

PUBLIC

Application for Individual Licence Exemption: Electricity Generation Licence

Flat Rocks Wind Farm



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**Moonies Hill Energy Pty Ltd
FRWF Stage 1 Pty Ltd**



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1 Introduction

Moonies Hill Energy Pty Ltd (**MHE**), in accordance with the Economic Regulation Authority's licence application guidelines (ERA, *Licence Application Guidelines and Form, Electricity, Gas and Water Licences, April 2014*), acting on behalf of the Applicant, FRWF Stage 1 Pty Ltd (**FRWF1**) is applying for an individual electricity generation licence exemption under the *Electricity Industry Act 2004*, for the 75.6MW Flat Rocks Wind Farm Stage 1 (**FRWF**) Project.

FRWF1 has secured a grid access agreement, Electricity Transfer Access Contract (**ETAC**), from Western Power under the new constrained access rules following detailed assessment of the wind farm layout and wind turbine generator (**WTG**) model. This review focused on the security and reliability of the network system operations with the FRWF generation facility injecting 310GWh of renewable energy into the Wholesale Energy Market (**WEM**). MHE, on behalf of FRWF1, has secured all developmental approvals from relevant authorities following the submission of FRWF project environmental and impact studies, and secured land access rights within the approved development area. The FRWF facility has been registered and reviewed by Australian Energy Market Operator (**AEMO**) and has been accepted to participate in the upcoming reserve capacity credit allocation process. Finally, the output of the FRWF generation project has been fully contracted under a commercial power purchase agreement (**PPA**) with a large industrial customer demonstrating the project's suitability and value to the WEM.

To demonstrate that a generation licence exemption for the for the FRWF project would not be contrary to the public interest, as defined in Section 8(5) of The Act, FRWF Stage 1 Pty Ltd has prepared this application for consideration by Energy Policy WA.

