government Corporations which is in line with the Australian Energy Regulator (AER).

4.2.4 Equity Beta. It is Griffin's view that the Equity Beta should be set within the range recommended by the AER (0.5 to 0.8).

4.2.5 Equity Raising Costs. It is Griffin's view that as Western Power is a Government owned Corporation, it should not recover any equity raising costs.

4.3 Investment From Prior Periods. As the funds from prior periods did not meet the New Facilities Investment Test (NFIT) criteria, they should not be included in AA3.

4.3.1 Service Standards Adjustment Mechanism. The Western Power service standards should be equivalent to industry best practice service standards

4.5 Applications and Queuing Policy. Griffin supports the proposed amendment to create a formal enquiry stage and the requirements imposed on Western Power to provide responses to applicants within a defined timeframe. Historically, Western Power has been unable to provide timely responses to network applications where there is limited capacity and a requirement to upgrade the network.

Griffin still has major concerns relating to the creation of a competing applications group and the way that competing applications will be processed. Assuming that Western Power is considering some additional network infrastructure required for multiple applicants, then it will be difficult to influence the timing of the different applicants investing in their own projects. The other issue with a competing applications group is that there may be a point of time where success for one applicant will mean failure for another. This may provide further complications and result in delays and situations where a number of applicants are offered access under a certain set of conditions where any one of these applicants are unable to proceed.

An issue which impacts on the efficiency of the Access and Queuing Policy is Verve Energy's ability to retain transmission capacity even after it has decided to retire generation plant. Griffin's view is that Verve Energy should be required to relinquish the transmission capacity associated with generation plant at the time of announcing any generation plant retirement. Verve Energy's capability to hold on to transmission capacity for years even after it has announced the retirement of generation plant leads to inefficient use of the transmission system. Verve Energy could potentially hold on to transmission capacity for several years at times when system capacity is limited and other users are seeking access to the network.

The proposed changes to the Access and Queuing Policy appear to be based on a constrained network policy. Griffin's view is that an unconstrained policy could promote efficient network investments, business efficiency and competition.

5.1.2.2 Operating Expenditure. Western Power should be aiming to achieve best practice in this area and should be bench marked against other network providers. Griffin suggests that there should also be reductions to the level of any future price increases (eg: CPI minus x%) to encourage efficiency gains.

Yours sincerely



Charles Martelli
General Manager Marketing