

Decision on:

1. Distribution Licence Application
 2. Generation Licence Application
 3. Transmission Licence Application
 4. Retail Licence Application
 5. Integrated Regional Licence Application
- for Western Power Corporation.

30 March 2006

Economic Regulation Authority



WESTERN AUSTRALIA

A full copy of this document is available from the
Economic Regulation Authority website at www.era.wa.gov.au.

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DECISION

1. On 20 December 2005, Western Power Corporation submitted an application to the Economic Regulation Authority (**Authority**) for a Distribution Licence, Generation Licence, Transmission Licence and Integrated Regional Licence for a term of 30 years and a Retail Licence for a term of 15 years (**Application**). The Application also included proposed standard form contracts to accompany the Retail Licence and Integrated Regional Licence. The proposed licence areas are located in the South West Interconnected System as well as large portions of land area in regional Western Australia.
2. Disaggregation of Western Power Corporation is expected to take place on 1 April 2006. At this time, a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will reform Western Power into four separate business units (SBUs) being:
 - Generation: Electricity Generation Corporation (Verve Energy),
 - Networks: Electricity Networks Corporation (Western Power);
 - Retail: Electricity Retail Corporation (Synergy); and
 - Regional: Regional Power Corporation (Horizon Power) (together the **Applicant**).
3. The Application was made pursuant to section 10 of the *Electricity Industry Act 2004* (**Act**). The proposed standard form contracts were submitted pursuant to section 49 of the Act.
4. Pursuant to section 19 and section 9 of the Act and subject to, and in accordance with the terms set out in the licences, the Authority approves the grant of the following licences to the Applicant:
 - Generation Licence (for a term of 30 years);
 - Transmission Licence (for a term of 30 years);
 - Distribution Licence (for a term of 30 years);
 - Retail Licence (for a term of 15 years); and
 - Integrated Regional Licence (for a term of 30 years).

REASONS

1. The Authority engaged 2020 Global Pty Ltd (**2020 Global**) to examine the financial capacity of the relevant SBU of the Applicant to undertake the activities authorised by each particular licence. Following the assessment 2020 Global concluded that each SBU of the Applicant has the financial resources to undertake the particular activities authorised by the Distribution Licence, Generation Licence, Transmission Licence, Retail Licence and Integrated Regional Licence under the Act.
2. The Authority engaged PB Associates Pty Ltd (**PB Associates**) to examine the technical capacity of the relevant SBU of the Applicant to undertake each of the activities authorised by each particular licence. Following the assessment PB Associates concluded that each SBU of the Applicant has the technical resources to undertake the particular activities authorised by the Distribution Licence,

Generation Licence, Transmission Licence, Retail Licence and Integrated Regional Licence under the Act.

3. The Authority was informed by PB Associates that Electricity Networks Corporation had entered into an arrangement with Electricity Retail Corporation for Electricity Retail Corporation to provide fault call handling arrangements for Electricity Networks Corporation. The Authority was concerned with the potential for actual or perceived anti-competitive behaviour under such an arrangement. The Authority understands that unwinding the arrangement will cause Electricity Networks Corporation significant time and expense and Electricity Networks Corporation is currently unable to perform the fault call handling arrangements.
4. Accordingly, the Authority has required a clause in Transmission Licence and Distribution Licence for the licensee to have a plan approved by the Authority, within 6 months from the grant of the Transmission Licence and Distribution Licence, which sets out the steps that Electricity Networks Corporation will implement to establish its own fault call handling arrangements and end the arrangement with Electricity Retail Corporation.
5. The Authority has considered the Application and the advisers' reports and is satisfied that the Applicant meets the requirements of section 19(1) of the Act.
6. Section 9 of the Act states that the Authority must not exercise a power conferred by Division 3 of the Act (General licensing provisions) unless the Authority is satisfied that it would not be contrary to the public interest to do so.
7. Following receipt of the Application, a notice regarding receipt of the Application was published on the Authority's website in January 2006. The Authority did not receive any objection to the grant of a Generation Licence, Transmission Licence, Distribution Licence, Retail Licence and Integrated Regional Licence to the Applicant.
8. In its consideration of the Application, the Authority considered the public interest, including the matters set out in section 8(5) of the Act as required by section 9(2) of the Act. The Authority is satisfied that approval of a Generation Licence, Transmission Licence, Distribution Licence, Retail Licence and Integrated Regional Licence to the Applicant would not be contrary to the public interest.
9. The Authority has therefore decided to grant a Generation Licence to Western Power for a term 30 years. The Authority notes that a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will transfer this licence from Western Power to the Electricity Generation Corporation.
10. The Authority has therefore decided to grant a Transmission Licence to Western Power for a term 30 years. The Authority notes that a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will transfer this licence from Western Power to the Electricity Networks Corporation.
11. The Authority has therefore decided to grant a Distribution Licence to Western Power for a term 30 years. The Authority notes that a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will transfer this licence from Western Power to the Electricity Networks Corporation.
12. The Authority has therefore decided to grant a Retail Licence to Western Power for a term 15 years. The Authority notes that a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will transfer this licence from Western Power to the Electricity Retail Corporation.

13. The Authority has therefore decided to grant an Integrated Regional Licence to Western Power for a term 30 years. The Authority notes that a statutory Transfer Order made in accordance with section 147 of the *Electricity Corporations Act 2005* will transfer this licence from Western Power to the Regional Power Corporation.
14. As required by section 23(1) of the Act, the Authority will publish notice of its approval of the Application in the *Government Gazette* as soon as is practicable.