



Extension Hill Pty Ltd

ABN 81 067 128 938

First Floor, 66 Kings Park Road
WEST PERTH WA 6005
Australia

PO Box 82
WEST PERTH WA 6872

Telephone: 61-8-9216 2600

Facsimile: 61-8-9322 9801

E-mail: austadmin@extensionhill.com.au

13 September 2011

Our Ref No: 10-547-PO-LET-0016_11

Mr Robert Pullella
Executive Director
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

Dear Robert

**Re: EHPL's Response to ERA's request for submissions to the NFIT for WPC's Mid West 330kV
Transmission Project**

Asia Iron Australia (AIA) is pleased to be able to provide comment on the New Facilities Investment Test for the Mid West Project (Southern Section), Neerabup, to Three Springs Terminal via Eneabba.

AIA refers the ERA to its submission (made by AIA wholly owned subsidiary Extension Hill Pty Ltd) to the Regulatory Test, as that submission is still relevant and therefore issues are not repeated here.

The Extension Hill Magnetite Project development is continuing and the milestones set out in response to the Regulatory Test have been achieved.

AIA is fully supportive of the project in all respects and urges the ERA to approve this NIFT as quickly as possible as it is needed now.

AIA makes the following specific submissions to the ERA issues paper.

[Submissions are invited from interested parties on whether Western Power has adequately established that the forecast of new facilities investment, for the proposed augmentation, does not exceed the amount that would be invested by a service provider efficiently minimising costs.](#)

WPC's NFIT submission acknowledges that firm power connections for large industrial loads or new generators in the North Country are not possible until the augmentation project is complete. AIA can confirm that commitment to the augmentation is on the critical path for the development of the EHMP.

Further delays in commitment to this project are not in the public interest and a rational service provider wishing to efficiently minimise cost would not be delaying investment to meet such demonstrable need.

AIA believes that delay in commitment represents the greatest single risk to cost overruns for this project. The Australian Resources industry is experiencing a significant increase in capital expenditure to develop new supply for expanding commodity markets in Asia. In real terms (2010–11 dollars), new capital expenditure in 2010–11 is the highest on record and nearly four times the average annual expenditure of the past 30 years (\$14.7 billion). ¹.

Submissions are invited from interested parties on Western Power’s assessment of the incremental revenue test arising from the proposed augmentation. In particular they may wish to consider :

- the forecast level of additional loads and generation;
- the time period over which the revenue has been forecast: and
- the tariffs used to forecast revenue

WPC’s forecast additional loads and generation, and the time period over which they have been forecast are conservative.

- The EHMP load classified as possible by WPC represents only the direct additional load arising from the development of stage 1 of the EHMP.
 - Indirect loads arising from an increase in population and economic output in the region have not been adequately assessed;
 - Additional direct and indirect loads associated with increases beyond the initial stage 1 (10 Mtpa) project have not been adequately assessed;
- Stage 1 has a life of at least 40 years based upon already defined ore reserves and environmental approvals;
- The additional generation forecast for the region are too low and are already severely constrained by network capability
 - 65 MW of renewable energy contracts for a new desalination plant were announced last month;
 - The EPA has recommended that the Minister for the Environment should approval the proposed 800 MW Coolimba coal and gas fired power station near Eneabba;
 - Geothermal energy, solar thermal and unconventional gas producers have targeted the Mid West as a highly prospective area for these energy sources.

Submissions are invited from interested parties on Western Power’s assessment of the net benefits arising from the proposed augmentation. In particular they may wish to consider :

- the forecast net present value of the benefits identified by Western Power;
- whether the period of time over which the benefits have been forecast is reasonable; and
- whether the benefits identified by Western power justify the approval of higher reference tariffs.

¹ New, R, Ball, A, Copeland, A et al. 2011, Minerals and energy, major development projects – April 2011 listing, ABARES, Canberra, May.

Because of the significant underestimation of both future loads and future generation in the region, WPC's assessment of the net benefits arising from the proposed augmentation are understated. Furthermore, WPC has advised AIA that existing transmission system limitations prevent WPC from offering firm supply for loads as little as 1.5MW in the Three Springs district until the proposed augmentation is complete. AIA does not therefore agree with WPC's assertion that the proposed augmentation is not necessary to maintain network safety and reliability. This element has been understated and as noted above, the augmentation is already long overdue.

We look forward to receiving your favourable response.

Yours sincerely,
EXTENSION HILL Pty Ltd

A handwritten signature in black ink, appearing to read 'M. Duxbury', with a stylized flourish at the end.

Matt Duxbury
Manager – Infrastructure Services