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Mr Robert Pullella
Executive Director Industry Policy
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

VIA EMAIL: wprevisedforecasts@era.wa.gov.au

Dear Robert

**CALL FOR SUBMISSIONS ON REVISED FORECASTS PROPOSED BY
WESTERN POWER**

Thank you for the opportunity to comment on the revised forecasts proposed by Western Power. Verve Energy notes the ERA's view that the proposed changes may have a significant impact on regulated transmission and distribution prices.

The proposed increases are significant. Indeed the proposed change of \$63.7M in new facilities investment represents a 16.5% increase on the expenditure forecast in May 2006 while the change of \$23.7M in non-capital expenditure represents a corresponding increase of 11.7%. Verve Energy trusts that the ERA will accordingly apply due scrutiny to the proposed changes and that appropriate verification of actual expenditure will be required before incorporation of that expenditure into the determination of revised regulated tariffs.

Additionally, forecast customer-driven transmission and distribution capital expenditure of \$590.6M over three years is noted. It is likely that a significant proportion of that may be for augmentation at the fringes of the grid. Verve Energy would like to take the opportunity to remind ERA that it has the capability to offer a cost-effective alternative solution to network augmentation in that circumstance. You may recall the presentation that Verve Energy made to you and your colleagues in August on its wind-diesel capability, which has already proven to be an ideal alternative to fringe of grid network augmentation.

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While, under the Wholesale Electricity Market Rules, it is incumbent on the network operator to consider, and propose where appropriate, generation or demand-management alternatives to network augmentation, Verve Energy remains unconvinced that its product receives due consideration by Western Power.

Verve Energy requests that ERA, before approving the proposed demand related capital expenditure, takes the steps to ensure that alternative solutions to network augmentation have been properly considered.

The proposed extension of application of the Investment Adjustment Mechanism seems reasonable although, again, Information Technology expenditure should be carefully scrutinised to ensure that only prudent solutions are implemented.

Thank you again for the opportunity to submit.

Yours sincerely

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

**ANDREW EVERETT
MANAGER REGULATION**