

Decision to renew gas trading licence GTL8

Electricity Generation and Retail Corporation (trading as
Synergy)

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Economic Regulation Authority

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Decision

1. Pursuant to sections 11K and 11S of the *Energy Coordination Act 1994 (Act)*, the ERA has renewed Gas Trading Licence No. 8 (**GTL8**) currently held by Electricity Generation and Retail Corporation (trading as Synergy).
2. Subject to its terms and conditions, the licence authorises Synergy to sell gas transported through a distribution system¹ to small use customers² for 10 years (the maximum period allowed by section 11O of the Act).³
3. As required by section 11T of the Act, the ERA will publish a notice of the renewal of the licence in the Government Gazette as soon as practicable.

Reasons

4. The ERA first granted GTL8 to Synergy on 1 July 2007.⁴ The licence authorised Synergy to sell gas to customers transported through a distribution system to small use customers for 10 years.
5. GTL8 expired on 30 June 2017.
6. On 18 September 2017, Synergy applied for GTL8 to be renewed so it could continue selling gas to small use customers within the same supply areas covered by the expired licence.⁵
7. Section 11G of the Act requires a person to hold a gas trading licence to sell gas to small use customers that is transported through a distribution system.

Grant of licence

8. Under section 11S(1) of the Act, the ERA must renew a licence if it is satisfied that the applicant has and is likely to retain, or will acquire within a reasonable timeframe after the renewal, and is then likely to retain, the financial and technical resources to undertake the activities authorised by the licence.

¹ 'Distribution system' is defined in section 3 of the Act and includes a system of pipelines, mains, and gas service pipes, designed to operate at a pressure of less than 1.9 megapascals, for the transportation of gas to customers.

² A small use customer is a customer whose consumption of gas is less than 1 terajoule of gas per year.

³ In practice, the State Government's Gas Market Moratorium precludes Synergy from selling gas to customers whose consumption of gas is less than 180 gigajoule per year.

⁴ GTL8 was granted to the then Electricity Retail Corporation (trading as Synergy). On 1 January 2014, GTL8 was assigned to the Electricity Generation and Retail Corporation (trading as Synergy) when the Electricity Generation Corporation and the Electricity Retail Corporation were merged.

⁵ The Coastal, Great Southern and Goldfields-Esperance Supply Areas.

9. As part of its renewal application, Synergy provided a five-year revenue and profit forecast demonstrating it has the financial resources to continue supplying gas to small use customers. It is also the largest electricity generator and retailer in Western Australia, with revenue in excess of \$3 billion in 2016-17. Based on this information the ERA considers Synergy complies with the financial requirements of section 11S(1) of the Act.
10. Synergy has a small dedicated team, utilising relatively simple customer management systems, to support the 175 small use gas customers it currently supplies. Under the current market conditions, Synergy does not expect to see a material increase in the number of customers it supplies in the short term. Noting that Synergy has successfully supplied customers for over 10 years using this business model, the ERA considers Synergy complies with the technical requirements under section 11S(1) of the Act.
11. Section 11K of the Act provides 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. Section 11H(3) of the Act, without limitation, specifies the matters the ERA may consider.
12. In its assessment of the public interest the ERA took into account:
 - Synergy's participation in the small use gas market enhances competition in the segment covering customers whose annual consumption of gas is between 180 gigajoules and 1 terajoule.
 - Synergy's existing gas customers whose interests are best served with a continuation of their current supply arrangements.
 - The ERA has previously approved Synergy's standard form contract for the supply of gas to small use customers. This contract will continue to be valid when GTL8 is renewed.
13. Having regard to these matters, the ERA is satisfied that renewing GTL8 would not be contrary to the public interest.