



Consultation Paper

Facilitating co-location of storage works with licensed generating works

Proposal to broaden the class-based transmission and distribution licence exemption for licensed generators

February 2024

A licensed generator is exempt from the requirement to hold an electricity distribution or transmission licence, if the transmission or distribution network concerned is used solely for the transportation of electricity from the licensed generating works to the South West Interconnected System (SWIS).

The exemption does not apply if storage works are connected and co-located with the licensed generating works.

The issue

Some entities operating licensed generating works rely on the licence exemption in clause 17 of the [Electricity Industry Exemption Order 2005](#) (the exemption) to operate their network assets without a licence.

The exemption no longer applies if storage works, such as a Battery Energy Storage System (BESS), are co-located and connected with the licensed generation works. This is because the network assets would no longer be solely used to transport electricity from the generation works to the SWIS, but also to transport electricity to and from the storage works.

Electricity storage works, such as batteries, are not considered to fit within the definition of 'generating works' in the *Electricity Industry Act 2004* (the Act).

This means that a licensed generator operating under the exemption that wishes to install electricity storage works will be forced to apply for a transmission or distribution licence in order to continue to operate its existing network assets.

Why is this a problem?

The regulatory burden and cost for a licensed generator to obtain and comply with a transmission or distribution licence does not appear to be justified in this circumstance. The requirement for a licence may also deter investments in electricity storage systems that are essential to support transitioning of the SWIS to more renewable energy sources.

There are strong commercial incentives for generators connected to the SWIS to keep their network assets in good working order, to ensure generation is available when called and avoid penalties under the Reserve Capacity Mechanism.

The proposed solution

Energy Policy WA is proposing to extend application of the exemption for it to continue to apply when storage works, for example a BESS, are co-located with licensed generating works.

The proposed amended licence exemption would apply if the network infrastructure is used solely for the transportation of electricity between:

- generating works to which the licence applies;
 - storage works co-located with the generating works to which the licence applies; or
 - a combination of (a) and (b);
- and the SWIS.

It is proposed that, at this time, the exemption will continue to apply only to holders of a generation licence. Energy Policy WA notes that, in the future, further regulatory adjustments may be considered to allow generators without a licence to also operate network assets without the need for a licence, but that matter is out of scope for this proposal.

Background

The Electricity Industry Exemption Order 2005 did not contemplate the adoption of storage technologies alongside generating works when the provision under clause 17 was adopted in 2009. Regulatory settings need to keep pace with technological and policy changes to help support the adoption of low-emissions electricity supplies.

The Western Australian Government has committed to achieving net zero greenhouse gas emissions by 2050. To reach this target, the Government is investing in solutions to enable the supply of low-emissions electricity, including by connecting more renewable energy generation projects to the SWIS.

Due to the intermittency of renewable resources such as wind and solar, new energy storage solutions, like BESS, are needed to support the reliability and stability of electricity supplies.

Regulatory framework

Sections 7(1) to (4) of the Act require a person to hold a licence to construct or operate generating works, a transmission system or a distribution system, or to sell electricity to customers.

Under section 8 of the Act, the Governor has the power to exempt a person (or class of persons) from the requirement to hold a licence where it is not contrary to the public interest.

Exemptions may be made subject to conditions. Most licence exemptions are contained in the [Electricity Industry Exemption Order 2005](#).

Request for stakeholder feedback

Energy Policy WA is inviting stakeholders to send their feedback on this proposal to EPWA-licence-exemptions@dmirs.wa.gov.au by 5.00pm (WST) on Friday 12 April 2024.

Please contact Charlotte Nobbs, Policy Analyst, Energy Policy WA, if you have any questions via EPWA-licence-exemptions@dmirs.wa.gov.au. All submissions received will be published on the Energy Policy WA website, unless a specific request for confidentiality is made.

Next steps

Energy Policy WA will review submissions made and provide a recommendation to the Minister for Energy for consideration.

If supported, it is anticipated the amended Exemption Order will be prepared and published by September 2024. The timing will be subject to government and drafting priorities.

Table 1 – Indicative timetable

Activity	Timing
Consultation paper published	February 2024
Submissions on consultation paper close	12 April 2024
Prepare regulatory proposal for Ministerial approval and draft amendment (subject to consultation)	April - July 2024
Ministerial approval of draft Exemption Order amendment	August 2024
Submission of draft amendment to Executive Council for approval	September 2024

Information requests

Requests for information relating to this process will be treated in accordance with the *Freedom of Information Act 1992 (WA)* and Department of Energy, Mines, Industry Regulation and Safety processes.

Department of Energy, Mines, Industry Regulation and Safety | Energy Policy WA

(08) 6551 4600 | EPWA-info@dmirs.wa.gov.au

www.energy.wa.gov.au | www.brighterenergyfuture.wa.gov.au

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