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14 May 2012

Mr Tyson Self  
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PO Box 8469  
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Action Officer	TYSON SELF

Dear Mr Self,

Thank you for this opportunity to make a submission in support of the Authority's Draft Decision on Western Power's Proposed Revisions to the Access Arrangement for the Western Power Network.

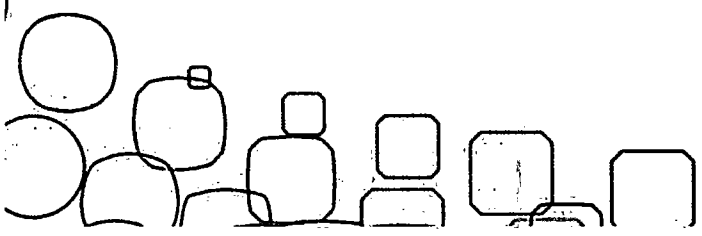
Energy Made Clean Limited (EMC) would welcome the decision for a substantial reduction in the weighted average cost of capital which would lead to a reduction in Network Charges.

EMC supports the Authority's rationale for placing an explicit efficiency factor on Western Power's operating expenditure. On the basis of the benchmark analysis presented in the Draft Decision (particularly Table 11) the operating performance of Western Power has been well below best practice. A suitable 'externally set' efficiency target therefore seems necessary to motivate appropriate commercial behavior within the organisation.

We do however question the level recommended by the Authority. The target level of 2% recommended does not appear to align with the "...significant scope to achieve efficiency gains..." comment raised by the Authority in paragraph 311. Additionally, an efficiency target should be achievable but challenging enough to motivate appropriate commercial behavior. In EMC's opinion, 2% is not a challenging target. A target of 3% to 4% would be more likely to deliver the necessary efficiency improvements in the organisation.

We would also highlight the Community Service Obligation payments made to Synergy in order to fund its operating losses are not available to private retailers, thereby distorting competition and the intent of the electricity market. EMC is supportive of the Authority's proposed price stability over the next 5 years as it would promote fair competition in the electricity market and maintain or lower prices for consumers.

EMC supports the Authority's recommendation that the Tariff Equalisation Contribution (TEC), which the Government uses to subsidise 'off-grid' customers, should be funded by a Community Service Obligation sourced from general taxation revenue rather than operating as a hidden tax on private retailers.



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**EMC**  
ENERGY MADE CLEAN

Currently the Government compensates Synergy for the difference between cost reflective tariffs and actual revenue through a Tariff Adjustment Payment (TAP), which was \$350 million in 2011-12. This subsidy is not available to private retailers.

We also welcome the Authority's observation in relation to the process in which the establishment of the replacement vesting contract between Synergy and Verve Energy was not open and competitive. The confidentiality surround this arrangement further inhibits competition.

Best regards,



Jamie Ally, General Manager – Engineering, EMC Limited