



Southern Cross Energy
Level 19, Parmelia House
191 St. Georges Tce
Perth, WA 6000

Telephone: 618-9420-0628
ABN: 79 271 003 656

10 September 2012

Rasmus Moerch
Assistant Director Licensing
Economic Regulation Authority
Level 4, Albert Facey House
469-489 Wellington Street
Perth WA 6000

Dear Rasmus,

RE: TEC Pipe Pty Ltd EIRL Application

Please find enclosed with this letter an electronic copy of the application by TEC Pipe Pty Ltd for an Integrated Regional Licence. Payment of the application fee will be made by EFT and a receipt of this transaction will be forwarded on to you.

Every effort has been made to supply the information necessary for the review of this application however information such as financial models and certain financial process are deemed confidential.

Please do not hesitate to contact me should you require any further information.

Yours sincerely,


Troy Forward
Commercial Manager

1 INTRODUCTION

TEC Pipe Pty Ltd (**TEC Pipe**) has agreed to acquire a power station (**Power Station**) currently being constructed by FMG Solomon Pty Ltd (**FMG Solomon**). TEC Pipe will supply electricity generated from the Power Station to FMG Solomon for its iron ore mining operation located approximately 60km north of Tom Price in Western Australia (**Solomon Mining Project**) pursuant to a Power Purchase Agreement between TEC Pipe and FMG Solomon (**PPA**).

TEC Pipe and FMG Solomon have entered into a sale and purchase agreement (**Agreement**) whereby FMG Solomon will sell and TEC Pipe will purchase the plant and equipment comprising the Power Station. FMG Pilbara Pty Ltd (**FMG Pilbara**) a related entity of FMG Solomon and the registered holder of mining lease M47/1431 (**Mining Lease**), will grant a sublease to TEC Pipe over a portion of the Mining Lease (**Sublease**) to facilitate access to the land on which the Power Station is situated and the operation of the Power Station after the completion of the Agreement (**Proposed Transaction**).

One of the conditions precedent to the Agreement and the Proposed Transaction is that TEC Pipe is granted, or is exempt from requiring, an Integrated Regional Electricity Licence (**Licence**) permitting operation of the Power Station and generation of electricity by TEC Pipe and the retail of electricity to FMG Solomon.

This application has been prepared having regard to the requirements of the *Electricity Industry Act 2004 (WA)* (**Act**), regulations made under the Act and the Authority's *Electricity, Gas and Water Licences: Application Guideline and Forms* document dated September 2011 (**Guidelines**).

Applicant Details

Applicant Details	
Name	TEC Pipe Pty Ltd
Registered Office (if a Corporation)	Parmelia House, Level 14 191 St Georges Terrace, Perth WA 6000
Principal Place of Business (if different from Registered Office)	

Contact Details	
Primary Contact Name	Troy Forward
Mail Address	Parmelia House, Level 14 191 St Georges Terrace, Perth WA 6000
Email	troy_forward@transalta.com
Telephone	(08) 9420 0628
Mobile	0434 605 358
Fax	(08) 9322 2140

Company Structure	
ABN or ACN	ACN 090 067 011
Legal Nature of applicant	Proprietary company
Place of Incorporation	Australia
Company Directors or Principals	Aron John Willis Amanda Nicole Frodsham
Entity's Core business profile	TEC Pipe intends to distribute electricity, operate and run a power station.

Associated and/ or
Controlled entities

TEC Operations Pty Ltd
TEC Desert Pty Ltd
TEC Desert No.2 Pty Ltd
TEC Kalgoorlie Pty Ltd

Classification of the Electricity Licence Application

Type of Licence Application	Generation <input type="checkbox"/> Transmission <input type="checkbox"/> Distribution <input type="checkbox"/> Retail <input type="checkbox"/> Integrated Regional <input checked="" type="checkbox"/>
For Generation and Integrated Regional Licences	Installed Capacity <u>134.4</u> megawatts
For Transmission and Integrated Regional Licences	Transmission System Length <u>N/A</u> kilometres
For Distribution and Integrated Regional Licences	Distribution System Length <u>N/A</u> kilometres
For Retail and Integrated Regional Licences	Number of large use customers <u>1</u>
For Retail and Integrated Regional Licences	Number of small use customers <u>nil</u>

