



Economic Regulation Authority

Decision on electricity distribution and retail licence applications and standard form contract

Eglinton Village Energy Pty Ltd

2 August 2023

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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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National Relay Service TTY: 13 36 77

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1. Decision

1. Pursuant to section 51 of the *Electricity Industry Act 2004* (Electricity Act), the Economic Regulation Authority (the ERA) approves Eglinton Village Energy Pty Ltd's (EVE) standard form contract for the sale of electricity to small use customers.¹
2. Pursuant to sections 9 and 19 of the Electricity Act, the ERA grants EVE electricity distribution licence EDL10 and electricity retail licence ERL33, which permits EVE to supply electricity to small and large use customers.
3. The grant of EDL10 is subject to and in accordance with the terms and conditions in the licence for a period of 30 years.
4. The grant of ERL33 is subject to and in accordance with the terms and conditions in the licence for a period of 15 years.
5. As required by section 23(1) of the Electricity Act, the ERA will publish a notice of the grant of the licences in the Government Gazette as soon as practicable.

¹ A 'small use customer' consumes not more than 160 megawatt hours of electricity per year.

2. Reasons

2.1 Application

6. On 28 April 2023, EVE applied for an electricity distribution licence to construct and operate an electricity microgrid at Eglinton Village, and an electricity retail licence to sell electricity to residential and commercial customers connected to the microgrid.
7. The microgrid will comprise:
 - an embedded electricity network and related infrastructure, including metering.
 - embedded generation and battery storage infrastructure.
8. The Eglinton Village (Village) is a residential development located 45km north of Perth in the City of Wanneroo. The Village covers 86-hectares and will ultimately accommodate about 1,260 single residential lots, a commercial centre that will provide shopping and recreational services, and a primary school.

2.2 Standard Form Contract

9. As it applied for a retail licence to supply small use customers, EVE submitted a standard form contract with its retail licence application. Section 50 of the Electricity Act provides that the ERA must not grant a retail licence unless the ERA has approved the standard form contract under which the applicant will supply electricity to small use customers pursuant to the licence.
10. Under the Electricity Act, the ERA must not approve a standard form contract if it considers that the contract will not meet the requirements of the Electricity Act, the relevant regulations, any other written law, or any term, condition or provision of the electricity retail licence.
11. The ERA considers that the standard form contract meets the relevant regulatory requirements.

2.3 Public consultation

12. On 19 May 2023, the ERA sought public comment on EVE's licence applications. No submissions were received.

2.4 Assessments

2.4.1 *Financial assessment*

13. Under section 19(1) of the Electricity Act, the ERA must grant a licence if it is satisfied that the licensee has and is likely to retain, or will acquire within a reasonable time, and is then likely to retain, the financial and technical resources to undertake the activities authorised by the licence(s).
14. The ERA engaged financial and technical consultants (experts) to examine the financial and technical ability of EVE to undertake the activities authorised by the licences.

15. Following the financial assessment of EVE's applications, the financial consultant concluded that EVE complies with the financial requirements of section 19(1) of the Electricity Act.
16. 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 consultant's conclusions in the financial report for the following reasons:
 - a. The financial assessment of EVE's immediate parent company, Zenith Micro-Grid Pty Ltd and ultimate parent company, Elemental Infrastructure HoldCo Pty Ltd and Controlled entities (the Group), show that the parties have the capacity to finance the operation of the microgrid, including the supply of electricity to the microgrid's customers.
 - b. The Group was able to renegotiate borrowings with reputable lenders, as well as raise additional funding to repay liabilities.
 - c. EVE's 25-year forecast of its revenue, expenses and cashflows indicates it can support its funding requirements.

2.4.2 Technical assessment

17. Following the technical assessment of EVE's applications, the technical consultant concluded that EVE complies with the technical requirements of section 19(1) of the Electricity Act.
18. 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 consultant's conclusions in the technical report for the following reasons:
 - a. EVE will utilise the resources and experience of its parent company, Zenith Energy, which operates 14 remote generation and microgrid assets across Western Australia and the Northern Territory, providing a contracted and operational capacity of 500 MW to a diverse mix of customers.
 - b. The asset management documents provided in the distribution licence application demonstrate that EVE can operate and maintain the microgrid effectively.
 - c. Synergy, a service provider with considerable experience in providing electricity retail services to residential and commercial customers, will supply electricity sourced from the SWIS under an electricity sales agreement with EVE, as well as metering, billing, and customer support services on behalf of EVE, under a services contract.

2.4.3 *Public interest*

2.4.3.1 *Electricity Industry Act 2004*

19. Section 9 of the Electricity Act requires that the ERA must not grant a licence unless it is satisfied that it would not be contrary to the public interest to do so. Without limiting the other matters that may be taken into account, section 9(2) of the Electricity Act requires that the ERA take into account the matters referred to in section 8(5) of the Electricity Act when determining whether the renewal would not be contrary to the public interest.

Those matters 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 licence in respect of which the power exercised is exercised would apply.
- f. The importance of competition in electricity industry markets.
- g. The policy objectives of government in relation to the supply of electricity.

2.4.3.2 *Economic Regulation Authority Act 2003*

20. When making a decision on whether or not to grant a licence, the ERA must also have regard to the matters set out in section 26(1) on 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 Under section 26(2) of the ERA Act, the ERA has discretion as to the weight it gives to the matters in section 26(1).

2.4.3.3 *Assessment of the public interest*

21. The ERA has considered:

- The matters set out in section 9(2) and section 8(5) of the Electricity Act.
- Section 19(1) of the Electricity Act.
- Section 26(1) of the ERA Act.
- The reports of the financial and technical experts engaged by the ERA.
- Information provided in EVE's application on its ability to undertake the activities to be authorised by the licences.

22. The ERA is satisfied that granting an electricity distribution licence and electricity retail licence to EVE would not be contrary to the public interest, because:

- a. The distribution and retail licences require EVE to provide electricity supply services in accordance with performance and service standards, including providing consumer protections to customers on the microgrid (sections 8(5)(d) and (g) of the Electricity Act and sections 26(1)(a) and (b) of the ERA Act).⁴
- b. Fifty per cent of the electricity supplied to customers will come from renewable sources, which will be further increased to 65 per cent from 2035. Solar generation and battery storage will be connected to the microgrid. This meets the environmental factors the ERA is required to consider when assessing a licence application (sections 8(5)(a) and (g) of the Electricity Act and section 26(1)(a) of the ERA Act).
- c. Customers who agree to rooftop solar generation which supplies energy to the microgrid, will receive a bundled tariff 20 per cent below the equivalent regulated tariff (section 8(5)(d) of the Electricity Act and sections 26(1)(a) and (b) of the ERA Act).
- d. The Village development will create employment opportunities in the retail and hospitality sectors and a new primary school (section 8(5)(c) of the Electricity Act).
- e. The EVE microgrid is consistent with the State Government's energy policy objectives in that it enables customers to be supplied with secure, reliable, and affordable energy services.

⁴ The protections include those available under the *Code of Conduct for the Supply of Electricity to Small Use Customers* and access to the Electricity Ombudsman Scheme.