



Fortescue
The New Force in Iron Ore

Retail Licence Exemption Application

Electricity Retail Licence - Exemption Application Electricity Industry Act 2004

Pilbara Energy Connect

31 March 2021

TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	PILBARA ENERGY CONNECTION.....	3
2.1	Overview of Transmission Line.....	3
2.2	Location	4
3.	CORPORATE STRUCTURE.....	5
4.	REQUEST FOR EXEMPTION.....	5
4.1	Requirement for Transmission Licence	5
4.2	Exemption Request.....	6
5.	PUBLIC INTEREST ASSESSMENT	6
5.1	Environmental Considerations	6
5.1.1	Environmental Approvals Framework	Error! Bookmark not defined.
5.1.2	Environmental Justification and Consideration of Alternatives	Error! Bookmark not defined.
5.2	Social Welfare and Equity Considerations.....	6
5.3	Economic, Regional Development, Employment and Investment Factors ...	6
5.4	Interest of Customers	7
5.5	Interests of Other Licensees or Applicants.....	7
5.6	Competition in Electricity Industry Market.....	7
5.7	Policy Objectives of government.....	7
5.8	Other Matters.....	8

1. INTRODUCTION

Fortescue's vision is to be the safest, lowest cost, most profitable mining company.

Since it was founded in 2003, Fortescue Metals Group Ltd (**Fortescue**) has discovered and developed major iron ore deposits and constructed some of the most significant mines in the world. Now consistently shipping around 180 million tonnes of iron ore per annum, Fortescue has grown to be one of the largest, global iron ore producers and is focussed on its vision of being the safest, lowest cost, most profitable mining company.

Fortescue owns and operates integrated infrastructure and supply chain spanning two mine hubs, with a third under development in the Pilbara, the fastest, heavy haul railway in the world, the five berth Herb Elliott Port in Port Hedland and the Judith Street Harbour towage infrastructure. Innovation in exploration, ore processing and plant design is a key component of Fortescue's strategy to efficiently and effectively deliver products from mine to market.

Fortescue's longstanding relationships with customers in China have grown from the first commercial shipment of iron ore in 2008, to now being a core supplier of seaborne iron ore to China, and expanding into markets including Japan, South Korea and India.

Fortescue is committed to investing in the long-term sustainability of its business. Fortescue is developing the Iron Bridge Magnetite Project, which will deliver a premium product with iron content of 67%, further enhancing the range of products available to Fortescue's customers through its flexible integrated operations and marketing strategy. Together with the recently completed Eliwana project, Iron Bridge will increase the average iron ore content of Fortescue's ores and provide the ability to deliver the majority of products at greater than 60% Fe.

2. PILBARA ENERGY CONNECT

2.1 Overview of Transmission Line

Fortescue presently owns and operates the Solomon, Cloudbreak and Christmas Creek power stations, each supporting their respective mining operations as islanded electrical networks. With the significant increased electrical demand required by the Iron Bridge Magnetite Project, Fortescue is now undertaking to construct, commission and own the Pilbara Energy Connect, a fully integrated 220kv electrical transmission network (refer Figure 1).

