



28 January 2022

Energy Policy WA  
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### **Submission on generation licence exemption application – FRWF Stage 1 Pty Ltd**

Alinta Energy Pty Limited (**Alinta Energy**) thanks EPWA for the opportunity to provide comment on the application by Moonies Hill Energy Pty Ltd (**MHE**), acting on behalf of FRWF Stage 1 Pty Ltd, for an electricity generation licence exemption under the *Electricity Industry Act 2004 (Act)* for the 75.6MW Flat Rocks Wind Farm Stage 1 Project.

Alinta Energy subsidiaries hold several licences to construct and/or operate generating works in Western Australia, including three electricity generation licences that enable Alinta Energy to generate supply for the SWIS:

- EGL6 held by Alinta Cogeneration (Wagerup) Pty Ltd
- EGL10 held by Alinta Cogeneration (Pinjarra) Pty Ltd
- EGL30 held by Yandin WF Pty Ltd as Trustee for Yandin WF Unit Trust

and three electricity integrated regional licences that allow Alinta Energy to generate supply for areas outside the SWIS:

- EIRL6 held by Alinta Energy Transmission (Roy Hill) Pty Ltd
- EIRL7 held by Alinta DEWAP Pty Ltd
- EIRL11 held by Alinta Energy (Chichester) Pty Ltd

In December 2015, EPWA's predecessor, the PUO, consulted publicly on a proposal to remove section 7(1), which requires a person who constructs or operates electricity generating works to hold a licence, from the Act. In its Consultation Paper<sup>1</sup> the PUO observed that "there are sufficient regulatory and commercial arrangements in place to effectively manage the operation of generating works, without the need to licence generators". Despite overwhelming support from key stakeholders<sup>2</sup>, including Alinta Energy, removal of section 7(1) was never progressed.

This same proposal is now, some six years later, being reconsidered by EPWA as part of its legislative amendments package aimed at improving the efficiency of the electricity and gas licensing regime. However, EPWA advises in its Information Paper<sup>3</sup> that any legislative amendments are "unlikely to take effect until *at least* early 2023" (emphasis added).

Whilst the licence exemption applicant "does not perceive this application will adversely impact competition in the electricity industry market", there are considerable costs incurred by licensed entities that are avoided by non-licensed entities including, as advised by the ERA in its Licence

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<sup>1</sup> *Amendment to Electricity Industry Act 2004: Removal of electricity generation licensing – Consultation Paper*, Department of Finance, Public Utilities Office, December 2015

<sup>2</sup> [Proposal to remove requirement for electricity generators to be licensed \(www.wa.gov.au\)](http://www.wa.gov.au)

<sup>3</sup> *Legislative amendments to improve efficiency of the energy licensing regime – Information Paper*, Energy Policy WA, November 2021

#### Application Guidelines<sup>4</sup>:

Licence application costs:	\$5,000 – \$7,000 <sup>5</sup>
Annual licence fees:	\$2,406 p.a. <sup>6</sup>
Standing charges:	\$12,000 p.a. <sup>7</sup> (up to, approximately)
Auditor fees:	\$45,000 – 100,000 <sup>8</sup>

The above list does not include the general day-to-day expenses associated with holding a licence, including costs associated with:

- licence compliance monitoring, including the establishment of compliance registers and processes for logging, reviewing, resolving and reporting breaches;
- regulatory reporting, including annual compliance reporting to the ERA;
- composing regulatory submissions (such as this one);
- administering ERA licence invoices; and
- performance audit and asset management review preparation, including auditor engagement and selection, data provision, site visits, system and process walk-throughs, etc.

Alinta Energy has actively advocated for many years for the removal of section 7(1) from the Act and fervently supports EPWA's recent proposal as part of the legislative amendments package. However, to ensure an equal playing field with already-licensed generators regarding the significant costs and effort in maintaining a licence, we would not support the electricity generation licence exemption sought by MHE, unless the ERA agrees to defer all generator licence performance audits and asset management reviews scheduled for the interim. Alinta Energy anticipates incurring significant auditing costs this year, with a licence performance audit and asset management system review for all six generation licences scheduled for 2022 – costs that would not be incurred by unlicensed generators.

EPWA has indicated that any changes proposed under its current legislative amendments package would be unlikely to take effect until 2023 at the earliest. Indeed, some licensed generators have been waiting six years for this to occur; Alinta Energy has obtained two of its generation licences in recent years, including for the 210MW SWIS-connected Yandin Wind Farm.

Until such time as the relevant legislative amendments commence, Alinta Energy considers the requirement to apply for and maintain a generation licence should be retained. To do otherwise causes an uneven playing field amongst generators.

If you would like to discuss any aspect of this submission further, please contact me on 9486 3191 or [catherine.rousch@alintaenergy.com.au](mailto:catherine.rousch@alintaenergy.com.au) .

Yours sincerely

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<sup>4</sup> *Licence application guidelines – Electricity, gas and water licences*, Economic Regulation Authority, 19 Jan 2022, section 7.3

<sup>5</sup> A "conservative estimate" by the ERA. Refer to EPWA Information Paper, p. 4

<sup>6</sup> *Economic Regulation Authority (Licensing Funding) Regulations 2014*, reg 6(2)

<sup>7</sup> Calculated per Licensing Funding Regulations, reg 7. Recent standing charges are published in the *Economic Regulation Authority 2020/21 Annual Report*, p. 67-68

<sup>8</sup> Lower end of cost estimate estimated by Alinta Energy, with upper end previously advised to the PUO by a large generator. Refer to EPWA Information Paper, p. 4