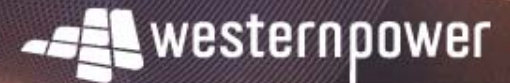


Mid West Energy Project (MWEP) Southern Section: Pre-NFIT Draft Determination



David Bones (Network Planning and Development)

Geraldton

30th November 2011

Agenda

Welcome and Intro – Warren Giddens

Western Power Presentation

- Background
 - Western Power's New Facilities Investment Test submission
- Western Power position
- Pre-NFIT draft determination
- Further actions
- Conclusion
- Facilitated Q&A, Group discussion

Regulatory Test - Passed

- Mid West Energy Project (Stage 1) passed Regulatory Test (February 2011)
- Confirms that the project is the best option to address the power requirements of the Mid West.
- Confirms that it is the most efficient option.

Pre New Facilities Investment Test (NFIT)

- Ensures sound investment decisions
- What is it?
 - Demonstrates : right solution, right price, right timing
- Two parts:
 - Efficiently minimising costs
 - Benefits to outweigh cost

Western Power position – NFIT submission

- MWEF satisfies NFIT
 - \$94 million net benefits – above project cost
- MWEF is the correct option and is an efficient project

ERA Draft Determination - Efficiency

- ERA draft determination: 96% - efficient
- Western Power Response:
 - Western Power is confident of being able to adequately address the remaining 4%

ERA Draft Determination – Net Benefits

- ERA draft determination: Future benefits are uncertain – concern that there is too much risk to existing customers
- Western Power Response:
 - Provides benefit greater than cost over time
 - Short term view – worst case - approx 1% increase for customers using 50,000 kWh/yr
 - Longer term view - This price impact would diminish as market benefits are realised.
 - Benefits need a long term view
 - Will provide the ERA with clarity regarding the benefits

ERA Draft Determination – Speculative Investment

- ERA draft determination: Suggested speculative investment fund could be a way to transfer the risk from customers to WP/Government
- Western Power Response:
 - Not a commercially acceptable option
 - Need certainty of a return on investment

Potential implications

If Pre NFIT approval is not achieved:

- Risk of MWEF Stage 1 not going ahead
- To progress with the project Western Power may require underwriting from major customers or Government
- Potential delay likely to increase costs
- May lead to less efficient piecemeal reinforcement
- Potential future constraints for customers and projects (including wind generation) in the region wanting to connect to network

Further actions

- Draft determination – Western Power will work with the ERA and stakeholders to respond and clarify
- Public submission to the ERA – by 12 December

Submissions should be marked to the attention of Manager Projects Access.

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Conclusions

- Western Power believes the project passes NFIT in that the benefits significantly outweigh the costs
- Encourage stakeholders to submit to ERA
- Key date - 12 Dec 2011

Q&A / Group discussions ?

- Questions?
- Comment/ discussion?

THANK YOU