

16 October 2017

Mr Zaeen Khan
Acting Executive Director
Public Utilities Office
Department of Treasury
Level 1, 469 Wellington Street
PERTH WA 6000

Dear Mr Khan

RE: Issues paper: Coverage application by Alinta Energy

Thank you for the opportunity to comment on the Issues Paper published by the Minister for Energy in relation to the coverage application made by Alinta Energy for the transmission and distribution infrastructure owned and operated by Horizon Power in the North West Interconnected System. This letter outlines a submission from ATCO Australia Group.

Background

ATCO Australia Group includes ATCO Gas Australia, which owns and operates the vast majority of Western Australia's gas distribution network, serving approximately 740,000 end users via the Mid-West and South West Gas Distribution System. It also includes businesses that operate within the electricity sector through the ownership and operation of gas-fired power stations in Karratha (wholly-owned) and Adelaide (co-owned). The Karratha facility generates electricity to supply residential and business consumers under a long-term power off take contract with Horizon Power.

The ATCO Australia Group is part of the worldwide ATCO Group of companies with more than 7,000 employees and assets of approximately \$20 billion. ATCO's companies are engaged in pipelines and liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); electricity (electricity generation, transmission, and distribution); retail energy; and structures and logistics.

Alinta Energy coverage application

As a general principle, ATCO Australia supports the introduction of a formal regime to govern and facilitate third party access to Horizon Power's transmission and distribution network infrastructure in the North West Interconnected System. Regulating third party access to this infrastructure under the *Electricity Networks Access Code 2004* would be a simple and relatively quick way of establishing a formal regulatory regime.

Establishing such a regime would provide the regulatory certainty necessary to spur retail electricity competition in the Pilbara, and provide choice to consumers that are currently subject to a de facto retail monopoly electricity service delivered by Horizon Power.

ATCO Australia believes strongly that competitive retail markets deliver real benefits for consumers and the broader economy. The introduction of competition in the retail gas market in Western Australia has

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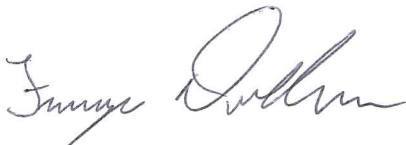
delivered substantially lower gas prices for consumers, and promoted the development of more innovative energy solutions for consumers.

Similarly, ATCO Australia expects that retail competition in the Pilbara electricity market would also deliver real benefits for consumers, including lower prices and more innovative energy products and services. Retail competition would also deliver economy-wide benefits by incentivising efficiency improvements across the Pilbara electricity supply chain.

ATCO Australia considers that these benefits should outweigh the potential adverse financial impacts of retail competition on Horizon Power and, by implication, the State's budget position. Nevertheless, it is likely that further policy and regulatory reforms will be required to address these impacts, including revisiting the Uniform Tariff Policy and considering alternative subsidy arrangements for the Horizon Power business.

If you have any questions or would like to discuss any of these issues further, please contact me or Matthew Cronin, General Manager Regulation, ATCO Gas Australia.

Sincerely,



Frayne Donaldson
General Manager, ATCO Power Australia