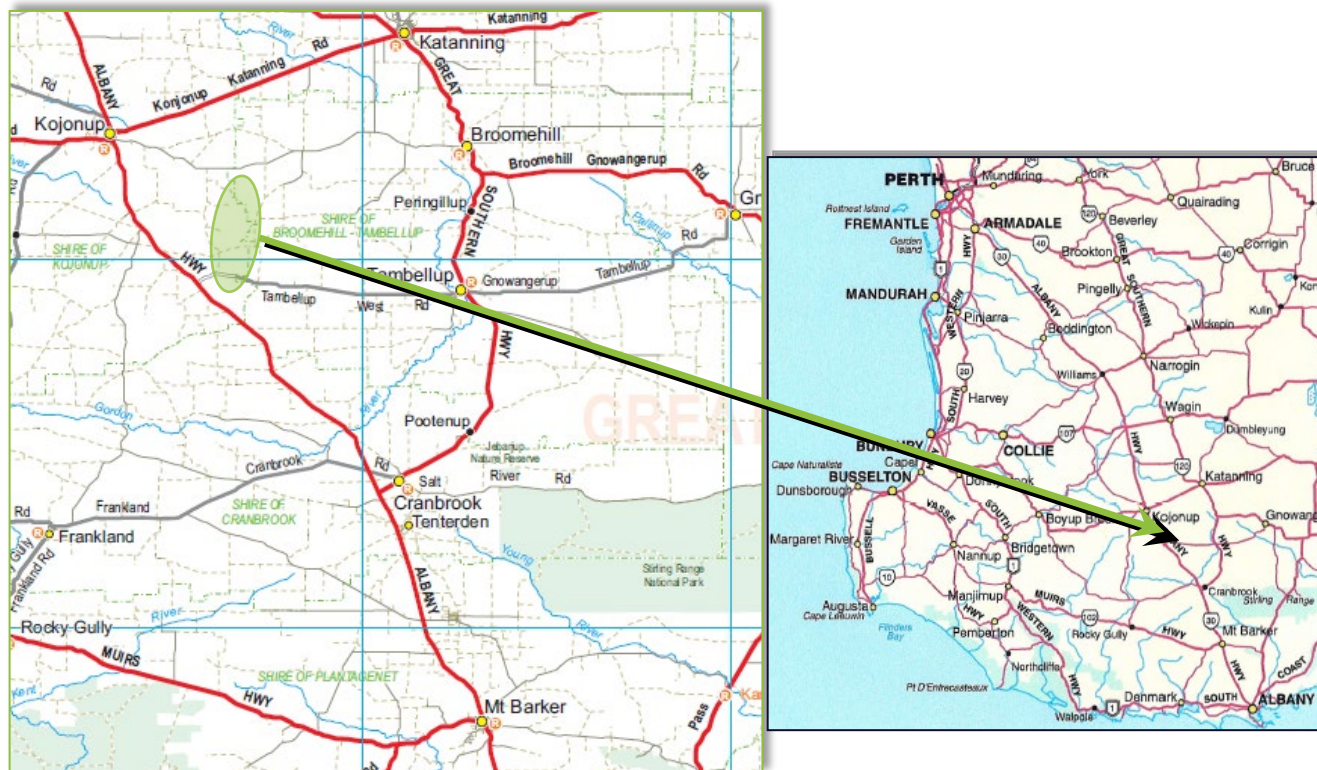
2 Generation Project Description

Located 35km to the southeast of Kojonup, in the Great Southern Region, Figure 1, the FRWF Generation Project is a 75.6MW wind farm consisting of 18 x 4.2MW Vestas V150 WTG. The approved layout will inject 310GWh of new renewable electricity generation into the WEM per annum.

Spanning the Shires of Kojonup and Broomehill-Tambellup, the FRWF Project will be built on cleared broadacre agricultural land secured under lease agreements with current landowners. When operational the generation facility is highly compatible with broadacre farming as it will only occupy around 1% of the total land area.

The FRWF Project's wind patterns have a strong coincidence with peak demand in the WEM. Seven years of onsite wind data and analysis demonstrates the FRWF Project site has predictable yet minimal season variation across El Nino and La Nina and neutral seasons. The quality and consistency of the wind resource will allow the installed V150 WTG to produce 310 GWh of renewable energy and a high-capacity factor of close to 50% of nameplate capacity.

FIGURE 1: FRWF Locality Map.



2.1 The Applicant

The applicant for this Electricity Generation Licence exemption is FRWF Stage 1 Pty Ltd (ACN 165 951 977). FRWF1 is a special purpose vehicle (SPV) 100% owned by Western Australian renewable development company Moonies Hill Energy Pty Ltd (ACN 131 189 305).

MHE has entered into a joint development agreement with leading global utility Enel Green Power (EGP) to finalise project development and secure all contracts required for the construction and operation of the FRWF generation project.

Founded in 2008, as part of Enel Group, EGP builds and operates large scale renewable generation facilities in energy markets around the world. EGP currently operates in 31 countries across five continents with a managed installed capacity of over 50 GW of renewables and over 1,200 facilities. EGP is the largest privately owned renewable energy company in the world, generating renewable electricity from hydro, solar, wind and geothermal resources across the globe.

EGP entered the Australian market in 2017 and operates solar renewable energy plants in South Australia, with several wind and solar projects in advanced stages of development across regional Victoria and New South Wales.

3 Request for Generation Licence Exemption

Under Section 7 (1-4) of the Electricity Industry Act 2004 (WA) (The Act) a licence is required to construct or operate electricity generation plants, transmission or distribution systems, or to sell electricity to customers. However, Section 8 of the Act provides that the Governor may by order, exempt any person or class of persons from all or any of the provisions of this section 7(1-4) Requirement for Licence.

The existing generator licensing arrangements in Western Australia are not reflective of the usual path to building and operating renewable electricity generation plants. The development of such projects typically involves an extended period of many years to secure rights to suitable land with a proven renewable resource, obtain the necessary development approvals, secure a network connection, and off take agreement, register the facility with AEMO, apply for capacity credits, negotiate WTG supply and construction arrangements and secure debt and equity funding to enable projects to reach financial close and project commitment.

A development company will typically own a renewable energy project with responsibility for its progression to the connection phase, at which time the project may then be partially or wholly sold off to an entity with the necessary financial resources and specific skills in negotiating power purchase and construction agreements, and experience in operating renewable energy generation plants.

In contrast to other Australian jurisdictions, the requirement to obtain a generation licence prior to commencement of construction represents a barrier to renewable energy project development. To obtain a generation licence, the developer needs to demonstrate access to significant financial resources and have experience in generation plant operation and the ability to comply with complex market rules (unique to the WEM). This task is beyond most independent developers. It should be noted no such licence requirement exists for the development and construction phase of electricity generation projects in the National Electricity Market.

The FRWF project development has occurred during one of the most challenging decades in the electricity sector with major policy uncertainty and a transition away from traditional fossil fuel facilities. In spite of this, MHE has successfully navigated many of the regulatory and financial hurdles experienced by new electricity generation projects by securing an ETAC from Western Power, registration into the 2022 reserve capacity credit allocation and facility registration with AEMO, Development Approval (**DA**) Amendments from Shire of Kojonup and the Regional Joint Development Assessment Panel (**JDAP**) to accommodate the installation of the latest wind turbine technology, and execution of a binding PPA term sheet by a large, reputable industrial customer.

