

22 December 2010

Elizabeth Walters,
Manager Projects Access.
Economic Regulatory Authority
PO Box 8469,
PERTH BC WA 6849

Dear Ms Waters

Submission to Economic Regulation Authority on Western Power's proposed Mid West Energy Project (Southern Section)- a Major Augmentation Proposal

Detailed below are the Shire of Perenjori views on the matters on which you have requested submissions.

Submissions are invited from interested parties on whether Western Power:

- gave all interested parties a reasonable opportunity to state their views on the major augmentation proposal and to propose alternative options; and
- had adequate regard to the views and alternative options that were submitted.

Western Power distributed a comprehensive discussion paper and a revised discussion paper based on the views of interested parties. As an interested party the Shire was satisfied that it had adequate opportunity to comment.

The Shire was less satisfied with the weight given to its comments. In particular throughout the process Western Power continued to publish a low demand scenario that failed to include the demand from the Karara Iron Ore project. This project is under construction and is progressing at \$100 million capital spend per month. A low demand scenario that does not include this project is a fiction.

Submissions are invited from interested parties on whether Western Power has:

- identified a relevant set of alternative options to the proposed transmission line; and
- given reasonable consideration to the alternative options proposed by interested parties in submissions made as part of Western Power's consultation process.

Western Power seemed to give appropriate weight to the options for transmission infrastructure. It did not however give sufficient regard to the Mid West as a future energy hub with mature proposals for gas, coal, solar thermal and wind projects already in the public domain. There are also very promising geothermal prospects. A significant part of the business case should be based on the capacity of the Mid West to deliver energy back to the grid.

Submissions are invited from interested parties on whether the forecasting methods adopted by Western Power are consistent with good industry practice and form an appropriate basis for the consideration of alternative options for increasing capacity of the electricity system in the Mid-West region.

As indicated above the demand forecasts were too conservative. The low demand scenario is a fiction. The medium demand scenario is the realistic low demand scenario. The high demand scenario does not take account of Extension Hill Stage 2, or Karara Stage 3.

Submissions are invited from interested parties on whether Western Power's feasibility analysis of alternative options is reasonable and robust; and whether Western Power has adequately justified the elimination of certain alternative options for reasons of technical infeasibility or the provision of insufficient capacity to meet demand.

The only alternatives considered by Western Power were transmission alternatives. Options like off grid generation for major projects were not considered by Western Power, but had been considered and rejected by project proponents as part of their bankable feasibility studies. It was appropriate for Western Power to take account of this work.

Given the conservative nature of demand estimates, it is good that Western Power has proposed an alternative that will cope with the high demand scenario.

Submissions are invited from interested parties on whether the approach applied by Western Power in the assessment of net benefits is appropriate.

Western Power's evaluation of net benefits is appropriate and sensible. The community consultation process required to establish a transmission corridor is a long expensive and time consuming option. Maximising the potential transmission capacity of the infrastructure will be the cheapest option in the long term. At the risk of repetition demand forecasts appear very conservative, and there is a sound basis to believe that the high demand forecast is more likely than not.

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proposed Mid West Energy Project (Southern Section)- a Major Augmentation Proposal**

Concluding remarks.

Mid West Energy Project (Southern Section) Major Augmentation Proposal is an essential project for the future development of the Mid West, the southern iron ore projects and Oakajee Port. To date infrastructure investment by the state to support these developments has been inadequate. The two magnetite projects in the southern half of the Midwest – Karara and Extension Hill – are expected to generated up to \$100 Million per year in royalties in stage 1. If planned expansions proceed \$500M per year within 10 years is possible. The State cannot afford not to make this investment.

Yours faithfully

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Stan Scott
Chief Executive Officer