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13 August 2014

Mr Rodney Sims
Chairman ACCC
GPO Box 3131
Canberra ACT 2601

Dear Mr Sims

CARBON TAX REMOVAL SUBSTANTIATION STATEMENT

I refer to your letter of 5 August 2014 and attached Substantiation Notice in respect to the operations of Merredin Energy. Merredin Energy owns and operates the Merredin power station which is a diesel fuelled gas turbine peaking power station.

The savings from regulated supply cost inputs arising from the carbon tax repeal will be exclusively associated with the reduction in the level of fuel tax rebate that will accrue to the diesel fuel used for generation. The power station draws a small amount of electricity from the grid to power its ancillary plant but this is too small to be metered so is not charged to Merredin Energy. The station does not use natural gas or any other regulated goods.

Merredin Energy offers its full electrical output into the Western Australian Electricity Market (WEM) through the Balancing Market. It is usually offered at the Alternative Maximum STEM Price which is the cap set by the Independent Market Operator (IMO). This price is adjusted monthly by the IMO to take account of diesel fuel prices so the change in diesel fuel tax rebate will be reflected in future determinations of the Alternative Maximum STEM Price.

It is estimated that the 6.521 cents per litre increase in the fuel tax rebate will provide an estimated average dollar price saving of around \$20.00 per MWh.

If you have any questions please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads 'L.J. Ward.'.

Lindsay Ward
Director