Summary Description of Licence Activity

Corporate Structure	
Brief description of the applicant's structure and key organisational relationships	The applicant is a registered Australian proprietary company. It is wholly owned by TransAlta Energy (Australia) Pty Ltd (TransAlta Australia). TransAlta Australia is ultimately owned and controlled by TransAlta Corporation.
Services/service model	
Brief description of service(s) or service model intended	TEC Pipe will supply electricity generated from the Power Station to FMG Solomon for its iron ore mining operation located approximately 60km north of Tom Price in Western Australia (Solomon Mining Project) pursuant to a Power Purchase Agreement between TEC Pipe and FMG Solomon (PPA).
Service infrastructure/works	
Brief description of service infrastructure/works	The Power Station will comprise the following key infrastructure: <ul style="list-style-type: none"> • 4 x 13 MW Solar Titan 130 gas turbine generators; • 2 x 41.2 MW GE gas turbine generators; • 10 x 110 kL diesel fuel day tanks; • Water treatment facilities; and • 11 kV power distribution switchroom and site administration offices.
Other regulatory approvals	
Provide summary information on status of other essential regulatory approvals required	Applications have been made for the following and are pending approval: <ul style="list-style-type: none"> • Dangerous Goods Licence • Building licence • FIRB • Amendment to Works Approval no. W5104/2011/1

Areas to be covered by the licence

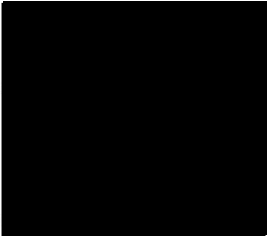
Designated area of the Licence Application	
Electricity licence Area(s) and/or address to be covered by this licence.	Licence Area name: <u>Solomon Power Station</u> Address/Location: Solomon Mine Site
Gas Supply Area(s) to be covered by this licence	1 Kimberley <input type="checkbox"/> 2 Pilbara <input type="checkbox"/> 3 Gascoyne <input type="checkbox"/> 4 Mid-West <input type="checkbox"/> 5 Wheatbelt <input type="checkbox"/> 6 Goldfields-Esperance <input type="checkbox"/> 7 Great Southern <input type="checkbox"/> 8 Coastal <input type="checkbox"/>
Water Services Operating Area(s) and/or address to be covered by this licence.	Operating Area name: _____ Address/location: —

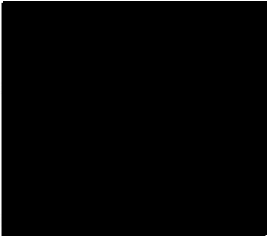
Certification – Acknowledgement of Commitment

I declare that the information provided in this application is correct to the best of my knowledge and I am aware of the requirements under the Act for the licence being applied for and that I have the authority to make this application on behalf of the above entity.

Name: Amanda Nicole Frodsham.....

Position: Director (TEC Pipe Pty Ltd).....

Signed: 

Date: 

2 APPLICATION SUMMARY

The application is for an Integrated Regional Licence to commence operations, and facilitate generation and retail facilities of a dual-fuel Power Station. TEC Pipe is a wholly owned subsidiary of TransAlta Australia, and has excellent financial credentials and long-term operational experience in this specialized area of energy delivery.

The Solomon power station will be fully contracted with FMG Pilbara Pty Ltd, as sole customer. The long-term PPA will support the iron ore mining operations in the Solomon Hub, located in the Pilbara region of Western Australia.

The power station is currently under construction and is expected to be commissioned in Q4 2012. There are significant economic, social and strategic developmental benefits in ensuring the Proposed Transaction is effected, through, in part, the approval of this IRL application.

3 CORPORATE INFORMATION

3.1 Identity of the applicant

TEC Pipe Pty Ltd, ACN 090 067 011.

3.2 Address and contact details

Parmelia House, Level 14 191 St Georges Terrace, Perth WA 6000

Troy Forward, Commercial Manager
Phone: 08 9420 0628
Mobile: 0434 605 358
Fax: 08 9322 2140
Email: troy_forward@transalta.com

3.3 A description of the company structure including whether the applicant is a public company, group of companies, private company, joint venture, other body corporate, partnership, unincorporated association, sole trader or other entity. The description should also include the proportions of equity held by the individuals involved.

