



Economic Regulation Authority

Promoting fair prices, quality services and choice

# CONSULTATION

## New Facilities Investment Test Application for Western Power's Mid West Energy Project (Southern Section)

### ISSUES PAPER

The Economic Regulation Authority is seeking public comment on an application from Western Power to include an amount of new facilities investment associated with the Mid West Energy Project (Southern Section) in its regulatory capital base. The new facilities investment is forecast to cost \$383.4 million and involves the construction of a 330 kV transmission line from Neerabup to Three Springs and the interconnection of the existing 132 kV Three Springs substation with a new 330 kV Three Springs Terminal.

Western Power's application was submitted under section 6.71(b) of the *Electricity Networks Access Code 2004* (**Access Code**).

### ISSUES PAPER

The Authority has prepared an issues paper to assist interested parties prepare submissions. This paper is not intended to be an exhaustive review of Western Power's application at this point in time, or the matters that the Authority will address when making its decision on the application.

The [issues paper](#) and [Western Power's application](#) are available on the ERA's website.

### INVITATION TO MAKE A SUBMISSION

Interested parties are invited to make submissions in print and electronic form on Western Power's application by **4:00 pm (WST) on Monday, 12 September 2011**.

Submissions should be marked to the attention of Manager Projects Access.

Postal address: PO Box 8469, PERTH BC WA 6849

Office address: Level 6, 197 St Georges Terrace, PERTH WA 6000

Email address: [publicsubmissions@erawa.com.au](mailto:publicsubmissions@erawa.com.au)

### Confidentiality

In general, all submissions from interested parties will be treated as being in the public domain and placed on the Authority's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission for which confidentiality is claimed, and specify in reasonable detail the basis for the claim. Any claim of confidentiality will be considered in accordance with the provisions of sections 14.12 to 14.15 of the Access Code.

The publication of a submission on the Authority's website shall not be taken as indicating that the Authority has knowledge either actual or constructive of the contents of a particular

submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence will arise for the Authority.

## **BACKGROUND**

On 3 February 2011, the Authority determined that Western Power's proposed Mid West Energy Project (Southern Section) major augmentation satisfied the Regulatory Test (an assessment, which precedes the new facilities investment test, of whether the proposed augmentation maximised the net benefit to those who generate, transport and consume electricity in the South West Interconnected Network after alternative options have been considered). The proposed major augmentation was required to pass the Regulatory Test before Western Power was able to commit to the planned investment.

### **New Facilities Investment Test**

Once the regulatory test has been met, a service provider is able to proceed with the proposed augmentation. The new facilities investment test determines whether, or to what extent, investment associated with a new facility can be added (rolled in) to the capital base of a covered (regulated) network and recovered through network tariffs.

Under the Access Code, a service provider may at any time apply to the Authority to conduct a new facilities investment test in relation to actual or forecast new facilities investment. On receiving an application, the Authority must make and publish a determination within a reasonable time after having consulted with the public. The new facilities investment test is not required to enable a service provider to proceed with an investment but can provide more certainty to the service provider that the investment can be recovered through network tariffs.

For further information contact:

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**CHAIRMAN**

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