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Our Ref: GOV37
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Mr Robert Püllella
Executive Director, Competition, Markets and Electricity
Economic Regulator Authority
PO Box 8469
PERTH BC WA 6849

Dear Sir

The Shire of Denmark welcomes the opportunity to comment upon Western Power's revised proposed access arrangement for the SWIN. Whilst Council supports the agency plans to upgrade the network capacity and service, Council does not accept that this cost should be transferred to the community or development industry to meet as it will create an inequitable situation.

The Shire has for many years planned for the growth of our communities and has recently become aware that power supplies may jeopardise this potential. The Shire is provided with power supplied from Albany through a powerline to Walpole. Our communities have planned for an additional 1500-1600 lots in Denmark and 200 in Walpole over the next 10-20 years and Western Power have advised that the powerline cannot sustain any more power and a new line (estimated at \$40m is required) as a long-term solution.

The three matters listed in the Call for Submissions are dealt with separately below:

I. Reductions in Contracted Capacity

The ability for Western Power to require redistribution of existing power supplies from non-users to users is supported. The concern is that the present system of distribution is centrally-focused and it is likely that any reductions would take place in areas at the extremities of the network, which would continue to disadvantage those places. There is no guarantee implied within the proposal that addresses this issue.

Clearly in the situation that a user is simply 'banking' the power with no clear plan for its use, then Western Power should have the ability to negotiate that power being supplied to a more immediate user, but it should not reduce the potential for the initial user to gain access to the increased supply at a point in the future. The 'banking' of power can only be anti-competitive if it deliberately is intended to disadvantage another user.

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2. ***Treatment of Capital Contributions***

Council has concerns about the proposals listed and considers that many will offer a disincentive.

The 'user' needs to be more clearly defined as the contribution paid by a 'user' will inevitably be shared by all consumers along the line. In this regard, the Government should acknowledge this and provide a substantial contribution to any upgrade costs rather than rely on the 'user' only to pay.

Council believes that any upgrades should occur firstly in those areas at the end of the grid or where capacity has already been reached. The upgrade costs if significant may in these cases represent a clear disincentive to development if the developer was to be levied an unreasonable capital contribution costs where there was also a whole of community benefit derived from the upgrade.

If areas become known as unreliable or inadequate for power supplies then it is likely that developers would target other areas.

3. ***Headworks Charges***

Council considers this approach to be inequitable. Requiring a small consumer or user to pay a contribution to the proposed \$40m upgrade costs may seem reasonable on the surface but there is no detail regarding how those costs would be determined. In our situation there is also a need for the future provision of a new powerline from Kojonup to Albany to cater for the future growth of the South Coast generally and it is not clear if a developer in Denmark would have to contribute to those costs also. In these situations the development would quickly become unviable.

If this approach is adopted, Council would prefer that the arrangements are more transparent and that the Government funded the upgrade so it could proceed in the short-term with the monies recouped from the developments that would follow, not vice versa where it could be 10-20 years before the contributions available are enough to commence the upgrade. There needs to be an element of sharing or averaging of these costs if it is to be accepted.

If you have any questions in relation to this matter, please contact the undersigned on 9848 0300 during office hours.

Yours faithfully

*Pascoe Durtanovich
Chief Executive Officer*