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Mr Lyndon Rowe
Chairman
Inquiry into the Funding Arrangements of Horizon Power
Economic Regulation Authority
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Dear Mr Rowe

SUBMISSION TO THE INQUIRY INTO THE FUNDING ARRANGEMENTS OF HORIZON POWER

Thank you for granting the Regional Development Council (Council) an extension to make a submission to the *Inquiry into the Funding Arrangements of Horizon Power*.



The Council is the peak advisory body on regional development to the Western Australian Government. It consists of the nine Chairs of the Regional Development Commissions, the Director General, Department of Regional Development and Lands and two local government representatives.



The Council recently released *Regional Development Policy Framework: An Action Agenda for Regional Development* (copy attached). The Action Agenda will be used by Council to assist it with its funding decisions. It is also a useful guide for all government agencies to understand the Council's priorities.



Pertinent to this enquiry is the Council's first priority which states:

Affordable access to a range of essential economic and human services, such as housing, telecommunications, power and water, is the cornerstone of vibrant and robust regional communities.



Outcomes:

- Accessible, affordable and reliable delivery of essential services in regional areas for residents and businesses.
- Sufficient investment in essential services to meet the current and future social and economic needs of regional communities.



The decentralised model of service delivery is strongly supported by the Council. The inception of Horizon Power with its focus on remote area service delivery, specialised skills and knowledge and regionally based staff has resulted in efficiencies and improved services. All regions serviced by Horizon Power report an improvement in service provision.

Council strongly supports the retention of all regionally based Horizon Power Staff. If Horizon Power were to cut back on decentralised staff in order to meet the recommendations of the report, it would have a major impact on regional development in terms of; loss of jobs, population and loss of locally based essential service providers. As much of the area serviced by Horizon Power is prone to cyclones the current situation enables an immediate, local response to emergencies.

Council believes that it is vital to the future of the State's off the grid communities, including isolated Indigenous communities, that Horizon Power maintains the flexibility to develop innovative power solutions in response to specific local needs and circumstances. This has seen the successful roll out of efficient power plants (gas, diesel or hybrid) across many communities.

The Horizon Power service provision area encompasses most of the fastest growing regions in the State. The one per cent efficiency target for controllable unit operating costs per connection needs to take the State's growth into account and not precipitate any constrictions to regional development.

Council applauds the current system of funding Horizon Power's shortfall in revenue through CSOs and the Tariff Equalisation Contribution (TEC) and supports its continuation. Small and remote communities would be at a disadvantage without it. The TEC underpins the provision of affordable power in regions which have many challenges for services delivery, such as; remoteness, extreme weather conditions, rough terrain and a high demand for power. The recommendation to effectively reduce Horizon Power's budget will result in making meeting these challenges more difficult. As such Council cannot support Recommendation 9 whereby the TEC would be funded by a CSO paid directly to Horizon Power.

Yours sincerely



Graham Thomson
CHAIRMAN

8 February 2011

Att: