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January 12, 2011

Mr Mick Geaney
Assistant Director Licensing
Economic Regulation Authority
PO Box 8469
Perth Business Centre, WA 6849

Email: Mick.Geaney@erawa.com.au

Dear Mick,

RE: Amendment to EGL7 – Greenough Solar Farm

Griffin welcomes the opportunity to make a submission on the above.

Division 3, Section 9 of the *Electricity Industry Act 2004* relates to the obligation of the Economic Regulation Authority ('Authority') to ensure it discharges its responsibilities with a regard to the public interest. Griffin does not believe that amending Verve Energy's generation licence (EGL7) in this instance is in the public interest.

The Greenough Solar Farm will be, we are informed, the first utility-scale solar PV facility in Australia. At 10MW (and expandable to 40MW), it is not an insignificant addition to the generation fleet within the South West Interconnected System (SWIS). *Prima facie*, this is a positive development. However, the manner in which this facility is to be funded, through a \$20M government subsidy to Verve (including \$10M grant under the Royalties for Regions scheme) leads to several detrimental impacts on the Wholesale Electricity Market (WEM) and the consumers of electricity in the SWIS.

The fact that the subsidy was awarded to the state owned utility without being subject to any competitive process means that it is likely the State (and its taxpayers) and electricity consumers will receive poor value for money. By all industry standards, \$58M¹ for a 10MW solar PV facility results in generation output which is excessively expensive. It is also our understanding that the facility will not have sufficient network capacity at Geraldton Power Station, where it will connect, and will share the existing network capacity with that facility. This means it is unlikely to qualify for capacity credits (making its output in our capacity plus electricity market more costly) and will be required to limit its output during some periods when the Geraldton Power Station is using the shared capacity, further reducing the commercial viability.

¹ www.verveenergy.com.au/subContent/mediaReleases/mediaReleasesArticles/Solar_farm_for_Mid_West.html

By all accounts, the Greenough Solar Farm is not a commercially viable project in a competitive market. Given Verve is precluded from retailing in the SWIS, it is likely that the output will be sold to state owned retailer Synergy. Additional to the cost to the consumer of the uncompetitive facility itself, such a transaction will have implications on competition in the WEM. Firstly, private capital will be discouraged from seeking to develop projects in the SWIS if it is perceived that the state owned generator has continued access to state (taxpayer) funds to develop uncommercial projects. Importantly, the 10MW facility itself is upgradeable to 40MW (presumably with further state funding). There is only a certain amount of annual peak load growth and additional renewable energy requirements in the SWIS. Synergy, by far the dominant retailer in the market, represents one of the only offtakers capable of enabling a new project to be financed. Any requirement for Synergy to take the output of the Greenough Solar Farm will impact the near-term capability of another developer to sell its output to Synergy and develop a competing project in the SWIS.

Generally, the development of new renewable generation facilities in regional areas in Western Australia should be encouraged. However, we operate a competitive Market in the SWIS and there are many potential developers of new renewable facilities that have not been afforded the same level of assistance as has the state owned utility Verve. Griffin believes that the manner in which the Greenough Solar Facility will be funded will lead to excessive costs to consumers and will lead to a lessening of competition in the WEM. We urge the Authority to reject this application for an amendment to EGL7 based on these impacts. We further request that the Authority makes a recommendation to the Government that the \$20M state subsidy for the Greenough Solar Farm be re-packaged as an open tender for the development of a regional solar generation facility within the SWIS, open to all potential developers and incorporating a range of solar generation technologies.

Please contact me if you have any queries relating to this submission.

Yours sincerely,



Shane Cremin
GM – Policy & Strategy

cc Mr Robert Pullella
Executive Director Access