Considering the reasons set out above, FRWF1 is seeking an exemption from the generation licensing requirement for the FRWF 75.6MW wind generation project located in the Great Southern Region of Western Australia.

The following section addresses the public interest criteria defined in Section 8(5) of The Act to be considered by Energy Policy WA when determining if the exemption would be contrary to public interest.

4 Public Interest Assessment

4.1 Environmental considerations

The FRWF Project will bring a new source of renewable electricity generation into the Western Australian energy market, at a time when the State Government has committed to a net zero emissions target by 2050. The December release of the Shaping Western Australia's low-carbon future strategy document, which sets out the strategy for developing sectoral carbon emissions reduction strategies to transition the WA economy by 2050, identifies the critical role the electricity sector will play in reaching the net zero 2050 target. Producing 310 GWh of electricity annually, the project will save 219,700 tons of CO₂ per annum, equivalent to removing 48,000 cars off the road. At 75.6MW the FRWF project is an important new development in the States low-carbon future.

The FRWF Project spans two Local Council areas, the Shire of Kojonup and the Shire of Broomehill-Tambellup. All 18 WTG will be built on previously cleared broadacre agricultural land. Once operational the FRWF Project is highly compatible with broadacre farming, occupying around 1% of the total land area and providing hosting landowners with an additional source of income through lease payments. The impact of the FRWF project was reported in a 2011 FRWF Environmental Impact Report as part of the original development approval application process and included environmental, archaeological, visual, aviation and noise impact assessments. These impact reports were updated in 2017 and again in 2021 in association with MHE's requests for DA Amendments to allow the benefit of advancements in wind turbine technology to be exploited.

These reports confirmed the FRWF Project was compliant with all local and federal planning guidelines and will result in minimal impact on native flora and fauna and the surrounding amenity. The FRWF Project was referred to the West Australian Environmental Protection Authority (EPA), which advised MHE that No Formal Assessment was required under Section 38 of the Environmental Protection Act.

4.2 Social Welfare and Equity Considerations

Throughout the development of the FRWF Project, MHE has consulted widely with neighbouring landowners and the surrounding communities of Kojonup and Broomehill Tambellup. Two Community Open Days were held in May 2011. The first in Broomehill was attended by 31 community members and the second in Kojonup was attended by 59 community members.

The FRWF Project development area is covered by two applications for determination of native title, namely the Wagyl Kaip claim, Number *WC98170* (Federal Court File Number WAD6286/98) and the Southern Noongar claim *WC961109* (Federal Court File Number WAD6134/98). The area has an active Aboriginal Progress Association in Kojonup and Tambellup. Following a site inspection and project detail discussions, indigenous representatives of these organisations confirmed they were satisfied the FRWF Project area contained no sacred or significant Aboriginal heritage sites and formally approved the Project. This finding was confirmed with a database search and further archeological site survey.

The FRWF generation project has broad community support and will provide an economic stimulus to the Great Southern Region during construction and operation. It will increase the awareness and uptake of efficient renewable energy in the broader Western Australian community and aligns with the Government's commitment of net zero emissions by 2050 and recent release of the *"Shaping Western Australia's low-carbon future strategy"* document. This document sets out the development plan for sectoral carbon emissions reduction strategies, whilst highlighting the critical role the electricity sector will play in reaching the net zero 2050 target.

Currently MHE is undertaking further community consultation, using Social, Environmental, Economic Context Analysis (**SEECA**) assessment. The purpose of the SEECA is to:

- assess the social, environmental, and economic context in the local area to the FRWF generation project.
- provide recommendations for local stakeholder and community engagement during the construction and operational phases.
- provide recommendations for local 'Creating Share Value' opportunities (community benefit sharing).

The intention is the SEECA will provide an understanding of the local socio-economic and environmental context and identifies activities that create value for the Project stakeholders, namely the broader Great Southern community.

4.3 Economic, Regional Development, Employment, and Investment

The FRWF generation project will provide a once in a generational economic stimulus to the Great Southern Region during the construction and operation of the facility. FRWF1 will source services and supplies from businesses and service providers in the Great Southern Region where possible, creating new short and long-term employment opportunities in the local communities.

