

Decision on Electricity Retail Licence Application

AER Pty Ltd – ERL18

21 November 2012

Economic Regulation Authority

WESTERN AUSTRALIA

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DECISION

1. Pursuant to sections 9 and 19 of the *Electricity Industry Act 2004* (**Act**), the Economic Regulation Authority (**Authority**) approves the grant of an electricity retail licence to AER Pty Ltd (**Applicant**) to retail electricity, subject to, and in accordance with, the terms set out in the retail licence for a period of 15 years.
2. As required by section 23(1) of the Act, the Authority will publish a notice of the grant of licence in the Government Gazette as soon as practicable.

REASONS

3. On 9 October 2012, the Applicant submitted a licence application to the Authority to obtain an electricity retail licence for the South West Interconnected System (SWIS). The applicant is intending to retail electricity to large use customers consuming more than 200MW per annum.
4. The Applicant is not an existing operator, but has a close relationship with Advanced Energy Resources Pty Ltd that owns a majority in the Mt Barker Wind Farm (2.4MW) and has engaged a consultant with electricity retail industry experience to provide advice in regard to electricity retail services.
5. Under section 19(1) of the Act the Authority must grant a licence if it is satisfied that the applicant has and is likely to retain, or will acquire within a reasonable timeframe, and is likely to retain, the financial and technical resources to undertake the activities authorised by the licence.
6. The Authority engaged a financial consultant to examine the financial capacity of the Applicant to undertake the activities authorised by the retail licence. Following the assessment, the consultant concluded that the Applicant has and will likely retain the financial resources to undertake the activities authorised by the licence.
7. The Authority engaged a technical consultant to examine the technical capacity of the Applicant to undertake the activities authorised by the retail licence. Following the assessment, the consultant concluded that the Applicant has and is likely to retain the technical resources to undertake the activities authorised by the licence.
8. The Authority has considered the retail licence application including the consultants' assessments conducted for the purpose of the retail licence application and is satisfied that the Applicant meets the requirements of section 19(1) of the Act.
9. Section 9 of the Act requires that the Authority must not grant an electricity licence unless it is satisfied that it would not be contrary to the public interest to do so. Section 8(5) of the Act, without limitation, specifies the matters to be considered by the Authority in this regard.
10. A notice seeking public submissions was published on 11 October 2012 and the submission period closed on 1 November 2012. No submissions were received.
11. In its consideration of the Application, the Authority considered the public interest, including all of the matters set out in section 8(5) of the Act as required by section 9(2) and the Applicant's capacity to undertake the activities authorised by the licence as required by section 19 of the Act. The Authority is satisfied that approval of an electricity retail licence to the Applicant would not be contrary to the public interest.

12. The Authority notes that the Applicant applied for the SWIS as the operating area. However, further to the Authority's decision on 19 September 2012 to remove the reference to the SWIS in the description of the operating area for all licences, the approved operating area for this licence reflects the operating area for Western Power's distribution system.