The applicant is a registered Australian proprietary company. It is wholly owned by TransAlta Energy (Australia) Pty Ltd (**TransAlta Australia**). TransAlta Australia is ultimately owned and controlled by TransAlta Corporation, a Canadian public company listed on the Toronto Stock Exchange and the New York Stock Exchange. The Table in Annexure 1 details TransAlta Corporation's major shareholders.

TransAlta Corporation is Canada's largest publicly traded generator and marketer of electricity and renewable power. It has over 100 years' experience in the provision of power and employs 2,200 people. Currently, it has approximately US\$9 billion in assets and US\$3 billion in revenue.

TransAlta Australia controls two other entities engaged in the provision of power in a manner similar to that envisaged in the Proposed Transaction. Further information on these companies is provided at paragraph 3.6 below.

3.4 Attached to this application at Annexure 2 is a copy of the applicant's ASIC Current and Historical Extract dated 4 September 2012. Attached at Annexure 3 is a copy of an ASIC Current and Historical Extract dated 4 September 2012 for TransAlta Australia. Copies of any relevant articles of association and company registration details for the applicant and any associated or controlled entities

A copy of TEC Pipes constitution is provided at Annexure 4.

3.5 List of company directors

(a) *TEC Pipe*

(i) *Amanda Nicole Frodsham:* [REDACTED]

- (ii) *Aron John Willis:* [REDACTED]
- (b) *TransAlta Australia*
 - (i) *Kenneth Strickland:* [REDACTED]
 - (ii) *Amanda Nicole Frodsham:* [REDACTED]
 - (iii) *Aron John Willis:* [REDACTED]
 - (iv) *Keith Murray Adams:* [REDACTED]
 - (v) *Doug Jackson:* [REDACTED]

3.6 Statutory declaration by Aron John Willis and Amanda Frodsham

Please refer to Annexure 5.

3.7 Applicant's profile

TEC Pipe was incorporated on 21 October 1999. It is a wholly-owned subsidiary of TransAlta Australia and forms part of the broader TransAlta Corporation group. The Australian operations of TransAlta Corporation account for approximately 3% of its total worldwide generation capacity.

TransAlta Australia's operations are highly tailored to the mining sector. It currently has five active power stations throughout the Eastern Goldfields region. Its business model is based on providing safe and reliable power to remote mining operations with over 15 years of experience operating in partnership with significant mining entities to deliver electricity requirements. The Goldfields Power joint venture with Newmont and the Southern Cross Energy Partnership are already subject to licences issued by the Authority.

The considerable experience and expertise of TransAlta Australia continues to be supported with the expansive financial and technical capabilities of the broader TransAlta Corporation group, providing significant credibility to this application.

3.8 List of associated and/or controlled entities

(a) Holding companies

TEC Pipe is a wholly owned subsidiary of TransAlta Australia. TransAlta Australia is a wholly owned subsidiary of TEC Limited Partnership, which is 99.9% owned by TransAlta Corporation and 0.01% owned by TransAlta (Ft. McMurray) Ltd. Please see Annexure 6 for a detailed overview of the group's holdings and operations.

(b) Associated entities

Two other companies in the TransAlta group possess licences under the *Electricity Industries Act 2004 (WA)*. TEC Kalgoorlie Pty Ltd is a 50% partner in the Goldfields Power Joint Venture and the Southern Cross Energy Partnership involves two TransAlta Australia

companies, TEC Desert Pty Ltd and TEC Desert No. 2 Pty Ltd. Please refer to Annexure 7 for the TransAlta corporate structure.

(c) *Companies controlled by TEC Pipe*

TEC Pipe itself does not control any subsidiary companies.

3.9 A description that specifies any degree of control exercised by associated entities over the applicant and how that control is exercised. The application should include detailed information on any other entity the applicant intends to rely on to provide staff, services or resources to the licensed service

TEC Pipe is wholly owned by TransAlta Australia which, as outlined above, is ultimately owned by TransAlta Corporation, a Canadian company. TransAlta Corporation and TransAlta Australia both possess considerable financial resources. Refer to section 5.2(l) for Trans Alta Corporations financial standing and refer to Annexure 9 for TransAlta Australia's consolidated accounts.