In summary, the FRWF project will provide the following economic benefits:

- Approximately \$220 million of capital infrastructure investment in Great Southern Region for the engineering, construction, and commissioning of the project,
- The creation of up to 100 jobs during the design, construction, and commissioning period,
- Additional local stimulus to the service, food, and accommodation sectors,
- 5 - 10 direct, ongoing operational jobs,
- Additional indirect maintenance and operations support jobs associated with local trades and traders, providing goods and services to the generation facility and its workforce,
- Educational and traineeship opportunities,
- Tourism opportunities, as the FRWF generation facility will be a showcase for Wind Energy in Great Southern Region as it will host some of the largest land based wind turbines in Australia.

4.4 Interests of Customers

The addition of the FRWF Project to the WEM will provide Western Australian electricity consumers an additional supply of renewable electricity. Ever increasing global concerns around climate change are rapidly shifting consumer consumption preferences to zero emissions options. The FRWF Project will address this need by increasing access of grid connected customers to renewable electricity and contribute to the State Government's climate policy target of reducing net emissions by 2050.

A large industrial customer with a clear decarbonisation strategy, is contracting 100% of the volume of electricity generated by the FRWF generation project under a corporate PPA. This will provide impetus to other large West Australian electricity producers to commit to offtake agreements from renewable generation facilities.

4.5 Interests of Other Licensees or Applicants

The FRWF generation project will connect to the broader SWIS licence area which contains several operating wind generation facilities, principally to the north of Perth. However, the FRWF Project will not impact the operations of existing generation facilities as it is located in the southern region of the SWIS and away from areas of the grid that are constrained. With an installed capacity of 75.6MW, the FRWF Project will be the largest wind generation plant in the Great Southern region. Other wind generator facilities near FRWF plant have exemptions from holding a Generation licence according to the Electricity Industry Exemption Order 2005, as they have installed capacities under the 30MW threshold.

The Electricity Industry Exemption Order 2005¹ provides a number of class exemptions for activities, which would otherwise require a licence, including (but not limited to):

- *Generating works under 30 MW (at each connection point) per annum.*

The applicant considers the FRWF generation project will not impact on other licensees in the area.

4.6 Competition in Electricity Industry Market

MHE is of the view that new supplies of renewable energy generation are needed in the WEM to enhance the level of competition and increase the competitiveness of Western Australian industry. The construction of the FRWF facility will add an additional capacity of 75.6MW of wind generation to the WEM which is to be fully contracted by a large grid connected industrial customer.

The applicant does not perceive this application will adversely impact competition in the electricity industry market.

