



Economic Regulation Authority  
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Submitted online to: [www.erawa.com.au/consultation](http://www.erawa.com.au/consultation)

## **PILBARA NETWORKS - RATE OF RETURN**

Alinta Energy appreciates the opportunity to provide feedback on the proposed approach to estimate the WACC for the Pilbara networks.

Alinta Energy considers that there are material differences between the risk profiles of the Pilbara Networks.

Firstly, Alinta Energy has a much smaller, and much less diversified customer base. Alinta Energy has only a few, large customers and their usage of its network is exposed to the viability of their projects and commodities markets. While Alinta Energy acknowledges the ERA's findings that Horizon Power similarly has a few large, commodity-exposed customers that account for a large proportion of its usage; it suggests that Horizon Power having the remainder of its usage diversified among many more customers<sup>1</sup> still represents a significant difference in its risk profile, compared with Alinta's.

Secondly, with its more diversified network, Alinta Energy suggests that Horizon Power has more certainty that it will have supply contracts and income from these customers over a longer period, compared with Alinta Energy.

Thirdly, Alinta Energy's customers have substantial power to negotiate alternative commercial and/or supply outcomes, exposing Alinta Energy to the risk that its customers substitute from its network, or reduce their usage and payments over time. With only a few additional kilometres of new transmission line, Alinta Energy's customers can connect to Horizon Power's network and bypass Alinta Energy entirely. By contrast, Alinta Energy suggests that Horizon Power's customers would have comparatively less bargaining power and not be able to obtain their electricity supply from other networks.

Alinta Energy suggests that these unique characteristics and risks raise questions about the suitability of a conventional WACC calculation for its business. Alinta Energy suggests that it would be difficult, if not impossible to find comparable benchmarks and WACC parameters for similar businesses.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this in more detail, please contact me at [REDACTED] or [REDACTED].

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<sup>1</sup> According to the Issues Paper, the majority of Horizon Power's Pilbara network customers (99.8 per cent) represent 52 per cent of the non-coincident peak demand on the Pilbara network.

Yours sincerely



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Alinta Energy