In undertaking the activities the subject of this application, TEC Pipe intends to rely on TEC Operations Pty Ltd, the entity which supplies staff and administrative services to all of TransAlta Australia's operations. TEC Operations was incorporated in Western Australia on 27 January 1995. The entity has since 1995, carried out activities related to TEA's power business in WA, and currently operates and maintains five power stations, and extensive transmission and distribution systems in WA. TECO currently has 51 employees.

Under the terms of the Proposed Transaction, TEC Pipe will contract for operations and maintenance services to a reputable independent service provider. The operations and maintenance agreement has been included in Annexure 22.

Long Term Service Agreements are also to be executed with the original equipment manufacturers General Electric and with Solar Turbines for the provision of major equipment overhaul services.

Contact details for TEC Operations are as follows:

TEC Operations Pty Ltd
ABN: 46 062 135 871

Level 19, Parmelia House
119 St. Georges Terrace
Perth, WA 6000

Contact person
Troy Forward, Commercial Manager
Phone: (08) 9420 0628
Mobile: 0434 605 358
Facsimile: (08) 9322 2140
Email: troy_forward@transalta.com.au
Web: www.transalta.com

4 FINANCIAL INFORMATION

4.1 Introduction

The Act requires an applicant to demonstrate that it has the financial resources available to undertake the proposed activities. The Guidelines prescribe information to be provided by

the applicant in order to demonstrate that it satisfies this requirement. This information is provided below.

The corporate structure and ownership of TEC Pipe delivers access to stable and established financial resources, ensuring long-term commitment to the activities the subject of the Proposed Transaction.

4.2 Information required by the Guidelines (section 5.3)

(a) *TEC Pipe's most recent general purpose financial report*

A general purpose financial report was not created for Tec Pipe as it was not required.

(b) *Audited financial reports for the last three years*

There are no audited financial reports for TEC Pipe as they were not required.

(c) *In the case of new entities, information to demonstrate they have an acceptable standing/capacity commensurate with potential financial exposure*

TEC Pipe is a subsidiary of TransAlta Energy Australia, which is wholly owned by TransAlta Corporation. As stated above TransAlta is listed on both the Toronto and New York Stock Exchanges. While TEC Pipe is a new entity in regards to electricity licencing, it operates in a similar manner to Southern Cross Energy, known by the Authority.

(d) *Audited general purpose financial reports from the past three years for TransAlta Australia*

Please refer to Annexure 9 for the general purpose financial reports from the past three years.

(e) *Copies of documents required to be submitted to ASIC under chapter 2M of the Corporations Act 2001 (Cth) from the past three years*

Please refer to Annexure 9 for the consolidated accounts.

(f) *Evidence of TEC Pipe's long and short term credit ratings from a credit ratings agency*

TEC Pipe Pty Ltd does not have a credit rating.

(g) *A description of the extent to which financial obligations of TEC Pipe are guaranteed by other TransAlta group companies*

The guarantees for TEC Pipe and for this project are covered in the Power Purchase Agreement (section 28) and in the Sale and Purchase Agreement (section 20). Please refer to Annexure 10 for the Power Purchase agreement and Annexure 24 for the Sale and Purchase Agreement.

(h) *The contractual arrangements that define relationships within the group*

Refer to Annexure 11 for the intercompany agreements.

- (i) *Written declaration from an independent auditor/principal financial institution stating that:*
- (i) *An insolvency official has not been appointed in respect of TEC Pipe or any property of TEC Pipe*
 - (ii) *No application or order has been made, or resolution has been passed or steps have been taken to pass a resolution, for the winding up or dissolution of TEC Pipe*
 - (iii) *TEC Pipe is unaware of any other factor that would impede its ability to finance the activities required by the licence*

Please refer to Annexure 12 for a written declaration from Ernest and Young.

