

Decision on electricity retail licence application

Metro Power Company Pty Ltd (trading as Wholesale Direct Electricity)

5 March 2020

Economic Regulation Authority

WESTERN AUSTRALIA

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Contents

1. Decision	1
2. Reasons	2

1. Decision

1. Pursuant to sections 9 and 19 of the *Electricity Industry Act 2004* (Electricity Act), the Economic Regulation Authority grants Metro Power Company Pty Ltd (trading as Wholesale Direct Electricity) (WDE) electricity retail licence ERL29 to sell electricity to large use customers.¹
2. The grant is subject to and in accordance with the terms and conditions in the licence for a period of 15 years.
3. As required by section 23(1) of the Electricity Act, the ERA will publish a notice of the grant of licence in the Government Gazette as soon as practicable.

¹ A large use customer consumes more than 160 megawatt-hours of electricity per year.

2. Reasons

Licence application

4. On 5 November 2019, WDE [applied](#) for an electricity retail licence to supply electricity to large use customers through the South West Interconnected System.²

Public consultation

5. On 7 November 2019, the ERA sought public comment on the licence application. No submissions were received.

Financial and technical assessments

6. Under section 19(1) of the Electricity Act, the ERA must grant a licence if it is satisfied that the applicant:
 - has and is likely to retain,
or
 - will acquire within a reasonable timeframe, and is then likely to retain,
the financial and technical resources to undertake the activities authorised by the licence.
7. The ERA engaged financial and technical consultants to examine the financial and technical ability of WDE to undertake the activities to be authorised by the licence.
8. Following the financial assessment of WDE's application, the financial consultant concluded that WDE complies with the financial requirements of section 19(1) of the Electricity Act. The ERA has considered the financial consultant's report, including the information relied on in the report and the reasons for its conclusion. The ERA agrees with the conclusions in the financial consultant's report for the following reasons:
 - a. WDE was founded in 2005 and has, since 2010, been an active participant on the Wholesale Electricity Market, sourcing electricity for large commercial customers. Most of the key personnel in the company have worked for in electricity markets for over 20 years. The knowledge of the operation of the WEM that the personnel have acquired through their wholesale energy trading activities will be a valuable asset for WDE's proposed retail business.
 - b. WDE has a credible business plan to support its retail licence. The underlying assumptions on customers and revenue appear to be reasonable for a retailer supplying large use commercial customers.
 - c. WDE has demonstrated that it has adequate working capital to fund the activities that will be covered by licence in the short to medium-term and has other tangible assets that can be used as security for borrowings if more working capital is needed in future.
 - d. WDE recently increased its long-term debt to construct the one-megawatt Merredin Solar Farm. Despite the increased debt, WDE's gearing remains relatively low.
 - e. The Merredin Solar Farm will allow WDE to supply customers with electricity that is sourced at lower cost than purchasing it through the Wholesale Electricity Market,

² The SWIS covers the area from Kalbarri to Albany, and from Perth to Kalgoorlie.

which is forecast to increase WDE's long-term profitability. Sourcing electricity from the Merredin Solar Farm has already substantially increased WDE's revenue in its first year of operation.

- f. WDE's contracts with its customers will include provisions that provide WDE with prudential support and a contribution to the costs of trading on Wholesale Electricity Market.

Taking the above into account, the ERA is satisfied that WDE complies with the financial requirements of section 19(1) of the Electricity Act.

9. Following the technical assessment of WDE's application, the technical consultant concluded that the WDE complies with the technical requirements of section 19(1) of the Electricity Act. The ERA has considered the technical consultant's report, including the information relied on in the report and the reasons for its conclusion. The ERA agrees with the conclusions in the technical consultant's report for the following reasons:

- a. Electricity will be provided to large use customers using Western Power's distribution system. WDE already has an electricity transfer access contract with Western Power that covers the connection of the Merredin Solar Farm to the network and customer services for WDE's own use. It is a relatively simple matter to amend the ETAC to cover retail services.
- b. WDE already has the systems in place to source the electricity it needs to supply its current wholesale customers. They have been successfully operating these systems for 10 years.
- c. The IT and billing systems that WDE currently uses to support its wholesale customers perform most of the functions required of a retail billing system. These systems are capable of being modified to support retail customers.
- d. The application provides an adequate description of how WDE will manage its customers' data, including customer accounts, contact information and meter data. System security will be in accordance with the relevant standards.

Taking the above into account, the ERA is satisfied that WDE complies with the technical requirements of section 19(1) of the Electricity Act.

Assessment of public interest – *Electricity Industry Act 2004*

10. Under section 9(1) of the Electricity Act, the ERA must not grant a licence unless it is satisfied that it would not be contrary to the public interest to do so. Section 9(2) of the Electricity Act states that in making that decision, the ERA is to take into account the matters set out in section 8(5) of the Electricity Act:

- 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.

Assessment of public interest – *Economic Regulation Authority Act 2003*

- 11. The ERA must also have regard to the matters set out in section 26 of the *Economic Regulation Authority Act 2003* (ERA Act):
 - 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.

Assessment of public interest

- 12. The ERA has considered section 9(2) of the Electricity Act, the matters set out in section 8(5) of the Electricity Act, the reports of its financial and technical experts and evidence of WDE's ability to undertake the activities to be authorised by the licence provided with the application.
- 13. In all circumstances, after taking into account the matters referred to in section 9(2) of the Electricity Act and section 26 of the ERA Act, the ERA is satisfied that granting an electricity retail licence to WDE would not be contrary to the public interest.