

330Kv Mid-West New Facilities Investment Test
Electricity Access
Economic Regulation Authority
P O Box 8469,
Perth BC WA 6849

9TH June 2008

Dear Sir/Madam

Re: Western Power 330KVA Mid West Augmentation

The Geraldton Iron Ore Alliance (GIOA) has a membership of eight iron ore mining companies which are at various stages of exploration and development of mines in the Mid West. These companies are:

- Mount Gibson Iron Limited
- Midwest Corporation Limited
- Crosslands Resources Ltd
- Gindalbie Metals Ltd
- Golden West Resources Limited
- Royal Resources Limited
- Asia Iron Limited
- Atlas Iron Limited

The GIOA is providing this submission in support of Western Power's application for the new facilities investment test on its 330kV Mid-West Augmentation proposal. The GIOA considers that the expedient progress of this project is essential to enable planned economic and social development of the region to occur, without serious power supply shortages in the very near future.

There are significant iron ore projects in the region which have achieved or are progressing to imminent approval, which have substantial power supply requirements, providing long-term base loads which shall require and "anchor" the planned augmentation infrastructure investment.

In fact two significant magnetite proposals, Asia Iron's Extension Hill project (Extension Hill Pty Ltd) in the Mt Gibson Ranges and Gindalbie Metals' Mt Karara project are currently progressing on the basis of connection into the 330KVA line.

The Gindalbie Metals magnetite project aims for its first stage production to be operational by 2010 (with a 100MW base load). This project is indicated (together with other significant iron ore proposals) as one which the State Government considers sustainable in the region and has a predisposition to approve (as advised in the recent State Government "Strategic Review of Banded Iron Formation Ranges of the MidWest and Goldfields").

Gindalbie recently announced to the ASX a long term power supply agreement with Verve for approx. 1 million MWh's per annum for a 15 year term, scheduled to commence in 2010. This power is sourced at Muja and is to be delivered at Eneabba via a SWIS connection. Both Gindalbie's and Western Power's studies confirm that the 330kV upgrade is necessary to support this delivery.

Similarly, the Extension Hill project has its environmental approvals in place and design works significantly progressed with production intended by mid 2010. The project requires 55MW power on commencement of production and 110MW within 12 months in mid to late 2011. Extension Hill Pty Ltd (EHPL) has advised that this may expand to 250MW by 2015.

The progress of these projects of regional and State significance requires the 330KVA upgrade to be progressed without delay, however they are just part of a rapidly developing new industry which has the capacity to generate well in excess of 70 million tonnes of iron ore per year of from the region by 2015.

A further major magnetite project in an adjacent area is Mid West Corporation's Koolanooka project which may involve a pelletisation plant, and could progress by 2015.

The Alliance members' other projects, are principally hematite mines which do not require the same level of power at the mine site yet also collectively result in significant power requirements in the region.

The major hematite projects require a deepwater port and shall provide the first stage of the Oakajee port and rail infrastructure which has the potential to trigger significant industrial development on the adjoining State Government owned industrial estate.

Further details of the companies and their projects can be attained from the Alliance's website at www.gioa.com.au.

The two major magnetite projects mentioned above are required to connect into the 330kV line at Three Springs and shall at considerable cost construct 330kV transmission lines to their projects. Clearly the benefits provided in establishment of significant base loads to underpin the SWIS, together with the substantial capital investment required to connect their projects, makes any further financial contribution to the capital development of the system completely unreasonable. Further it would be impractical to apply an equitable capital contribution system to any individual future consumer or supplier to the SWIS due to the early stage of development of major projects in the region, with the great majority of the largest consumer and power generation projects yet to achieve their necessary approvals (despite the substantial progress to these outcomes).

Although the GIOA does not have access to detailed financial and investigatory information that Western Power has developed for this project, we are of the strong view that the proposal is very sound on the basis of practical assessment and very obvious regional growth requirements.

The 330kV dual circuit infrastructure provides the necessary capacity for the region's development in the most economically efficient, and socially and environmentally responsible manner.

Failure to progress the augmentation in a timely manner is most likely to see major projects delayed, overall economic development of the region curtailed, a substantial increase in interruptions to supply and raise the risks of fire and/or other safety issues.

Western Power's intended alliancing approach to construction is a practical way forward to the timely progression of the project, with the benefits of sound risk and cost management.

Clearly the case to expedite Western Power's proposed 330KVA augmentation project in the Mid West is compelling and any potential delay by government is of extreme concern to the Mid West Iron ore industry.

Yours sincerely

R W Jefferies

Deputy Chairman