

ATCO Gas Australia: Alinta's WACC in the coverage application

As you will be aware, Alinta Energy recently lodged a coverage application requesting that distribution assets owned and operated by Horizon Power in the Port Hedland and Karratha region be covered under the *Electricity Networks Access Code 2004*. As part of this application Alinta has conducted modelling to demonstrate that it would be unprofitable for anyone to duplicate the network under consideration to supply customers in the Port Hedland and Karratha areas. In the scenario developed by Alinta a 10% cost of capital was applied over a 15 year time period to the electricity network assets.

AGA submits that the ERA should have regard to Alinta's position on the proposed rate of return of 10% for infrastructure assets. This is particularly important given the similarities between the calculation of the rate of return for electricity and gas infrastructure assets. Further, any submissions from Alinta to ATCO Gas Australia's access arrangement process in relation to the rate of return should be considered with reference to Alinta's position in relation to required returns on investment expressed in its coverage application.

Kind Regards,

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