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Clean Energy Finance Corporation Expert Review
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Dear Madam / Sir

CLEAN ENERGY FINANCE CORPORATION EXPERT REVIEW

Horizon Power welcomes the opportunity to provide comment on the Clean Energy Finance Corporation (CEFC) Expert Review.

Horizon Power is a commercially focussed, State Government-owned power company that generates, procures, distributes and retails electricity to residential, industrial and commercial customers and resource developments in our service area – 2.3 million square kilometres across the Kimberley, Pilbara, Gascoyne, Mid West and southern Goldfields.

Horizon Power manages one major interconnected system, the North West Interconnected System (NWIS), and over 30 non-interconnected systems in regional towns and remote communities.

Scope of the CEFC

- 1. How do you expect the CEFC to facilitate investment?*
- 2. Are there priorities beyond financial ability that could be used to prioritise investment, such as emissions impact or demonstration effect?*
- 3. What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?*

As a provider of energy services in regional and remote Western Australia, Horizon Power is committed to delivering safe and reliable supplies in the most challenging of environments. The energy systems we operate are exposed to intense heat and cyclonic conditions in the north and to severe storms in the south. In addition, Horizon Power is extending service and upgrading power supplies to improve the safety, reliability and affordability of supply in remote and rural communities, many of which have a higher proportion of disadvantaged customers than more densely populated areas.

For these reasons, Horizon Power hopes the CEFC recognises the wide variety of energy consumers across the country and the corresponding range of opportunities to reduce emissions and improve energy efficiency.

Overcoming market gaps

- 4. How could the CEFC catalyse the flow of funds from financial institutions?*

5. *What experiences have firms in the clean energy sector had with trying to obtain finance; have term, cost, or availability of funds been the inhibitor?*
6. *What non-financial factors inhibit clean energy projects?*
7. *Are there special factors that inhibit energy efficiency projects?*

In our experience, federal programs encouraging investment in renewable energy, energy efficiency and low-emissions technologies have tended to focus on comparably large, grid-connected power systems in the National Energy Market (NEM), effectively locking out operators of smaller, isolated systems. This has led to an under-investment in the systems that will ultimately play an important role in decarbonising Australia's regional centres and towns through developments like energy efficiency, distributed generation, balancing techniques for intermittent generation, and demand-side management.

The CEFC investment process should also take into consideration the need to reduce the energy and carbon intensity of regional areas, which may in fact be higher per unit of production because of factors like distance and low economies of scale and size.

Other factors that may inhibit clean energy and energy efficiency projects include the degree of prescriptiveness around eligible technologies. For example, the design and condition of stand-alone systems within Horizon Power's service area are such that technologies such as storage and spinning reserve may be of more interest than the renewable generation itself. Increasing the reliability of renewable generation in isolated systems through enabling technologies is an area Horizon Power is investing resources in now and would seek to expand through external funding, if available.

An example of energy efficiency worth exploring is extending the efficiency (and reducing the emissions) of fossil fuel generation. Hydrogen co-firing may be an attractive option for increasing the productivity of diesel plant across Horizon Power's systems and will be among the efficiency projects we assess in the short term.

Other issues

8. *How do you see the CEFC fitting with other government initiatives on clean energy?*

The exclusion of electricity generation from the Clean Technology Investment Program, for example, may unnecessarily limit the success of the program by ignoring the potential for efficiency gains in the generation and distribution of the power used in manufacturing. Similarly, the exclusion from that program of corporations that fall outside the Corporations Act 2001 will also leave out many candidates whose energy and carbon intensity could be considerably improved through investment in clean technologies.

Organisations like Horizon Power and many of its independent power suppliers, which will not receive any assistance through other Clean Energy Future assistance programs, will not be allowed to apply under the Clean Technology program as drafted, although they operate facilities that could benefit considerably from investment in energy-efficient equipment and low-pollution technologies.

The criterion about incorporated businesses also excludes public entities like hospitals, which are one of Horizon Power's most energy-intensive consumer segments. Hospitals do not manufacture anything, but they consume a lot of power and are good candidates for co- and tri-generation, equipment upgrades and building retrofits.

Unless there are plans for other public-sector assistance packages, Clean Energy Future will be ignoring some excellent opportunities for improvement in this sector, and in regional Australia. By extension, the benefits of cleaner technology will not flow on to the communities in these areas, many of which have higher proportions of low-income and Indigenous populations than the urban centres.

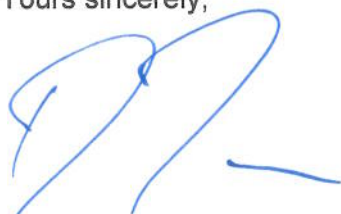
For these reasons, Horizon Power suggests the CEFC expert review panel consider ways to bridge the gap between the private and public sectors so that organisations serving Australia's regions can deliver energy efficiency improvements and emissions reduction.

Finally, finance should be sufficiently flexible to access funding through project finance arrangements, such as joint ventures with technology firms.

Horizon Power looks forward to participating further in developments around funding for clean energy.

Should you have any questions about the matters raised in this submission, or if Horizon Power can facilitate further discussion, please contact Horizon Power's policy manager, Brenna Pavey, on (08) 6310 1865 or at brenna.pavey@horizonpower.com.au.

Yours sincerely,



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