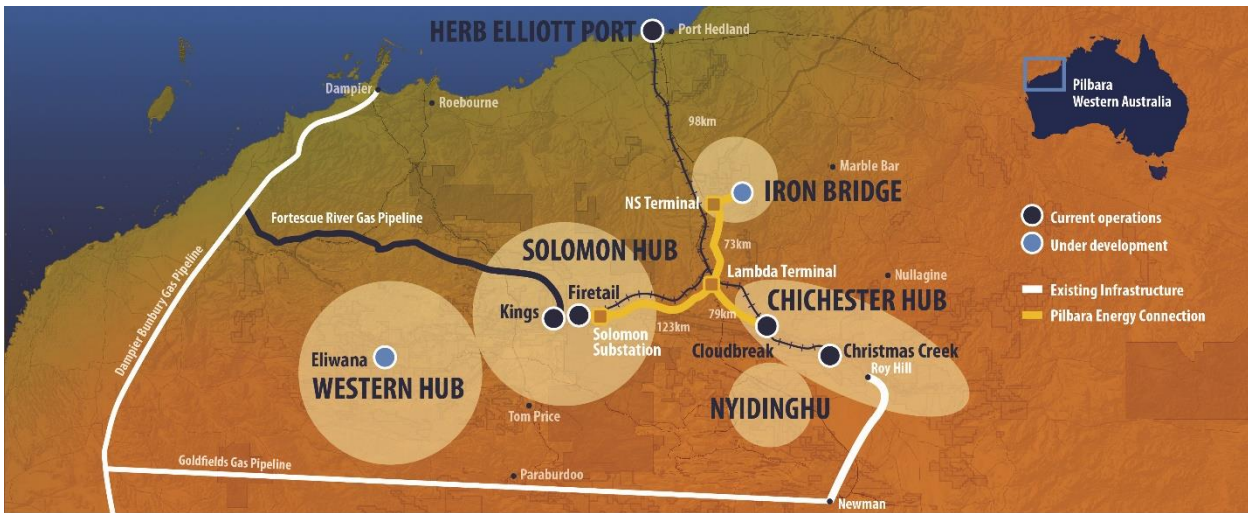


Figure 1

The Pilbara Energy Connect will be owned, controlled and operated by Pilbara Energy Company Pty Ltd (ACN 624 732 878) (**PEC**), a 100% owned subsidiary of Fortescue Metals Group Ltd (see Section 3). The Pilbara Energy Connect will connect the Fortescue owned and operated Solomon Mining Hub and Chichester Mining Hub, through to the Iron Bridge Magnetite Project.

The Iron Bridge Magnetite Project, located 145km by road south of Port Hedland and incorporating the world class North Star and Glacier Valley Magnetite ore bodies, is an unincorporated joint venture between Fortescue Metals Group Ltd subsidiary FMG Magnetite Pty Ltd (ACN 125 124 405) and Formosa Steel IB Pty Ltd (ACN 163 535 788). Further detail on the corporate structure is set out in Section 3.

FMG Clean Energy Pty Ltd (ACN 638 183 329) is a 100% owned subsidiary of Pilbara Energy Company Pty Ltd (see Section 3). It is proposed that this entity will sell power to the Iron Bridge Joint Venture.

2.2 Location

The Pilbara Energy Connect is to be constructed on a number of miscellaneous licences that, as at the date of this submission, have either been granted or are pending grant pursuant to the *Mining Act 1978* (WA) (**Mining Act**).

3. CORPORATE STRUCTURE

The corporate relationship between Fortescue Metals Group Ltd, FMG Clean Energy Pty Ltd and the Iron Bridge Joint Venture is displayed in Figure 2 below.



4. REQUEST FOR EXEMPTION

4.1 Requirement for Retail Licence

Fortescue submits this application for a licence exemption from the requirement for a retail licence under the *Electricity Industry Act 2004* (**Electricity Industry Act**) for FMG Clean Energy Pty Ltd.

By section 7(4) of Electricity Industry Act, a person must not sell electricity to customers except under the authority of a retail licence or integrated regional licence.

Section 3 of the Electricity Industry Act defines “customer” as a person to whom electricity is sold for the purposes of consumption. There is no threshold consumption level applied to the definition of “customer” in this Section. That is, the definition of “customer” in this section is not limited to a person who consumes less than 160Mwhrs per annum.

Pursuant to section 7(6) of the Electricity Industry Act, a person does not commit an offence under subsection (4) if the person is the holder of a generation licence and the electricity is sold solely for consumption by another person on the premises on which generating works to which the licence applies are located.

Exemptions have already been provided to Pilbara Energy Company Pty Ltd for a transmission licence, and to Pilbara Energy (Generation) Pty Ltd for generation licence.

4.2 Exemption Request

Electricity Industry Act section 8 provides that the Governor may exempt the requirement for licence to construct and operate an electrical transmission system.

This submission requests an exemption for sale of electricity by FMG Clean Energy Pty Ltd and its related bodies corporate that is transmitted via the Pilbara Energy Connect and addresses the public interest criteria defined in section 8(5) of the Electricity Industry Act to be considered when determining if the exemption would not be contrary to public interest.