- (j) *A declaration specifying the lenders financing the application proposal and the type of funding obtained including any secured funding, mezzanine debt, vendor finance or venture capital obtained*

Please refer to section 4.2(l).

- (k) *Details of any bank guarantees*

TEC Pipe Pty Ltd does not have any bank guarantees

- (l) *Evidence that TEC Pipe is able to finance the assets and investment necessary to undertake the activities to which the licence relates*

TransAlta Corporation maintains a low risk profile by operating a highly contracted set of assets in Canada, the United States, and Australia. A variety of fuel sources are utilized with generation that includes coal-fired, gas-fired, hydro and renewable facilities. This, along with an on-going focus on maintaining a strong financial condition, has resulted in the following credit ratings for TransAlta Corporation:

Credit Ratings			
	Dominion Bond Rating Service	Standard & Poors	Moody's
Effective Date	Nov 5, 2005	Aug 1, 2012	Aug 2, 2012
Issuer Rating	--	BBB- / Stable	Baa3 / Stable
Senior Unsecured Debentures	BBB / Stable Trend	BBB- / Stable	Baa3 / Stable

<http://www.transalta.com/investor-centre/shareholder-information/credit-ratings>

TransAlta has access to the Canadian and United States capital markets for debt and equity pursuant to two Shelf prospectuses: a CAD\$2 billion Universal Shelf and a US\$1 billion Universal Shelf. This, along with a CDN\$1.5 billion fully committed syndicated loan facility expiring in 2016, provides sufficient resources to fund the Transaction.

As of June 30, 2012, TransAlta Corp had \$2.4 billion in credit facilities¹ in place, \$1.1 billion of which remains undrawn. In addition to our own cash resources at closing, TransAlta has strong access to capital markets in the United States and Canada, which could also be accessed to finance the Transaction.²

Our financing plan for this Transaction anticipates that bridge/interim financing may be used to initially fund the Transaction depending upon capital market timing. Our longer term financing strategy is to match long-term assets with long-term funding and our business model relies on maintaining strong investment grade credit ratings. Therefore, we would issue long term capital in an approximate ratio of 50% debt and 50% equity to replace any bridge/interim funding on a permanent basis.

Over the past three years, TransAlta has demonstrated its ability to raise funds in the US and Canadian capital markets by raising over \$2.75 Billion to fund both Greenfield investments and acquisitions. Funds raised were comprised of a combination of common shares, preferred shares, and debt. Further details of these financing activities are provided in the table below.^{3 4}

Date	Source of Funds	Dollar Value
05/26/2009	5-year Bond	\$200 Million CAD
11/05/2009	Common Equity	\$412 Million CAD
11/09/2009	5-year Bond	\$500 Million USD
11/12/2009	10-year Bond	\$400 Million CAD
03/31/2010	30-year Bond	\$300 Million USD
12/10/2010	Preferred Shares	\$300 Million CAD
11/30/2011	Preferred Shares	\$275 Million CAD
2009-2012	Dividend Reinvestment Proceeds	>\$150 Million CAD

- (m) *Projected revenue and expenditure figures for at least 5 years, or the life of the project, for the provision of services sufficient to demonstrate the financial security and feasibility for the activities to which the licence relates. This forecast should highlight all key assumptions and risks, along with all relevant risk management strategies*

TransAlta has used consultants to develop models used in the projection of future revenue and expenditures. The model states assumptions and risks and relevant risk management strategies.

- (n) *Evidence including third party comments supporting the past, present and future financial position of the applicant*

¹ http://www.transalta.com/sites/default/files/TransAlta_Corporation_Q2_2012_Notes_FINAL.pdf Page 25

² http://www.transalta.com/sites/default/files/TA_Statements_2011_Final_SEDAR.pdf

³ http://www.transalta.com/sites/default/files/TA_Statements_2011_Final_SEDAR.pdf page 68

⁴ http://www.transalta.com/sites/default/files/TA2010AR_Mar3_Final_0.pdf Page 26, 105

⁵ <http://www.transalta.com/sites/default/files/2009%20Annual%20Report.pdf> Page 20

- (o) *Copies of TEC Pipe's financial policies, including accounting policies, internal and external auditing policies, risk management policies and internal control procedures*

TEC pipe is wholly owned by TransAlta Australia. TransAlta Australia uses Policies and procedures set out by TransAlta Corporation. These policies will also apply to TEC Pipe.

