

8 February 2007

Mr. Robert Pullella  
Executive Director, Competition, Markets and Electricity  
Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849  
(By Email: [public\\_consultation@era.wa.gov.au](mailto:public_consultation@era.wa.gov.au))

Dear Sir

**Western Power's Access Arrangement  
for the South West Interconnected Network**

In response to your notice issued on 17 January 2007 which called for submissions in relation to Western Power's Revised Proposed Access Arrangement for the South West Interconnected Network we would like to submit the following comments.

**Who are we?**

Aviva Corporation Limited (Aviva) is positioning itself as the Mid West Energy Company supplying energy to the Mid-West and the northern end of the South West Interconnected System (SWIS).

Aviva has an option to purchase the Central West coal deposit situated 10km south of Eneabba in the centre of the Mid-West mineral province of WA and adjacent to the two 132kv transmission lines that supply electricity to the Mid West.

Aviva has partnered with ERM Power to jointly investigate the technical and commercial merit of a 2x200MW mine mouth coal fired base load power station delivering electricity into the SWIS.

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We believe this power station would deliver the following benefits to the State:

- A billion dollar investment in the Mid West;
- 400 construction jobs;
- 100 permanent jobs locally housed;
- Reliable and competitive power supply for the Mid West and the SWIS;
- Unlock the potential of the Mid West Region, particularly through development of its mineral resources.

Essentially this power station requires a solid transmission connection to the SWIS. The existing 132kv transmission system from Perth to the Mid West would need to be upgraded to at least 330kv or above.

We understand that Western Power Networks have begun looking at bringing forward the timeframe for the possible construction of a 330kv line from Perth to Geraldton via Eneabba to meet the increasing demand requirements in the area. Aviva supports the intention of Western Power to up-grade the line to accommodate increased demand and facilitate the inclusion of additional generation capacity located in the Mid-West.

Our comments are particularly relevant to this proposed new transmission line and are as follows:


#### Reductions in Contractual Capacity

- Western Power Networks (WPN) is proposing that contractual capacity granted under a transmission access contract can be withdrawn by WPN if that capacity is not being used.
- This adds significant risk to new entrant generators who require their future access rights to have a high level of certainty going forward.

- A lack of certainty over the rights to the transmission lines will make project finance very difficult which reduces the competitiveness of the industry.
- The risk is about the type of and extent of rights a network user has in relation to that granted contractual capacity.
- The current proposal strictly limits those rights because the ownership of all capacity is essentially retained by WPN (as they have the right to reclaim the capacity). Giving WPN that right is of concern, because WPN may act in the future to restrict a user's existing or future access to the network.
- On the other hand we acknowledge that in removing the right to reclaim capacity there is a risk of entities hoarding capacity. This is also not desirable as it may make it difficult for new entrants to gain access to the network again being uncompetitive.
- As a solution a model similar to the ACCC to determine anti competitive behaviour amongst existing holders of the capacity rights with the right to recommend that capacity is reduced in such circumstances may be better.
- Alternatively giving users who have firm capacity rights the right to trade in whole or in part those rights may provide a commercial and competitive outcome to the issue.

#### Treatment of Capital Contributions

- Our understanding is that the majority of the existing SWIS transmission network has been funded by WPN. In addition it appears that currently any companies who are prepared to contribute to the capital required to expand the network infrastructure (to facilitate their projects going ahead) will not have a prior right to that infrastructure that they are prepared to pay for to create.

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- Rather it appears they will still need to line up in the “queue” behind others who have put in earlier access applications but who may not be prepared to contribute in a similar manner to the required transmission line investment.
  - We feel the queuing policy should only apply to spare capacity.
  - If there is no spare transmission capacity and potential users are willing to invest to develop new capacity then the private investors should be able to gain firm capacity rights for making that investment.
  - Further, consideration needs to be given to reducing the ability for applicants without “real projects” to frustrate the process by taking up places in the queue.

#### Planning for appropriate transmission line facilities (capacity)

- Once constructed assets such as transmission lines tend to have a long life.
- In addition they often occupy the whole of the easements that were set aside for their construction thereby reducing the ability to expand the network beyond that originally constructed until toward the end of the asset life.
- Governments should ensure that assets using easements are planned and constructed in a way that reflects the longest possible timeframe so as to not create “full easements” with quickly outdated capacity infrastructure.
- Transmission line easements create natural monopolies, (where it is difficult or impossible to duplicate them). Therefore, governments should have the longest possible timeframe in mind when planning for their use.



### Headworks Charges - Individual connection impact on the Network

- Different users of the network create different network conditions.
- The Access Code needs to provide for a fair way to charge appropriate headworks or capital contributions to users both existing and potential to accommodate the particular network issues that their generation or load creates.
- This could potentially mean that some users are charged a greater amount for connection because their use of the network creates network issues that require additional capital to manage while other network users could deserve a lower charge as their connection creates a network benefit or reduces other capital requirements.

We would welcome the opportunity to discuss our comments or related matters with you at your convenience.

Yours sincerely,

Lindsay Reed  
Chief Executive Officer