



23 October 2017

Mr Zaeen Khan
Public Utilities Office
Department of Treasury
Locked Bag 11
Cloisters Square WA 6850

Via email: PUOsubmissions@treasury.wa.gov.au

Dear Mr Khan

Electricity Networks Access Code – Coverage Application

The Chamber of Minerals and Energy of Western Australia (CME) welcomes the opportunity to provide comment on the Electricity Networks Access Code – Coverage Application.

CME is the peak resources sector representative body in Western Australia, funded by its member companies, which generate 95 per cent of the value of all mineral and energy production and employ 80 per cent of the resources sector workforce in the state.

The Western Australian resources sector is diverse and complex, covering exploration, processing, downstream value adding and refining of over 50 different types of mineral and energy resources.

In 2016-17, the value of Western Australia's mineral and petroleum industry was \$105 billion. Iron ore is currently the State's most valuable commodity, and saw an increase in iron ore sales by almost 31 per cent on the previous financial year to value almost \$64 billion. Petroleum products (including LNG, crude oil and condensate) followed at \$19 billion, with gold third at \$11 billion. Both commodities saw an increase in sales of 5 per cent 7 per cent respectively from the previous financial year.

Energy is a critical input to, and export from, the Western Australia resources sector. CME's *2015-2025 Western Australian Resources Sector Outlook [report](#)*, forecasted electricity demand for the state's resources sector operations to grow approximately 5628 gigawatt hours on 2013 levels by 2020. Over 4000 gigawatt hours of this growth is forecast to occur in the Pilbara.

CME understands the coverage application which was submitted under Chapter 3 of the Electricity Networks Access Code 2004, was initiated by Alinta Energy in relation to third party access to the North West Interconnected System (NWIS). If a network becomes covered, the owners of that network are required to have an access arrangement approved by the Economic Regulation Authority, which sets out the prices and other conditions for access to the network.

Considering the number of privately owned networks that are connected to the NWIS and the potential for expansion of network connections, CME strongly advocates for the NWIS, to become open and competitive, pursued through the creation of contestable markets for the provision of electricity.

CME welcomes a commitment from the Hon Ben Wyatt MLA, Treasurer; Minister for Finance; Energy; Aboriginal Affairs, to pursue long overdue reform to enable a fit for purpose access framework for the NWIS.

The development of electricity network assets (generation, transmission and distribution) should continue to be industry led, but the associated access arrangements should be underpinned by a transparent and independently regulated regime. The regulated use of electricity networks is important for providing confidence and choice to asset owners, access seekers and end consumers.

The development of market related pricing methods should reward private sector risk, promote efficiency and provide price signals to all consumers. However, it is critical regulatory reform does not in any way impact security of electricity supply for the resources sector operations, which drive the state and national economies.

Access arrangements should be structured and applied in a way that incentivises efficient private sector investment in regulated and reliable infrastructure. In principle, CME considers access frameworks should:

- first and foremost, secure network reliability;
- encourage access seekers and project proponents to negotiate directly;
- create a mechanism enabling access disputes to be resolved in a timely manner;
- provide certainty for investors;
- promote optionality and competition to allow choice for energy consumers; and
- establish rates of return reflecting prevailing market conditions and risks.

It is important that determined rates of return drive efficiency in capital investment decisions and operating expenses of regulated asset owners, however it should not act as a disincentive for asset maintenance or expansion. To balance these critical requirements, rates of return should be determined transparently, with any supporting expert analysis made available for review, and rates determined by other regulators for similar assets around Australia should also be taken into consideration.

Should you wish to discuss this matter further, please contact Caroline Cherry, Manager – Economic Competitiveness, on 08 9220 8514 or c.cherry@cmewa.com.

Yours sincerely



Nicole Roocke
Deputy Chief Executive