

**KALGOORLIE-BOULDER CHAMBER  
OF COMMERCE & INDUSTRY INC.**

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25<sup>th</sup> January 2011

Attention Sara O'Connor

Inquiry into the Funding Arrangements of Horizon Power  
Economic Regulation Authority  
PO Box 8469  
Perth Business Centre  
Perth WA 6849

Dear Sara

**Re: Horizon Power Inquiry**

Thank you for this opportunity to provide comment on the Economic Regulation Authority's Review of Horizon Power's funding arrangements.

It is not the Chamber's intention to comment on economic rationalism as it is not in a position to do so, however there are other factors equally important that this organisation considers critical to the overall review process.

From a regional perspective the Chamber does not support a centralised business model located in the metropolitan area. Experience clearly shows the centralised model does not work with strategic decisions being flawed due to a lack of regional knowledge. Horizon Power has senior management located within the regions they service. They are generally part of the community within which they live and work, hence understanding the needs of their respective communities. This aspect of Horizon Power is an obvious strength contributing to a sound decision making process that contributes to the economics of the utility. This position of knowledge is invaluable when considering short and long term investment of Government finances.

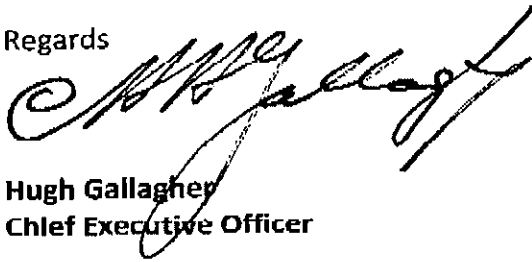
The introduction of cost reflective pricing in regional locations that contribute to the wealth of Western Australia would not be supported by the Chamber. Existing businesses would have no choice but to accept such a pricing structure however they would likely become marginalized hence economically fragile. New commercial ventures would be put at risk as potential developers take into consideration the energy component of their investment as a major cost item. This aspect of regional energy supply has been a major issue for the Goldfields - Esperance region particularly in the southern sector of the region.

To reduce capital expenditure by simply reducing the utilities budget does not have appeal. Horizon Power supplies many industry sectors that are experiencing or anticipating growth. By reducing the utilities budget it is distinctly possible they will not be in a position to meet demand and continue to support the needs of regional enterprises when required.

Horizon Power appeals as a flexible business model. The utility obviously needs to take into consideration the Governments policy on its "triple bottom line" when making commercial decisions. This Chamber considers the utility has a sound history of adhering to Government policy in its decision making processes, generally meets community expectations, and is well managed from an economic perspective.

In summary the Chamber encourages the Economic Regulation Authority to take the content of this correspondence into consideration when arriving at its decision and we appreciate the opportunity to provide this regional perspective.

Regards

A handwritten signature in black ink, appearing to read 'H. Gallagher', written in a cursive style.

**Hugh Gallagher**  
Chief Executive Officer