An Internal Audit is conducted periodically to assess the effectiveness of Internal Controls and compliance with Corporate Policy. An External Audit is conducted annually by Ernst and Young, independent Chartered Accountants. The external auditor's responsibility is to express a professional opinion on the fairness of management' consolidated financial statements. The auditor's report outlines the scope of their examination and sets forth their opinion.

As a subsidiary of TransAlta Corporation, the Applicant has accepted and adopted the policies of the TransAlta Group Audit Committee. The Audit Committee is comprised of independent Directors of the head entity of TransAlta Corporation. Please Refer to Annexure 13 for copies of TransAlta Corporation finance policies, risk management policies and internal control policies.

- (p) *Where relevant, TEC Pipe's pricing policies, methods and procedures*

These are not relevant as TEC Pipe will operate under a PPA with the sole customer.

- (q) *The intended services and markets and the nature of the business activities to be undertaken by TEC Pipe*

TEC Pipe intends to distribute electricity, operate and run a power station.

4.3 Conclusion

The information provided in this section satisfies section 19 of the Act, in demonstrating that TEC Pipe has financial resources to undertake the activities authorised by the licence.

5 TECHNICAL INFORMATION

5.1 Introduction

The Act requires an applicant to demonstrate that it has the technical resources available to undertake the proposed activities. The Guidelines prescribe information to be provided by the applicant in order to demonstrate that it satisfies this requirement. This information is provided below.

Through this information and its status as a member of the TransAlta group, the applicant demonstrates that it has considerable technical resources at its disposal. In particular, through the activities of TransAlta Australia and its associated entities, the applicant can draw on an established background in the provision of projects similar to that proposed under this application.

5.2 Information required by the Guidelines(section 5.4)

- (a) *A description of the physical environment of the proposed activity and its immediate vicinity, including all land and areas affected by the proposed application*

Fortescue Metals Group Limited (Fortescue) proposes to expand its current operations in the Pilbara region of Western Australia through the development of new mine and rail infrastructure for the Solomon Project.

The Solomon Project is a greenfield iron ore mine, located approximately 60 km north of Tom Price, and a 140 km rail spur Annexure 14. The mining operation will include several pits, ore processing facilities, train load facility, stockyards, power station, fuel farm, administration buildings and workshops. The Solomon Project was approved under Part IV of the EP Act on 20 April 2011.

The Power Station will be a dual fuel (diesel / gas) power station which will supply power to the mine and associated infrastructure Annexure 15.

The location for the Power Station is 500 m south of the Rail Stockyard, within a sublease on mining tenement M47/1431 Annexure 15.

- (b) *A description of the relevant supply infrastructure and any interconnected infrastructure systems.*

Overall Plant

The Power Station has been designed to meet the criteria shown in the table below while operating at an ambient temperature of 50°C.

Power station design criteria

Parameter	Value
Nameplate generating capacity	134.4 MW
Expected maximum load	80 MW
Average annual load	50 MW
Expected annual energy demand	~ 450 GWh

The Power Station will comprise the following key infrastructure:

- 4 x 13 MW Solar Titan 130 gas turbine generators;
- 2 x 41.2 MW GE gas turbine generators;
- 10 x 110 kL diesel fuel day tanks;
- Water treatment facilities; and
- 11 kV power distribution switchroom and site administration offices.

The expected peak demand for the Power Station is approximately 80 MW. In order to provide N + 1 redundancy and guarantee output at an ambient temperature of 50°C, the installed capacity of the Power Station will be approximately 130 MW. The Power Station will be capable of operating on diesel or natural gas, however initially it will operate only on diesel. Once a reliable supply of natural gas can be secured, the Power Station will be converted to gas-fired operation. A drawing of the Power Station layout is given in Annexure 16.

Initially the Power Station will operate on diesel fuel, with an expectation to operate all generators on either liquid fuel or primarily on natural gas as soon as a suitable gas supply can be sourced and the necessary transportation infrastructure installed. There may be periods where the Power Station operates on a combination of diesel fuel and natural gas.

