

14 October 2005

Lyndon Rowe
Economic Regulation Authority
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Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

Dear Lyndon

SWIS CONNECTIONS

I appreciated our conversation yesterday and as promised you will find attached Beacons response to the ERAs request for comments:

Beacons is the Owners Representative and Manager (OR&M) for the following sustainable (Green Power) projects (which have been underway for over 3½ years):

- Perth BioEnergy Project (PBP) of 1 x 45MW capacity and ≈ \$104M capital cost. Owned by Perth Bioenergy Holdings Pty Ltd (PBH).
- Great Southern BioEnergy Project (GSBP) of 2 x 45MW capacity and ≈ \$210M capital cost. Owned by Great Southern BioEnergy Holdings Pty Ltd (GSBH).

The owners of these projects are independent power producers (IPPs) seeking to sell power to retailers of power (Power Retailers) or directly available customers (Contestable Customers), are described in more detail the Presentations enclosed.

The PBP and the first 45MW stage of the GSBP, are planned for Financial Closure in the 1st quarter of 2006 and to be in commercial service in the beginning of 2008. Connection Offers have been sought from Western Power Networks (WP Networks) and – after long drawn out study time – these Connection Offers have been made.

Beacons objects to the whole WP Networks process to which there is no apparent appeal mechanism:

- WP Networks refuses to grant a Connection Offer unless WP Networks itself performs a range of studies to determine whether to make a Connection Offer.
- The IPP must pay WP Networks whatever fees it demands for the studies after they have been performed.
- The IPP must accept a position allocated by WP Networks in a queue for these studies to be performed.

- The program to undertake the studies is entirely at the discretion of WP Networks as to order and priority.
- If as a result of the studies, it is determined that the South West Interconnection System (SWIS) requires upgrading, in order for an IPP to supply its customers, then WP Retail demands to undertake the works to its SWIS and charge the IPP whatever it costs. This is in addition to the cost of using the SWIS (Wheeling Charge) to supply customers during the operation of the Power Station.
- WP Networks has a standard format for applying for a Connection Offer regardless of the type of generation where it is to be located in the SWIS. Even when common engineering sense says that the connection can easily be made (e.g. the PBP). It requires extensive design information on the generating plant be provided before the studies commence. If there are even relatively minor changes to generator capacity then WP Networks often sends the IPP to the back of the queue. These are all major problems when a Project is being developed and the manufacturers of generators are still under competitive assessment.

The above process often takes more than 12 months and appears designed to frustrate IPPs by introducing unacceptable delays and costs for which there is no accountability.

There should be at least 3 competent bodies licensed by the ERA to perform studies for Connection Offers to be made and willing to compete (preferably some competent consultants).

The ERA, the Office of Energy or similar, should be able to project the demand growth for the SWIS and advise WP Networks in order for it to perform what ever works are required to ensure the SWIS is capable of meeting this demand. For commercial viability WP Networks should be able to charge an appropriate Wheeling Charge (regulated by the ERA or the Office of Energy) to reach its customers. If the WA Government – for the purposes of regional development – decides that the SWIS should be expanded or upgraded far in advance of what is reasonable to expect WP Networks, then some specific Government contributions to assist WP Networks should be considered, with a repayment formula when the loads are established or in some cases a grant provided.

Yours sincerely

Clifford H Jones
Chairman & CEO