



Your Ref:
Our Ref: EN 20

Mr Lyndon Rowe
Chairman
Inquiry into the Funding Arrangements of Horizon Power
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

Dear Mr Rowe

SUBMISSION TO THE INQUIRY INTO THE FUNDING ARRANGEMENTS OF HORIZON POWER – DRAFT REPORT

Thank you for the opportunity to comment on the Draft report *Inquiry into the Funding Arrangements of Horizon Power* and the extension of time granted to do this. While not commenting on specific calculations or the methodology used in the report, the Gascoyne Development Commission (GDC) offers the following for consideration when compiling the final report and recommendations.

Horizon Power is responsible for delivering power to some of the more remote parts of Western Australia. Like other isolated regions, the Gascoyne's expanse and low population (hence customer base) makes the building of infrastructure and delivery of services more complex and more costly than providing the same to Perth and the South West Land Division. This should remain in the forefront of deliberations about possible cuts to operational funds to gain efficiencies.

It is our belief that under the previous arrangement of one statewide electricity utility (Western Power), remote areas suffered. With the advent of Horizon Power and their sole focus on remote area service delivery, an organisation has now been established that is able to provide specialised skills and knowledge to manage areas of the State where costs are high. From the GDC's perspective, Horizon Power's concentration on remote area service delivery has resulted in efficiencies and improved services. It is pleasing to note that the draft report demonstrates that Horizon Power meets regulatory required service standards and has shown a significant reduction in the length of power outages in the Gascoyne (p.32).

The GDC strongly supports a decentralised model of service delivery and cautions against any recommendations that would impact on Horizon Power's ability to maintain district offices. A decentralised model is considered crucial to delivering services and

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maintaining service standards. Among other things, district offices facilitate responsive regionally based decision making from personnel that know their patch and its vagaries.

The GDC notes that Parsons Brinckerhoff Australia analysed Horizon Power's corporate and district overhead operating costs and concluded "*...Horizon Power's level of corporate overhead operating costs is not unusual and so did not recommend any specific reduction to Horizon Power's forecast*" (p.50). However, the Economic Regulation Authority considers that the recommendation does not sufficiently challenge Horizon Power to operate efficiently. The GDC is of the opinion that Horizon Power's operating costs are not excessive given they are an organisation working in and servicing some of the most remote and hence operationally expensive areas of the State. There is a fine line between efficiencies and a reduction in services. Anything that would weaken the organisation or put pressure on it to decrease staff numbers in remote locations would be considered a backward step for regional development and would not be supported by the GDC.

Finally the GDC would like to draw your attention to the population figures quoted in the draft report. The Gascoyne region is comprised of the Shires of Carnarvon, Exmouth, Shark Bay and Upper Gascoyne and has a 2009 Estimated Resident Population (ERP) of 9,865. Carnarvon's 2009 ERP is 6,166, not 2,500 as stated in page 60 of the report.

Once again, thank you for the opportunity to comment. The GDC looks forward to the release of the final report.

Yours sincerely



Stephen Yule
Chief Executive Officer

2 February 2011