



5 February 2016

To Mr Alex Kroon
A/Principal Policy Officer
Markets and Regulation Division
Public Utilities Office
Department of Finance
Locked Bag 11
Cloisters Square WA 6850

Dear Sir,

ERM Power Pty Ltd is the operator and part owner of the Neerabup Gas Fired Power Station covered under Electricity Generation Licence EGL 18. ERM welcomes the current proposal to amend the Electricity Act 2004 to remove the licencing of electricity generators and the opportunity to provide feedback to that proposal.

The Neerabup Power station has been licenced under the requirements of the Act since its commissioning in 2009. In that time the requirements of the Act have impacted the operations in a number of ways including annual fees, regular communication to and from the ERA, Annual reporting requirements, and Routine external auditing that has follow on reporting demands.

The direct costs of complying with these requirements have been significant including the licence fee and fees for consultant auditors. These are tabled in att 1.

There has also been a significant indirect cost impact on the business, with the time required of the Power Station staff to manage compliance deadlines, prepare the reports, and most significantly to provide the time required by the auditors in direct enquiry and provision of documentary evidence for various questions. This has included Head Office staff time as well. The indirect costs associated with this time are shown in att 2.

The Neerabup Power Station operations are strongly committed to continual improvement and uses auditing as a way of identifying opportunities. This includes internal auditing by ERM personnel and also external specialist auditors. The great value of external auditing is the provision of a fresh point of view to help prevent "routine blindness". The greatest value comes from auditing when it is applied, obviously, to the processes that are most important to the safe and efficient operation of the power station. The value diminishes when the subjects are less relevant to the operation.

This would be ERM Power's greatest point of contention with the administration of the Electricity Generation Licence. For the effort the audit demands, the benefits are very low. As noted in the proposal to amend, there are many other technical regulation mechanisms that control the connection to the grid. The Market Rules strictly govern the operational generation behaviour, and Energy Safety and the Environmental Protection Act govern the safety and environmental performance of the power station.

The other elements included in the Electricity Licence audit cover the service delivery, asset management and business practices. Inclusion of these elements is obvious for public utilities where fiscal oversight is required. In these aspects, the genesis of the audit for government utilities can be seen. Application of the same tool to private industry is less fruitful. For independently owned businesses, market competition is the driver for these aspects.

ERM Power Pty Ltd strongly commends the proposal to amend the Act to reduce regulatory burden that has not been of significant benefit to either the state or independent electricity generators.

Table 1. Direct Licence compliance costs.

Item	Cost	Timing
Licence fee	\$5,000	Per annum
External auditor	\$13,636	2010
External auditor	\$18,181	2012 (3 yearly from 2012)

Table 2. Indirect Licence compliance costs

Task	Person	Time	Approx. Labour cost
ERA audit	Power station manger	11 days each audit	\$6600 per audit
ERA audit	Operations Manager	2 days each audit	\$1600 per audit
ERA annual; reporting	Manager and assistant	3 days each year	\$1000 per annum

Yours faithfully

Phil MacMahon
ERM Power Limited