5. PUBLIC INTEREST ASSESSMENT

5.1 Environmental Considerations

Fortescue does not view this application as having any environmental considerations.

In 2018 PEC referred the Pilbara transmission project under section 38 of the Environmental Protection Act 1986 but the Environmental Protection Authority determined that the project was not required to be assessed due to the limited environmental impact.

5.2 Social Welfare and Equity Considerations

Fortescue does not view this application as having any social welfare or equity considerations.

It is not proposed that FMG Clean Energy would sell electricity to small use customers (being customers consuming less than 160Mwhrs per annum).

5.3 Economic, Regional Development, Employment and Investment Factors

The Pilbara Energy Connect Network will provide crucial power supplies to the proposed magnetite operations at Iron Bridge. The Iron Bridge Magnetite Project requires up to 220 megawatts of peak load power to be delivered from a mix of existing and new generation sources which will be connected to the Pilbara Energy Connect.

In April 2019, the development of the US\$2.6 billion Iron Bridge Magnetite Project was approved. With first magnetite exports scheduled in 2022, the Iron Bridge Magnetite Project will deliver (22 million tonne per annum) of high grade, 67% Fe, magnetite concentrate product, once full operational capacity is achieved. Reliable, cleaner and cheaper energy is required to facilitate the development and sustainable operation of the Iron Bridge Project which is expected to create up to 3,000 jobs during construction phase, and 900 full time positions during ongoing operations.

The Pilbara Energy Connect will provide a unique power supply infrastructure solution, spanning the expanse of the central Pilbara region, with capacity to support future growth of Fortescue operations.

5.4 Interest of Customers

Fortescue does not view this exemption as having any negative impact on customers.

It is not proposed that FMG Clean Energy would sell electricity to small use customers (being customers consuming less than 160Mwhrs per annum).

5.5 Interests of Other Licensees or Applicants

The central Pilbara region is not currently served by any interconnecting high voltage power transmission network. Other mining operations in the central Pilbara area (eg BHP Billiton and Rio Tinto) generally generate electricity and self-supply for on-site consumption or consumption within joint ventures. These companies hold exemptions under the Electricity Industry Act, via various State Agreements or other arrangements.

Fortescue does not view this application as being counter to the interests of any other licensee or applicant for a licence. It is not proposed that FMG Clean Energy would sell electricity to small use customers (being customers consuming less than 160Mwhrs per annum).

5.6 Competition in Electricity Industry Market

Fortescue does not view this application as being counter to competition in the electricity industry markets. It is not proposed that FMG Clean Energy would sell electricity to small use customers (being customers consuming less than 160Mwhrs per annum).

5.7 Policy Objectives of Government

Fortescue notes the government's proposed new policy objectives in relation to the supply of electricity in the Pilbara region being;

'To promote efficient investment in, and efficient operation and use of, services for the long-term interests of consumers of electricity in the Pilbara region relating to –

- (a) Price, quality, safety, reliability and security of supply; and*
- (b) The reliability, safety and security of the interconnected Pilbara system.'*

Fortescue fully supports the promotion of efficient investment, operation and use and safety and reliability excellence and providing a platform that allows a growing role for renewable energy to reduce the environmental impacts of electricity supply to its operations.

Fortescue does not view this application as being contrary to the public interest with respect of the policy objectives of Government. Exemptions have already been provided in respect of a generation licence and transmission licence to facilitate the supply of electricity to the Iron Bridge Joint Venture.

It is not proposed that FMG Clean Energy would sell electricity to small use customers (being customers consuming less than 160Mwhrs per annum).

5.8 Other Matters

Fortescue is already proficient in developing and operating large infrastructure projects and has by way of example a 132kV power transmission network, spanning several kilometres, at its Solomon mining operations. Fortescue also has other power transmission networks operating at 66kV, 33kV, 22kV and 11kV, all of significant length, spread across various operational mine sites and under Fortescue's direct control, management and statutory responsibility.

Fortescue has a proven record in delivering projects to a world class standard whilst fully complying with its corporate and social responsibilities, setting the benchmark for the delivery and ongoing operation of the Pilbara Energy Connect.