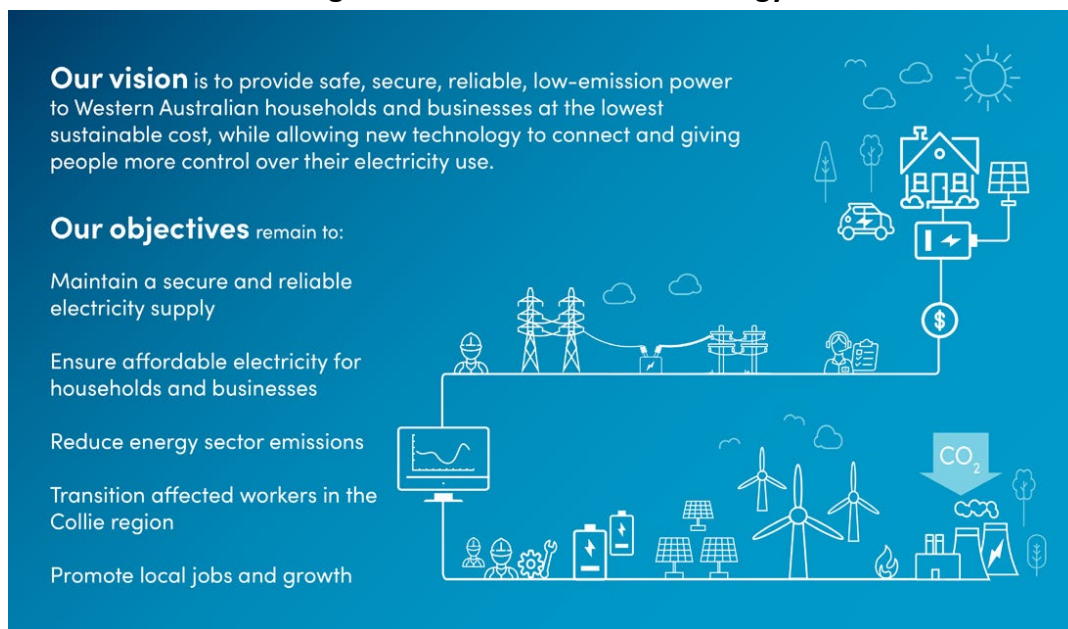
4.7 Policy Objectives of Government

Renewable generation projects like the 75.6MW Flat Rocks wind farm, are consistent with the Western Australian's Government climate change objectives, to reach net zero emission by 2050. To accompany this ambition, the Minister for Climate Action in December 2021 released the Shaping Western Australia's low-carbon future strategy document which sets out the strategy for developing sectoral emissions reduction strategies and pathways. The strategy document identifies the critical role electricity will play in reaching the net zero target and bringing the State into alignment with the goals of the Paris Agreement and safeguarding the environment, community and longer term prosperity of Western Australian.

Additionally, the entry of the FRWF generation project into the WEM in October 2023 will support the vision and objectives set out in the Western Australian Governments "Energy Transformation Strategy: A Brighter Energy Future," released in March 2019 and updated in July 2021.

¹ The Electricity Industry Exemption Order 2005 (www.slp.wa.gov.au).

Figure 2: WA State Vision for Energy



As demonstrated below, the FRWF1 generation project will meet the objectives of the Energy Transformation Strategy Update, summarised in Figure 2 in the following ways;

- ***Maintain a secure and reliable electricity supply***

The FRWF generation project has been granted a network access agreement by Western Power after rigorous analysis of the project’s impact on the security and reliability of the electricity grid. This assessment was conducted on the WTG model to be installed, Vestas V150 4.2MW, and the full operation of the FRWF facility injection 310GWh annually. The reviewed confirmed the FRWF project complies with the Technical Rules, Wholesale Market Rules, and project specific operating Generator Performance Standard.

- ***Ensure affordable electricity for house and business***

MHE on behalf of FRWF1 has secured a PPA for 100% of the renewable electricity generated by the facility with a large industrial customer. While the customer’s objectives include the reduction of carbon emissions, the agreement illustrates, demonstrates the project will supply competitively priced energy.

- ***Reduce energy sector emissions***

The FRWF Project will supply 310GWh of renewable electricity into the WEM. This additional renewable electricity will save 219,700 tons per annum of CO₂ being produced which is equivalent to taking 48,000 cars off the road.

- ***Transition affected workers in the Collie Region***

The FRWF Project's location in the Great Southern Region may provide an opportunity for existing energy sector workers in the Collie Region to transition their skills and employment to the renewable energy sector, during both construction and operation of the facility.

- ***Promote local jobs and growth***

FRWF1 will implement a "buy local" policy to provide the local community and economy in the Great Southern Region every opportunity to be involved in the project.

The FRWF Project will provide opportunities in the service, food, and accommodation services. Further economic stimulus will be experienced in the community as the FRWF Project will create up to 100 construction jobs and 5 - 10 permanent employment opportunities in Stage 1 of the project.

The Great Southern Development Commission (**GSDC**) has supported the development of the FRWF generation project since its inception. The FRWF Project (Stage 1 and 2), was identified as a key infrastructure project in the Great Southern Regional Investment Blueprint 2015. It will form a key component of the Region's energy security, providing an affordable and sustainable new source of electricity to meet the requirements of industry and the community into the future.

The objectives and outcomes of the FRWF generation project remain aligned with updated regional objectives of the GSDC provided below:

- Maximise job creation and enhance career opportunities in the region.
- Develop and broaden the economic base of the region.
- Identify infrastructure services to promote economic and social development within the region.
- Provide information and advice to promote business development within the region.
- Ensure that the general standard of government services and access to those services in the region is comparable to in the metropolitan area; and
- Generally, take steps to encourage, promote, facilitate, and monitor the economic development in the region.

At the Local Government level, the strategic plans of The Shires of Kojonup and Broomehill-Tambellup support the development of local renewable electricity generation projects to ensure the security and sustainability of energy supply. Both local government authorities have been supportive of the project throughout its development and welcome the economic benefits the project will bring during construction and in operation.

4.8 Other Matters

FRWF Stage 1 Pty Ltd is committed to working closely with all levels of Government and the local community to ensure the success of the FRWF project and the short and long term value it will create to the Great Southern Region.

The successful deployment of the FRWF project, in combination with the innovative PPA secured by a large industrial customer, demonstrates the opportunity further deployment of renewable energy projects have in developing low carbon industries and green manufacturing. FRWF project partners are committed to a second Stage of the Flat Rocks wind farm development and delivering more renewable energy in the WEM thereby supporting the transition of Western Australian industries and manufacturing to a net zero carbon emissions by 2050.