

26 September 2006

Mr Rob Pullella
Executive Director Industry Policy
Economic Regulation Authority
6th Floor, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Rob

**REVISED PROPOSED ACCESS ARRANGEMENT
FURTHER INFORMATION**

Provision of Requested Information

Western Power is pleased to provide additional information in response to Part D of the Authority's "Notice to give information or documents" issued under Section 51 of the Economic Regulation Authority Act 2003 (WA) by Lyndon Rowe on 22 August 2006.

Specifically, Part D requires "revised forecasts of new facilities investment". In addition to this, I have also provided some necessary variations to the forecast operating expenditures, in response to new safety and environmental compliance requirements and the new Energy Safety Levy.

Both printed and electronic copies are attached.

Investment Adjustment Mechanism

In conjunction with this information, Western Power wishes to extend the application of the Investment Adjustment Mechanism (IAM) to a further four forecast expenditure categories, as follows:

Distribution Capex

1. Rural Power Improvement Program (RPIP)
2. State Underground Power Project (SUPP)
3. Information Technology

Transmission Capex

4. Information Technology

Briefly, the reasons for including these categories in the IAM are:

- Both RPIP and SUPP are Government “sponsored” initiatives which are subject to some annual adjustment, sometimes significant; and
- Forecasts for some major Information Technology projects over the 3 year period have some inherent uncertainties in terms of overall cost and timing of expenditures.

Western Power hereby requests the Authority to accept this advice about the modified application of the Investment Adjustment Mechanism as a formal amendment to the Revised Proposed Access Arrangement.

I trust this will further assist the ERA in expediting its decision on the Revised Proposed Access Arrangement.

Yours sincerely

Doug Aberle

Attached.

SCHEDULE 1

Notice to give information or documents

Section 51 of the Economic Regulation Authority Act 2003 (WA)

Part D - Information to be provided

Revised Forecasts

Please provide revised forecasts of new facilities investment to the Authority.

WP Response

(NOTE: The numbering of the following tables matches the corresponding tables in the revised proposed Access Arrangement dated 19 May 2006.)

REVISED NEW FACILITIES INVESTMENT FORECASTS

The revised forecasts of new facilities investment are shown in the following table:

Table 6 – Forecast Transmission Capital Expenditure by expenditure type
(\$ million real as at 30 June 06)

	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	Historical				First access arrangement period		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
DEMAND RELATED							
System Capacity	90.6	83.1	68.8	81.9	79.0	101.9	98.9
Customer Driven - Bulk Loads	0.3	2.2	2.2	7.9	28.4	52.4	11.2
Customer Driven - Generation	0.3	3.1	44.6	82.4	66.4	38.7	22.8
NON DEMAND RELATED							
Asset Replacement	3.6	5.6	5.7	7.0	13.8	14.2	18.4
Safety, Environmental & Statutory	0.1	0.3	1.5	3.4	8.0	13.5	14.0
Reliability Driven	1.0	1.4	0.7	1.1	1.5	0.3	0.0
OTHER							
SCADA & Communications	4.9	4.0	2.1	4.1	5.6	1.4	3.1
IT (inc. Market Reform)	0.6	0.4	1.2	0.8	2.1	2.8	2.5
Support	1.8	1.4	5.1	2.8	5.1	4.3	2.7
Transmission Total (\$M)	103.1	101.5	131.9	191.6	210.0	229.6	173.6

Table 7 – Forecast Transmission Capital Expenditure by asset class
(\$ million real as at 30 June 06)

	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	First access arrangement period		
	2006/07	2007/08	2008/09
Transmission transformers	35.9	33.9	28.3
Transmission reactors	1.0	1.0	1.6
Transmission capacitors	4.7	14.4	9.3
Transmission circuit breakers	38.3	39.4	41.7
Transmission lines - steel towers	79.0	78.3	46.3
Transmission lines - wood poles	4.8	5.9	22.5
Transmission cables	4.8	6.5	0.4
Transmission metering	0.0	0.0	0.0
Transmission SCADA and Communications	5.6	1.4	3.1
Transmission IT&T	2.1	2.8	2.5
Transmission Other, non-network assets	13.9	16.4	9.8
Transmission Land & Easements	19.9	29.5	8.2
TOTAL	210.0	229.6	173.6

Table 24 – Forecast Distribution Capital Expenditure by expenditure type
(\$ million real as at 30 June 06)

	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	Historical				First access arrangement period		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
DEMAND RELATED							
Distribution Capacity	18.8	19.3	23.4	40.7	30.5	32.2	37.2
Customer Driven	74.0	90.1	107.8	156.4	90.2	104.7	119.3
Customer Driven – Vested Assets	9.8	14.7	16.8	16.9	15.5	18.9	22.1
NON DEMAND RELATED							
Asset Replacement	9.0	4.3	11.5	14.3	17.1	28.4	28.7
Reliability Driven	0.0	0.4	0.1	5.6	9.2	18.8	12.6
Safety, Environmental & Statutory	0.0	4.5	26.1	25.2	26.9	43.6	43.1
OTHER							
SCADA & Communications	5.0	2.7	2.3	2.4	2.1	1.7	1.8
IT (inc. Market Reform)	0.7	1.2	5.4	9.9	18.7	16.1	14.2
Metering	4.9	4.8	14.1	11.9	4.3	7.7	9.2
State Undergrounding Power Program (SUPP)	17.5	8.7	20.1	14.1	16.6	15.4	15.8
Rural Power Improvement Program (RPIP)	0.0	0.0	10.8	6.7	10.0	10.1	11.1
Support	1.3	1.3	5.6	5.9	12.3	14.1	8.3
Distribution Total (\$M)	141.0	152.0	243.9	309.9	253.4	311.9	323.5

