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January 14, 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: Licence application – Mumbida Wind Farm

Griffin requests the Economic Regulation Authority ('Authority') accepts the following late submission on the above.

It is Griffin's understanding that the proposed Mumbida Wind Farm project ('MWF') is a joint venture between Verve Energy and Macquarie Capital. It is also our understanding that the proposed MWF will connect at the Mungarra Power Station, sharing the network capacity of that facility. If this is proven to be the case, Griffin strongly objects to the granting of any generation licence without further investigation of the impacts.

The Mungarra Power Station provides an important network support function in the northern part of the SWIS. When Mungarra is not operating, the capacity of northern transmission network is impacted. This has flow-on impacts on generation facilities connected to the northern transmission network. Griffin would like to know the potential impacts on existing generation facilities of the proposed MWF sharing the network capacity with Mungarra.

Additionally, it is proposed the MWF will be a 55MW facility (with potential for expansion). Based on current capacity credit allocation methodology (and an assumed wind resource giving a capacity factor of around 40% - consistent with other facilities in the region), then the MWF should expect to receive around 22MW of capacity credits. Mungarra is accredited with around 97.5MW of capacity credits. Under the WEM's unconstrained transmission regime, the contracted network capacity for Mungarra (to be shared with the MWF) would need to be in the order of 120MW if the MWF is to be eligible for capacity credits¹. Given Western Power has informed potential investors that there is no spare capacity in the Midwest

¹ That is, if both the Mungarra and MWF facilities are to be capable of providing their maximum capacity values to the market at the same time. Even under this scenario, there will be instances where the MWF will need to be curtailed if both facilities are operating at or near full capacity coincidentally.

region, then either Verve has been maintaining (and paying for) excess capacity at Mungarra since the start of the market, or the MWF facility is not going to apply for capacity credits².

If the former is the case, Verve has been incurring the cost of excess contracted network capacity at Mungarra. This has been at the expense of other potential developers who have not been able to access spare capacity in this part of the network. It has also occurred while Verve has incurred substantial losses and being subsidised by state (taxpayer) funds. This would be a serious breach of monopoly power.

If the latter is the case and the proposed MWF is not seeking to apply for capacity credits, then it is unlikely to be a commercially viable project – or it is unlikely to be able to compete with a similar facility that does possess capacity credits. 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 a special relationship with the state owned retailer to offtake the output from uncommercial projects. Importantly, Synergy is by far the dominant retailer in the market and represents one of the only offtakers capable of enabling a new project to be financed. Any mandate for Synergy to take the output of the MWF will impact the near-term capability of another developer to sell its output to Synergy and develop a competing project in the SWIS.

Division 3, Section 9 of the *Electricity Industry Act 2004* relates to the obligation of the Authority to ensure it discharges its responsibilities with a regard to the public interest. Griffin is increasingly concerned that the public interest, and competition principles in general, is being ignored by aggressive moves from the state-funded and state owned generator Verve Energy in developing generation assets that are not competitive and would not be able to be developed by a private investor. In these instances, there is no clear evidence of any market failure that is required to be addressed (in fact, quite the contrary). Griffin believes that, in the public interest, the issues raised in this submission must be properly investigated before the Authority grants the licence as applied for.

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

² It is observed that although media releases suggest the proposed MWF will be operational in late 2012, it has not been awarded capacity credits for the 2012/13 capacity year.