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Dear Mr White

DRAFT REPORT - MAXIMISING THE PENETRATION OF INTERMITTENT GENERATION IN THE SOUTH WEST INTERCONNECTED SYSTEM

The Chamber of Minerals and Energy (CME) appreciates the opportunity to comment on the above report and acknowledges the State Government's commitment to increasing the use of renewable electricity generation in Western Australia.

As the peak resources industry representative body in the State, CME represents large generators and users of electricity and takes a strong interest in matters affecting the cost and reliability of supply.

Energy remains a significant input cost for the resources industry and access to a secure, reliable and competitively priced electricity supply is vital to the sector. CME has argued consistently for policy settings that establish an open, transparent and fuel neutral electricity market.

CME maintains that energy policy should ensure a competitive energy market exists for all resource industry participants and encourage private investment in power generation and distribution.

These views are also reflected in the Office of Energy's Fuel Diversity in Power Generation - Policy Statement which states that '[t]he Government aims to maintain a fair and open competitive market for power generation fuels in Western Australia...'. CME supports the objectives of this policy statement which include -

- facilitating the sustainable supply of reliable, competitively priced electricity;
- underpinning the international competitiveness of Western Australian industry and the attractiveness of the State as an investment destination;
- encouraging investment in fuel supply options that can effectively compete in an environment of regulatory certainty, adequate information and realistic time frames; and
- providing the foundation for innovative, sustainable and competitive fuel industries that contribute efficiently to the economic, social and environmental health and growth of the State, especially in regional areas.

CME considers that any policy measures proposed as in relation to increasing renewable energy should be considered with consideration of these objectives in mind. In particular it is critical that any policy changes be structured in ways that do not discriminate against any party, energy options or technologies.

CME recognises that the report has focused on identifying impacts and benefits associated with the implementation of strategies that support increased renewable penetration, however any policy changes should be considered in light of further detailed network system studies and cost benefit analyses of the recommendations.

Further network system studies and cost benefit analyses of the proposed recommendations are critical given the potential impact of intermittent generation on the SWIS as a small islanded system, and the need to ensure that any additional costs have a positive benefit.

CME does not support cross-subsidisation of renewable energy funding by the resources sector, and opposes increasing mandatory renewable energy targets. CME has been concerned about recent proposals regarding such targets given the high cost and potential inefficiencies associated with renewable energy supplies, and the potential for the proposal to compromise the integrity of a full, open and fuel neutral playing field for the electricity industry

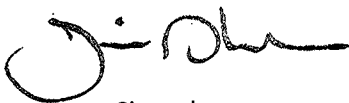
CME adds, however, that member companies are actively engaged in developing sustainable approaches to energy generation and consumption, including the development of renewable energy sources. For example, some member companies are currently operating and/or developing windfarm and solar photovoltaic projects, in addition to emission offset projects and cogeneration plants which have considerable benefits in terms of greenhouse gas emissions.

The developments of wind generation in particular will provide an increasing and significant proportion of capacity on the SWIS by renewables over the next two years.

CME is supportive of these developments and for renewable energy sources as part of a balanced non-discriminatory fuel mix, within an open competitive market for power generation, provided there is no competitive disadvantage or added impost on the State's resources sector.

For further information, please contact Cara Babb on 9220 8504 or c.babb@cmewa.com

Yours sincerely



Tim Shanahan
Chief Executive