**Table 25 – Forecast Distribution Capital Expenditure by asset class
(\$ million real as at 30 June 06)**

	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	First access arrangement period		
	2006/07	2007/08	2008/09
Distribution lines - wood poles	53.1	72.4	82.1
Distribution lines - steel poles	0.0	0.0	0.0
Distribution underground cables	101.8	118.4	117.9
Distribution transformers	27.9	34.8	37.5
Distribution switchgear	21.8	32.7	38.5
Street lighting	11.2	13.1	13.8
Distribution meters and services	4.4	8.6	9.4
Distribution IT&T	18.7	16.1	14.2
Distribution SCADA & communications	2.1	1.7	1.8
Distribution Other, non-network	12.3	14.1	8.3
Distribution Land & Easements	0.0	0.0	0.0
TOTAL	253.4	311.9	323.5

Further information supporting these revised capital expenditure forecasts is contained in the attachment.

REVISED FORECAST OPERATING EXPENDITURE

The revised forecasts of operating expenditure are shown in the following table:

**Table 9 – Forecast Transmission Operating and Maintenance Expenditure by expenditure type
(\$ million real as at 30 June 06)**

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	Historical			Interim	First access arrangement period		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Maintenance Strategy	2.7	4.0	3.9	3.6	4.1	3.9	3.9
Preventative Condition	6.4	6.2	7.2	10.0	6.9	6.9	6.9
Preventative Routine	8.4	7.0	8.1	10.1	8.2	9.0	9.4
Corrective Deferred	3.3	3.0	3.8	4.0	4.5	3.8	4.1
Corrective Emergency	2.2	0.7	1.2	1.4	1.0	0.9	0.8
Maintenance (Total)	23.0	20.9	24.2	29.1	24.7	24.4	25.1
SCADA & Communications	2.0	3.3	2.5	3.2	5.3	5.3	5.3
Misc Network Services	0.0	0.0	3.4	6.4	4.2	4.3	4.3
Network Operations	8.3	9.4	8.4	9.5	9.7	10.4	10.1
IT&T	5.2	6.0	4.8	6.3	7.3	7.8	8.1
Network Support	17.7	17.3	21.9	15.1	13.3	14.4	14.3
Energy Safety Levy	0.0	0.0	0.0	0.0	2.8	2.8	2.8
TRANSMISSION TOTAL	56.3	56.9	65.2	69.6	67.2	69.4	69.9

Table 27 – Forecast Distribution Operating and Maintenance Expenditure by expenditure type
(\$ million real as at 30 June 06)

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	Historical			Interim	First access arrangement period		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Maintenance Strategy	3.2	3.8	3.9	5.3	6.1	6.7	6.6
Preventative Condition	9.3	9.4	16.8	18.7	22.3	22.1	21.0
Preventative Routine	9.6	9.8	27.4	28.1	29.5	29.7	29.7
Corrective Deferred	14.3	14.0	16.3	18.4	12.1	11.0	10.5
Corrective Emergency	33.1	28.5	30.8	34.9	26.6	24.5	23.5
Maintenance (Total)	69.5	65.5	95.2	105.3	96.6	94.1	91.4
Reliability	0.0	0.0	0.0	2.1	3.0	2.9	2.9
SCADA & Communications	0.0	0.0	0.5	0.8	0.9	0.9	0.8
Misc Network Services	0.0	0.0	2.2	2.0	1.9	1.9	1.9
Network Operations	4.3	5.4	7.7	8.5	8.6	8.8	9.0
IT&T	9.5	8.5	8.5	10.7	12.9	14.1	17.4
Metering	9.5	9.6	9.6	15.9	14.0	13.7	14.7
Call Centre	4.8	5.0	5.1	5.7	6.4	6.5	6.7
Network Support	24.0	27.6	27.3	45.4	44.6	47.5	49.4
Reliability Penalty Payment					1.4	1.3	1.3
DISTRIBUTION TOTAL (\$M)	121.5	121.7	156.0	196.4	190.3	191.7	195.4

Further information supporting these revised operating expenditure forecasts is contained in the attachment.

NOTE: In previous advice (dated 1 September 2006), Western Power indicated its intent to incorporate the new Energy Safety Levy in the Access Arrangement in a manner similar to the Tariff Equalisation Contribution (TEC) rather than as an operating cost. However, given the understanding that this would require a Code change and the current time pressures on the Access Arrangement approval process, the Energy Safety Levy has now been included as a direct cost item in the revised Transmission operating expenditure forecasts.

ATTACHMENT

ENDS