

# Decision on Distribution Licence Application for Croesus Mining NL

30 June 2006

Economic Regulation Authority

 WESTERN AUSTRALIA

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## DECISION

1. On 19 December 2005, Croesus Mining NL ACN 009 150 083 (**Applicant**) submitted an application to the Economic Regulation Authority (**Authority**) for a Distribution Licence (**Application**). The proposed licence area is located at Norseman 725 km east of Perth and midway between Kalgoorlie and Esperance region of Western Australia.
2. The Licence Application was made pursuant to section 10 of the *Electricity Industry Act 2004* (**Act**).
3. Pursuant to sections 9 and 19 of the Act, the Authority approves the grant of a Distribution Licence to the Applicant subject to, and in accordance with, the terms set out in the Distribution Licence for a period of 6 months.

## REASONS

1. Pursuant to section 19 of the Act, the Authority may grant a licence if it is satisfied that the Applicant:
  - a) has and is likely to retain; or
  - b) will acquire within a reasonable time after the grant, renewal or transfer, and then is likely to retain,the financial and technical resources to carry out the functions authorised by the licence under the Act.
2. The Authority engaged McGill Engineering Services Pty Ltd (**McGill**) to examine the technical capacity of the Applicant to undertake activities authorised by the Distribution Licence. Following its assessment, McGill Engineering concluded that the Applicant has and is likely to retain the technical resources to carry out the functions authorised by the licence under the Act.
3. The Authority engaged Stamfords Advisors and Consultants (**Stamfords**) to examine the financial capacity of the Applicant to undertake the activities authorised by the Distribution Licence.
4. Following the Authority's receipt of the reports from McGill and Stamfords, the Applicant experienced deterioration in financial performance and an Administrator was appointed on 23 June 2006.
5. The Authority has considered the Application and the advisers' reports. The Authority is satisfied that the Applicant has, and is likely to retain, the technical resources to carry out the functions authorised by the licence under the Act.
6. Concerning the Applicant's financial resources, the Authority notes that in January, it was Stamford's view that, the Applicant had the financial resources to carry out the functions authorised by the licence. In the Authority's view, given the deterioration in financial performance and the appointment of an Administrator, uncertainty now exists. However, the Authority is satisfied that the appointment of an Administrator may provide the means for the Applicant to acquire within a reasonable time and retain the financial resources to undertake the activities authorised by the Distribution Licence.

7. Section 9 of the Act states that the Authority must not exercise a power conferred by Division 3 of the Act (general licensing provisions) unless the Authority is satisfied that it would not be contrary to the public interest to do so.
8. A notice regarding receipt of the Application was published on the Authority's website in January 2006. The Authority did not receive any comments or objections to the grant of the respective licences to the Applicant.
9. In its consideration of the Application, the Authority considered the public interest, including the matters set out in section 8(5) of the Act as required by section 9(2). In particular, the Authority notes that the town of Norseman is supplied with electricity via the distribution line the subject of the Application and if the application was not granted then the town would not be able to be supplied electricity from 1 July 2006.
10. Accordingly, the Authority is satisfied that, notwithstanding the Applicant's current financial position, approval of a Distribution Licence to the Applicant would not be contrary to the public interest.
11. The Authority has therefore decided to grant a Distribution Licence to the Applicant. The Authority is limiting the period for the Licence to 6 months in order for the Applicant to work through its financial issues. After this time, the Authority will consider an extension of the Licence.
12. As required by section 23(1) of the Act, the Authority will publish a notice of its approval of the Application in the *Government Gazette* as soon as is practicable.