

# Decision on electricity distribution application

Goldfields Power Pty Ltd

3 June 2020

**Economic Regulation Authority**

WESTERN AUSTRALIA

D214704

## **Economic Regulation Authority**

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## 1. Decision

1. Pursuant to sections 9 and 19 of the Electricity Industry Act 2004 (Electricity Act), the ERA grants Goldfields Power Pty Ltd electricity distribution licence EDL8.
2. The grant of EDL8 is subject to and in accordance with the terms and conditions in the licence for a period of 30 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.

## 2. Reasons

### 2.1 Licence

4. On 3 April 2020, Goldfields Power applied for a distribution licence to operate an electricity distribution system at Parkeston Power Station near Kalgoorlie, Western Australia.
5. Goldfields Power holds an electricity generation licence (EGL11) to operate the Parkeston Power Station and an electricity retail licence (ERL4) held by Goldfields Power authorising generation and retail activities at the Parkeston Power Station.
6. Goldfields Power identified that the existing distribution system at the Parkeston Power Station should be licensed and has applied for a distribution licence.

### 2.2 Public consultation

7. On 8 April 2020, the ERA sought public comment on the licence application. The ERA did not receive any submissions.

### 2.3 Financial and technical assessments

8. Under section 19(1) of the *Electricity Industry Act 2004*, the ERA must grant a licence if it is satisfied that:
  - The applicant has, and is likely to retain, or will require within a reasonable time after the grant of the licence and is then likely to retain, the financial and technical resources to undertake the activities authorised by the licence; and
  - It would not be contrary to the public interest to grant a licence under section 9 of the Act.
9. For the following reasons, the ERA is satisfied that Goldfields Power complies with both the financial and technical requirements of section 19(1) of the Electricity Act:
  - Goldfields Power has held the electricity generation and retail licences to operate Parkeston Power Station since 2006 and has operated the site since 1996.
  - The distribution is managed through the asset management system for the power station, which includes the operations and maintenance costs.
  - The distribution system has been covered by previous asset management reviews for the generation licence, due to it being part of the power station infrastructure used to connect customer networks. Goldfields Power has a very good compliance history, with a current audit and review period of 60 months.
  - Previous audits and reviews show that Goldfields Power has the requisite experience to operate the distribution system under a licence.
  - Goldfields Power has long-term power purchase arrangements with its customers.

## 2.4 Assessment of Public Interest – *Electricity Industry Act 2004*

10. Section 9(1) of the Electricity Act states that the ERA must grant a licence if it is satisfied that it would not be contrary to the public interest to do so. To determine whether the grant would not be contrary to the public interest, section 8(5) of the Electricity Act provides that, without limiting the other matters that may be taken into account, matters that are to be taken into account by the Governor to determine whether the making of the order would not be contrary to the public interest are:
- 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.<sup>1</sup>
  - f. the importance of competition in electricity industry markets.
  - g. the policy objectives of government in relation to the supply of electricity.

## 2.5 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*:<sup>2</sup>
- 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 long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets.
  - d. The need to encourage investment in relevant markets.
  - e. The legitimate business interests of investors and service providers in relevant markets.
  - f. The need to promote competitive and fair market conduct.

<sup>1</sup> The Governor may, by order, exempt any person or class of persons from all or any of the provisions of section 7(1) to (4) covering the requirement for a licence.

<sup>2</sup> The ERA has discretion as to the weight it gives to each of the matters listed in section 26 of the ERA Act in making its decision on Enwave WA's applications for an electricity distribution licence and electricity retail licence.

- g. The need to prevent abuse of monopoly or market power.
- h. The need to promote transparent decision-making processes that involve public consultation.

## 2.6 ERA 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 and evidence of Goldfields Power's financial and technical ability to undertake the activities to be authorised by the licence.
13. In all circumstances, after taking into account the matters in section 9(2) of the Electricity Act and section 26 of the ERA Act, the ERA is satisfied that granting an electricity distribution licence Goldfields Power would not be contrary to the public interest. The reasons for this include:
  - The distribution licence will require Goldfields Power to supply electricity in accordance with performance and service standards applicable to distribution systems, in particular the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*.
  - Electricity supplied by Parkeston Power Station contributes to economic and regional development in the Kalgoorlie area.
  - Parkeston Power Station provides a reliable electricity supply to the mining industry located in the Kalgoorlie area that is not directly connected to the South West Interconnected System.
  - Parkeston Power Station contributes to the reliability of supply in the Kalgoorlie area by supporting the South West Interconnected System at times when Western Power's network is experiencing a forced or planned outage.