

Our ref: 52727245
Contact: Zahra Jabiri

5 June 2020

Paul Kelly
Executive Director Regulation & Inquiries
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Mr Kelly

Notice of Withdrawal for Picton South Staged 132 kV conversion Regulatory Test

Western Power advises that it is formally withdrawing its Regulatory Test submission for the major augmentation proposal for Stage 1 of the Picton South Staged 132 kV conversion, due to the uncertainty around the timing and demand triggers for the STATCOM component of the works, which has been further increased by the potential impacts of COVID19.

The Stage 1 investments (excluding the STATCOM) are asset related and are unaffected by the uncertainty of the demand levels or impacts from COVID-19. The capital cost of the Stage 1 works without the STATCOM component is well below the Regulatory Test threshold of \$37.9M and a Regulatory Test is therefore not required for these works. Western Power will proceed with the business case and approval process for this investment.

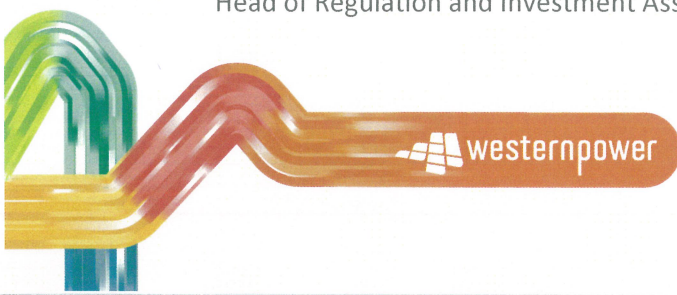
We note that deferring the STATCOM component will result in the following:

- An additional investment (e.g. ~ \$2M for reactors) is likely be required to reinforce the network to address emerging overvoltage issues in the 22kV distribution network during system low conditions
- Supply to customers in the Picton South network will continue to be at lower levels than required until 2027 when the second 132kV supply into Busselton is planned for completion.
- Potential loss of Stage 2 deferment opportunities, however any deferment is dependent upon the Picton terminal transformers remaining in service longer than expected.

Western Power's proposed staged approach as outlined in its Regulatory Test submission included undertaking a full assessment of the requirements and options relating to the STATCOM component in 2024, as required under the *Electricity Networks Access Code 2004* (Access Code) and the Network Facilities Investment Test, before proceeding with the investment. Should growth drivers re-emerge, Western Power will reassess the STATCOM and other options to address the voltage capacity limitations in the region.

Yours sincerely

Zahra Jabiri
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