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Access Arrangement Review
Electricity Access
Economic Regulation Authority
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Dear Sir

Re: Western Power's Proposed Access Arrangement Revisions for the South West Interconnected Network

Pacific Hydro welcomes the opportunity to submit to the Economic Regulation Authority (ERA) consultation on the Western Power Proposed Access Arrangement Revisions for the South West Interconnected Network. This consultation is timely given Pacific Hydro's progress in the development of wind energy resources within the SWIS and our operation and development of a number of wind farms sites in both Victoria and South Australia in the National Electricity Market.

Pacific Hydro is one of the world's leading clean energy independent power producers. We currently have 2,500 megawatts (MW) of hydro power and wind farm projects at varying stages of development, construction and operation in Australia, Chile, Brazil, Fiji and the Philippines.

Currently we have more than 600MW of projects in development across Western Australia, South Australia and Victoria. More than 100MW of wind farms are presently under construction including the final stages of the 195MW Portland Wind Energy Project in southwest Victoria and Clements Gap, our first project in South Australia. When complete in 2010, the 57MW Clements Gap Wind Farm, located near the Spencer Gulf, will generate enough clean electricity to power 30,000 homes.

Meanwhile, our four operating wind farms in Victoria are already meeting the annual power needs of 80,000 homes while avoiding the emission of more than 500,000 tonnes of greenhouse gas pollution every year.

Beyond wind, Pacific Hydro is assessing opportunities for conventional geothermal energy through the licences it holds in the Great Artesian Basin in South Australia.

Under the extended 20% National Renewable Energy Target (NRET), more than 6,000MW of new wind power will be developed in Australia by 2020. As a pioneer of the Australian wind energy industry, Pacific Hydro is well placed to build on its existing portfolio of wind farms and aims to capture a 20 per cent share of the Australian wind power

market. To meet this goal we intend to construct up to 150MW of new wind farm capacity every year over the next 12 years, with 750MW of new projects due to come online within the next five years.

The introduction of an emissions trading scheme in Australia by 2010 will provide additional value for developers of clean energy projects.

Pacific Hydro is owned by an Australian company and provides an investment to over five million superannuates. While we take a long-term view of investments in Australia, the creation of a balanced approach that does not impose excessive costs on renewable generation projects is essential if we are to remain competitive in the future.

We have a number of concerns regarding the proposed revisions to the Access Arrangements, outlined below under the following headings:

- Applications and Queuing Policy;
- Electricity Transfer Access Contract; and
- Contributions Policy.

Our review notes the complexities of the entire access arrangements but does not attempt to provide commentary on areas that are not subject to the Western Power revisions; however we would welcome a broader review of the arrangements, with a view to creating consistent regulatory arrangements across Australia.

Applications and Queuing Policy

The proposed Clause 24.6 amendment removes references to the applicant requesting Western Power suspend processing of its application due to delays in obtaining the necessary environmental or other approvals. This amendment removes an important coordination issue in the generation development from the applicant and rests this issue within the interpretation of Western Power. Environment and planning approvals are often beyond the direct control of the applicant and the applicant may have used reasonable endeavours to progress these approvals (as required in 24.6(b)) but can still find Western Power uses this amendment to bypass the applicant. This amendment is not in the spirit of the first come, first served principle.

The introduction of Clause 24.3 to a "transition application" which operates outside the Applications and Queuing Policy raises fairness issues in respect to what constitutes a material impact on other applications. We believe that complete transparency is necessary to ensure the transition application has not been promoted for benefits of Western Power's network augmentation at the cost of current and future applicants.

Electricity Transfer Access Contract

Clause 3.8(a) of the Electricity Transfer Contract raises the dilemma faced by Network Service Providers (NSPs) where contracted capacity has been underutilised by the user. How can this capacity be redirected to other users in a fair and reasonable way? The generator, as the effective “owner” of this capacity, has built the connection assets to the size necessary to fit the contracted capacity. Generation development, particularly wind generation, requires the coordination of connection arrangements, licensing, planning and environment approvals, turbine selection, noise abatement, construction and financial resources. During the development stage a number of these matters are progressed within the various timeframes and uncertainties as issues arise. With best practice and best intentions the coordination of the multiple issues can result in connection arrangements being underutilised. Pacific Hydro has experienced these issues with a number of wind developments. Where there are no commercial opportunities to utilise the unutilised capacity, we agree that this capacity should be released back to the transmission NSP. However as the owner of the connection capacity, Pacific Hydro considers any reduction to this capacity must be on the basis of agreement between the parties, including a clearly defined dispute mechanism and the engagement of an independent expert for arbitration if required.

Contributions Policy

Pacific Hydro is concerned that the inclusion of enhancements to the distribution system (headworks) within the scope of works in the connection application has the undesirable outcome of charging connecting generators for deep augmentation of the network. Deeper augmentations are difficult to allocate to just one user or element in the network as the benefit of the augmentation usually serves all network users. The inclusion of any augmentations in a connection scope of works should be negotiated with the connecting generator prior to the finalisation of the scope. Full transparency of the contributions necessary to enable the connection must be provided. In our experience it may be more economic to downsize a project in its capacity, to fit the network, rather than pay for significant system augmentations. The connection process should be flexible enough to allow such variations.

As Western Power do not provide generators with network data or enable generators to study the network sufficiently, negotiation in these matters can become unevenly weighted between parties, leaving the generator exposed without the knowledge held by the NSP.

The principle that generators should bear these costs and pass these costs to the end users is economically inefficient. Pricing signals to end users of transmission augmentation within the distribution system is dictated by tariffs charged to customers by Western Power. Allocation of these costs to the generators will result in a higher price for generation or curtail investment in generation if these charges rule out the investment case.

We thank you for the opportunity to raise the above issues and look forward to your assessment of the Western Power proposed revisions. If required we can elaborate on the above concerns or provide further information in relation to our experience in these matters.

Yours sincerely

K P Summers
Regulatory Compliance Manager