

20 May 2005

Our Ref: ohp0505-01

Mr Adam Phillips
Manager Monitoring
Licensing, Monitoring and Customer Protection Division
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

Dear Adam

Submission on the Draft Electricity Generation Licence

Pacific Hydro Limited (PHL) appreciates the opportunity to make a submission to the Economic Regulation Authority (**Authority**) on the Draft Generation Licence.

Clause 1 – individual performance standards and performance criteria

PHL is concerned that the individual performance standards and performance criteria that may be imposed on a licence applicant who is an existing operator may be inconsistent with the existing performance standards and criteria adopted for that particular generating plant during its construction, and may therefore cause difficulties with compliance.

To the extent that the individual performance standards and performance criteria for existing operators are consistent with applicable legislation and regulations, they should be protected from future changes which may adversely affect the economic viability of the operator.

Clause 2.1(b)

PHL has long-term power purchase arrangements in place for the sale of electricity to an entity for distribution and retail. The provision of electricity to a person should therefore be expanded to include transmission, distribution and retail licensees to ensure that current agreements are not affected.

Clause 12.2

The nomination of an independent expert by the licensee for the conduct of performance audits prior to the scope of work being proposed by the Authority may result in unnecessary process to select a suitable expert.

PHL would prefer that the Authority initially propose a scope of work for the independent expert which would then enable the licensee to seek the most appropriate independent expert (based on that scope of work) for consideration by the Authority.

Clause 12.5

It would be preferable that the performance criteria that an independent expert will use for the performance audit also be part of the proposed scope of work. Alternatively, the performance criteria may be specified as part of the granting of a licence to enable the licensee to track its performance on an ongoing basis, against known criteria.

Clause 13.1

The requirement to submit an asset management system within 2 business days only, from the commencement date, as it applies to existing operators appears to be a redundant requirement. It would streamline the license application process if this requirement was simply incorporated into the initial application submission for existing operators.

Clause 13.2

A definition or guide should be provided for what constitutes material changes to the asset management system. Generation plants generally go through many changes during their operational lifetime, many of which are minor in nature. The requirement to notify the Authority of any material changes may result in ineffective and unnecessary reporting by licensees.

Clause 13.4

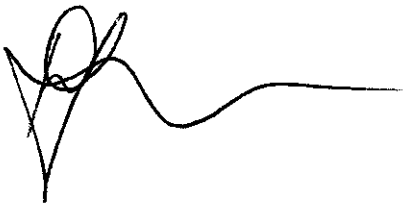
The comments in relation to clause 12.2 apply.

Schedule 1 – Clause 4

To protect information considered commercially sensitive by the licensee, the licensee should be provided with the right of appeal against a decision by the Authority.

If you have any questions or comments on the issues raised in this submission, please feel free to contact Mr Graeme Fitzpatrick on (03) 9615 6489.

Yours sincerely



Darren James
Compliance Manager
Pacific Hydro Limited