

Ms Karen Tilsed
330kV Mid-West New Facilities Investment Test
Electricity Access
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849



Alinta Sales Pty Ltd
ABN 92 089 531 984

Alinta Plaza
12 - 14 The Esplanade
Perth WA 6000

PO Box 8348
Perth BC WA 6849

Telephone +61 8 6213 7000
Facsimile +61 8 6213 7001

www.alinta.net.au

by e-mail to: midwestnfit@era.wa.gov.au

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Dear Karen

**New Facilities Investment Test
Western Power Proposed 330kV Mid-West Transmission Line**

This submission from Alinta Sales Pty Ltd (**Alinta**) is in response to a request for submissions from the Economic Regulation Authority (**ERA**) concerning the following:

- (a) "Submission to the Economic Regulation Authority – Pre-Approval of New Facilities Investment – 330kV Transmission Line and Associated Works in the Mid-West Region of Western Australia" submitted by Western Power, dated 9 April 2008 (**Western Power's Submission**); and
- (b) "Issues Paper on the New Facilities Investment Test for a 330kV Transmission Line and Associated Works in the Mid-West Region of Western Australia" from the ERA, dated 23 May 2008.

Alinta supports Western Power's Submission, namely that the proposed investment in a 330kV transmission line and associated works in the Mid-West satisfies the New Facilities Investment Test (**NFIT**).

Western Power states that the proposed investment satisfies the NFIT because:

1. The proposed investment is an efficient investment.

Western Power claims the investment will be efficient because it has passed the Regulatory Test - hence there are no better alternatives to building a 330kV transmission line - and because Western Power's contracting strategies will ensure the line is built at the lowest cost that can reasonably be achieved.

Alinta is unable to comment on Western Power's contracting strategies but does agree with Western Power's general reasoning.

2. The present value of the incremental revenue earned from the proposed investment will exceed the cost of the investment (**PV Test**).

This is essentially the method Western Power currently uses to determine whether or not a user applying for network access is required to make a capital contribution.

In this instance, Western Power is claiming (backed by a report from CRA International) that the present value of the expected revenue is greater than the cost of the investment and therefore there is no need for a capital contribution – the full cost of the investment can be added to the capital base.

These above two items are sufficient to pass the NFIT.

However, Western Power also demonstrates that the investment passes the safety and reliability test on the basis that the investment is required to maintain operation of the network in accordance with the Technical Rules. Thus, even if the investment did not pass the PV Test, it would satisfy the NFIT on the grounds that the investment was needed to maintain safety and reliability.

Alinta supports Western Power's use of the safety and reliability test. However, Alinta submits that when applying the NFIT to other investments in different parts of the network in respect to future investments, the ERA should ensure there is no discrimination between users and so should apply the safety and reliability test in a manner that is consistent with the approach taken in Western Power's Submission.

Specifically, Alinta submits that underlying the safety and reliability test is the fact that generation and/or demand is increasing in a particular section of the interconnected system. If there was no generation or demand increase then, apart from replacing ageing equipment, there would be no safety or reliability issue in the system.

Thus, before a user applying to connect a new generator or a new load to the network should be asked to make a capital contribution, the following question needs to be answered:

Will the network be safe and reliable if the new generator or new load is connected to the network but no network enhancements are undertaken?

If the answer to this question is "no" then network enhancements required to make the network safe and reliable will pass the safety and reliability test and so the investment required will satisfy the NFIT.

Please contact David Randle on (08 6213 7252) to discuss this submission or to obtain clarification on the issues raised.

Yours faithfully

submitted as a Word version by e-mail

David Randle
Commercial Manager

File Name: <<Mid-West NFIT Submission - Alinta Sales 20080609.doc>>