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30 JUL 2009

Ref: EMO 0001: 2nd Interim Report
Our Ref: DMS 3189351

HORIZON
POWER

The Chairman
Australian Energy Market Commission
P O Box A2449
Sydney South NSW 1235

24 July 2009

Dear Sir

**RE: Review of Energy Market Frameworks in Light of Climate Change Policies
2nd Interim Report**

I refer to the above report and take this opportunity to comment on the draft recommendations in respect to Western Australia.

Horizon Power is responsible for generating, procuring, distributing and retailing electricity in the fast growing regional centres of Western Australia. A commercially focussed, State Government-owned business striving to meet the needs of residential, industrial and commercial electricity customers and resource developments in our service area.

Horizon Power supplies regional and remote consumers outside of the south west corner of the State, which is served by the South-West Integrated System (SWIS). We manage one major interconnected system, the North West Interconnected System (NWIS), and a continuously growing number of non-interconnected systems in regional towns and remote communities.

The NWIS covers a large geographical area surrounding the coastal Pilbara towns of Port Hedland and South Hedland, Cape Lambert, Roebourne, Karratha and Dampier and extends south-east to the iron ore mining townships of Newman and Paraburdoo, and eastward as far as Shay Gap.

At the end of the 2007/08 financial year (June 2008), Horizon Power owned and maintained the distribution assets and generated and sold energy to 34 non-interconnected systems, covering townships and remote communities spread throughout regional WA.

Services are tailored to meet the specific needs of customers ranging from power-hungry resource developers to remote and isolated communities.

We note in the 2nd Interim Report that the CPRS and expanded RET will have some significant inputs on the energy market frameworks. However only the SWIS is examined and commented upon by the review, but fails to acknowledge the different set of circumstances that exist outside of it.

It therefore should be pointed out that the issues outside the SWIS are not the same as those within the SWIS, and should be fully understood and allowed for when considering Western Australia's circumstances. It is acknowledged that at present the area outside the SWIS is neither part of the NEM, is not presently subject to economic regulation, nor is a centralised bidding and despatch market in operation and it is unlikely to see significant growth in wind generation. However it still should be taken into consideration when recommendations are made.

The issues highlighted in the review are presently of less direct relevance to Horizon Power, at least over the short to medium term, but there are several matters raised, which may be relevant in the future, especially as the growth in and around the Pilbarra continues, and the profile of the NWIS changes accordingly. The NWIS is expected to exceed the capacity of the SWIS in the near future.

It is anticipated the key matters which will impact Horizon due to the policy changes are:

- The integration of demand side responses and distributed generation effectively into the market;
- Providing transparency on how system operational and balancing decisions get made and how the costs will be shared; and
- Provision of transparency around connection and transmission charging issues.

A major concern is that a consistent national approach might not always provide the appropriate outcomes for areas such as those covered by regional Western Australia and this should be allowed for in future, by providing logical recommendations which will assist in providing efficient supply of energy to areas not served by regulated systems and markets.

Yours sincerely



Pete Feldhusen
Company Secretary/General Manager
Governance & Company Secretariat