

Decision on electricity distribution licence (EDL3) and electricity transmission licence (ETL4) amendments application

Southern Cross Energy Partnership

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Economic Regulation Authority

WESTERN AUSTRALIA

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Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

Telephone 08 6557 7900

Email info@erawa.com.au

Website www.erawa.com.au

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1. Decision

1. Pursuant to section 21 of the *Electricity Industry Act 2004*, the Economic Regulation Authority grants the amendment of TEC Desert Pty Ltd & TEC Desert No. 2 Pty Ltd's (trading as Southern Cross Energy Partnership) electricity distribution licence EDL3 and electricity transmission licence ETL4 to expand the licence areas.
2. Subject to their terms and conditions, the licences authorise Southern Cross Energy Partnership to provide electricity distribution and transmission services in the Southern and Northern Goldfields areas (as set out in operating area plans ERA-EL-109D, ERA-EL-110/1(C) and ERA-EL-110/2(D)).
3. The term of both amended licences is 30 years (the maximum period allowed by section 15(2) of the *Electricity Act*).
4. As required by section 23(1) of the *Electricity Industry Act*, the ERA will publish a notice of the amendment of the licences in the *Government Gazette* as soon as practicable.

2. Reasons

2.1 Licence amendment application

5. On 13 May 2021, Southern Cross Energy Partnership applied to amend the licence areas of EDL3 and ETL4 to allow for the connection of two new solar farms and an energy storage system.^{1, 2} The proposed amendments reflect the addition of the distribution and transmission infrastructure to connect the solar farms.
6. Southern Cross Energy Partnership will install a 20MW solar farm near Mount Keith which will be connected to its existing network via a new 33kV distribution line. The new point of supply to the EDL3 licence area will be located around 900 metres northeast of the Mount Keith Power Station along Southern Cross Energy Partnership's existing 33kV distribution line. The new distribution line will be extended from the existing distribution line for approximately 200 metres.
7. Southern Cross Energy Partnership will also install an 8.5MW solar farm near Leinster which will be connected to its existing network via a new 66kV transmission line. The new point of supply to the ETL4 licence area will be located approximately 2.9 kilometres southeast of the Leinster Power Station along Southern Cross Energy Partnership's existing 66kV transmission line. The new transmission line will be extended from the existing transmission line for approximately three kilometres.
8. Section 21 of the Electricity Industry Act states that the ERA may grant a licence amendment if the licence amendment application has been made in a form approved by the ERA and accompanied by the prescribed fee, and if the applicant has provided any additional information that the ERA may require for the proper consideration of the application.

2.2 Public consultation

9. On 28 May 2021, the ERA sought public comment on the licence amendment application. The period for submissions closed on 18 June 2021.
10. The ERA did not receive any submissions.

2.3 Financial and technical assessments

11. Section 19(1) of the Electricity Industry Act requires the ERA to assess the financial and technical capacity of an applicant when it grants, renews or transfers a licence. There is no requirement to perform this assessment for a licence amendment application.
12. If the ERA considers a licence amendment will result in a substantial change to a licensee's business, there is scope to require financial and technical assessments.

¹ Southern Cross Energy Partnership's northern system is a standalone system that extends from Mount Keith to Leinster.

² The construction and operation of the solar farms and the energy storage system is not part of the licence amendment application.

13. The extension of EDL3's licence area by 200 metres and ETL4's licence area by three kilometres are minor amendments. The ERA does not consider these amendments to be a substantial change to Southern Cross Energy Partnership's business.

2.4 Assessment of public interest

2.4.1 Electricity Industry Act 2004

14. Section 9 of the Electricity Industry Act requires that the ERA must not grant a licence amendment unless it is satisfied that it would not be contrary to the public interest to do so. Section 9(2) of the Electricity Industry Act states that, in making that decision, the ERA is to take into account the matters referred to in section 8(5) of the Electricity Industry Act, including:
- a. Environmental considerations.
 - b. Social welfare and equity considerations, including community service obligations.
 - c. Economic and regional development, including employment and investment growth.
 - d. The interests of customers generally or of a class of customers.
 - e. The interests of any licensee, or applicant for a licence, in respect of the area or areas to which the order, if made, would apply.
 - f. The importance of competition in electricity industry markets.
 - g. The policy objectives of government in relation to the supply of electricity.

2.4.2 Economic Regulation Authority Act 2003

15. The ERA must also have regard to the matters set out in section 26(1) of the *Economic Regulation Authority Act 2003*:³
- a. The need to promote regulatory outcomes that are in the public interest.
 - b. The long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets.
 - c. The need to encourage investment in relevant markets.
 - d. The legitimate business interests of investors and service providers in relevant markets.
 - e. The need to promote competitive and fair market conduct.
 - f. The need to prevent abuse of monopoly or market power.
 - g. The need to promote transparent decision-making processes that involve public consultation.

³ The ERA has discretion to decide the weight it gives to each of the matters listed in section 26(1) of the ERA Act in making its decision.

2.4.3 Assessment of public interest

16. The ERA has considered the public interest test in section 8(5) of the Electricity Industry Act and the matters set out in section 26(1) of the ERA Act and is satisfied that amending Southern Cross Energy Partnership's electricity distribution and electricity transmission licence would not be contrary to the public interest.
17. The operation of the solar farms as a result of the licence amendment will provide renewable energy for customers.⁴ This will reduce greenhouse gas emissions as the solar power generated will displace the electricity that would otherwise have been generated by existing gas and diesel generators. The reduction of greenhouse gas emissions is beneficial for the environment and is consistent with the government's policy objectives in the supply of electricity (Section 8(5)(a) and (g) of the Electricity Industry Act).
18. The construction and operation of the solar farms and energy storage system that will connect to the distribution and transmission systems will support economic development in the region (section 8(5)(c) of the Electricity Industry Act and sections 26(1)(b) and (c) of the ERA Act).
19. The ERA conducted public consultation on the licence amendment application and has stated in this decision the reasons for amending the licences, which is consistent with section 26(1)(g) of the ERA Act.
20. In all circumstances, after taking into account the matters set out in section 8(5) of the Electricity Industry Act and section 26 of the ERA Act, the ERA is satisfied that amending EDL3 and ETL4 would not be contrary to the public interest.

⁴ BHP Nickel West is Southern Cross Energy Partnership's only customer and has mining operations in Kambalda, Kalgoorlie, Leinster and Mt Keith.