



18 December 2017

Mr Noel Ryan
Acting Director, Energy Networks
Public Utilities Office
Department of Treasury
Locked Bag 11
CLOISTERS SQUARE WA 6850

Dear Mr Ryan

RE: Draft decision: Coverage of the Horizon Power electricity network in the North West Interconnected System

Thank you for the opportunity to respond to the Minister's draft decision in relation to coverage of Horizon Power's electricity network in the North West Interconnected System (NWIS) published on 27 November 2017.

Draft decision

As outlined in our submission of 16 October 2017 in response to the Issues Paper published on 15 September 2017, ATCO Australia supports the introduction of an access regime covering electricity transmission and distribution network infrastructure in the NWIS. Such a regime will facilitate the provision of benefits including stimulating competition for services and providing a level playing field for market participants, which will provide consumers with greater choice and drive efficiencies across the electricity supply chain in the Pilbara.

In this regard, ATCO Australia welcomes the draft decision of the Minister for Energy that Horizon Power's NWIS network be covered under the *Electricity Networks Access Code 2004*.

ATCO Australia suggests that the economic regulation approach outlined in the existing Access Code may not be the best framework for the NWIS, which is a relatively fragmented and immature electricity system with substantial growth potential. Imposing an economic regulation regime in the form of the existing Access Code may discourage risk-taking by infrastructure asset owners and stifle the potential for future system consolidation and development.

With this in mind, ATCO Australia supports, in principle, the implementation of a light handed access regime in the NWIS. In particular, a version of the light handed regime that applies to non-scheme pipelines under the National Gas Law and National Gas Rules appears to offer a suitable regulatory guide for the NWIS.

Coverage commencement

ATCO Australia has substantial experience operating in regulated energy markets and appreciates the amount of work Horizon Power will need to undertake to prepare for its first access arrangement and comply with other regulatory obligations under the existing Access Code, or to meet the requirements of a light-handed access regime.

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ATCO Australia suggests that it is important to balance Horizon Power's need for sufficient time to meet its new regulatory obligations with the consumer benefits that will be delivered by formalising a suitable third party access regime. From the consumer perspective, the sooner Horizon Power's access arrangement or light-handed access regime is in place, the sooner consumers and the other participants in the energy market served by the NWIS will be able to benefit from the clarity of the new access regime and stimulation of competition for services and the provision of a level playing field.

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,

A handwritten signature in blue ink, appearing to be "J.D. Patrick Creaghan", written over a circular scribble.

J.D. Patrick Creaghan
Managing Director and Chief Operating Officer

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