GE Gas Turbines

The Power Station will also comprise 2 x GE LM6000PF dual fuel gas turbines, initially configured for diesel combustion. These turbines will be open cycle with the option to be converted to combined cycle once the Power Station is converted to natural gas. The turbines include mechanical chillers with wet phase cooling towers. These chillers minimise the derating of the turbines generation output at high ambient temperatures. The GE Turbines are fitted with dry, low emissions combustors and each turbine is contained in its own enclosure.

Solar Gas Turbines

Four Solar Turbine TITAN 130-20501 dual fuel gas turbines, initially configured for diesel combustion will be installed. The TITAN turbines are rated at 13 MW each and are de-rated to approximately 9 MW at the design condition of 50°C.

Two of the 110 kL diesel fuel tanks will be located in close proximity to the Titan 130 gas turbines.

Each of the four turbines will have a single exhaust stack, with integrated silencers and individual oily water sumps for the collection of liquid waste from the turbine.

Black Start Generator

The black start generator is a 2.5 MVA diesel driven generator that is energised in the event of a complete loss of power. The generator is used to start and maintain essential auxiliary equipment and systems required for a gas turbine to re-start, for example gas turbine lube oil pumps and diesel fuel pumps.

This generator will not be used during the normal course of operation, but it will be tested regularly to ensure that it is serviceable and available, if ever needed.

Electricity Transfer

The GE gas turbines and the Solar gas turbines generate at a voltage of 11kV. The two GE sets are each directly connected to individual 11kV/132kV substation transformers. The four Solar Titan Gas Turbines are connected individually to an 11kV power distribution switchboard, which then has one feed to a 11kV/132kV substation transformer and three separate 11kV feeds to three 11kV overhead power lines.

Electricity will be provided to the FMG Solomon at delivery points defined in the PPA (Schedule 1 of the PPA) and located within the sublease area. The electricity is then distributed through the mine site by FMGs electrical distribution system.

A single line diagram for the power station is provided in Annexure 17.

Fuel Storage Facility

The fuel storage facility for the GE gas turbines comprise eight 110kL diesel fuel tanks with the ability to be filled via road tanks or directly from FMGs bulk fuel storage facility some distance away.

- (c) *Where applicable, information about supply connection to networks or customers, including, details of the network connection and actual or estimated number of customers by type (e.g. industrial, commercial, residential)*

This provision is not applicable to this application. Under the proposed structure there will only be one customer, FMG Solomon. There will be no connection to any other network or customers.

- (d) *Where applicable, details of the actual or proposed metering arrangements, for the proposed service, including:*

- (i) *forecasts of annual maximum demand for each of the next 5 years*

Metering arrangements are defined under the PPA, as are the conditions of accuracy validation/testing and Under the PPA TEC Pipe will provide 80MW of capacity annually to FMG Solomon. This will not change in the next 5 years.

- (ii) *agreements with network service providers;*

There are no agreements with network service providers. This power station is supplying a single mine site with electricity. Distribution of electricity is undertaken through the mine site by the end user, hence there is no need for a network operator or agreements with network service providers

- (iii) *agreements with metering agents; and*

There are no agreements with metering agents.

Meters are owned by TEC Pipe, however the PPA is a take or pay arrangement. There is no network operator, nor is there any interconnection with any other party so there is no need for a metering agent. Metering provisions are covered under the PPA. Please refer to annexure 10, clause 17 of the PPA.

- (iv) *arrangements for dealing with metering complaints and queries*

The process for dealing with metering complaints and queries is specified in the PPA. Please refer to clauses 17.3 and 17.4 of the PPA (Annexure 10) for details of the consequences of inaccuracy of meter readings.

- (e) *A description of the service system (note: electricity measured in MW, gas measured in terajoules and water measured in ML)*

As mentioned previously, this application refers to a sole supply arrangement between the applicant and one end use customer. A description of the physical arrangements is provided in section 5.2(b) and the commercial terms of the take or pay contract are encapsulated by the PPA.

- (f) *If the applicant proposes to supply electricity to consumers (retail licence) who consume not more than 160MWh per annum, provide a copy of the applicant's proposed standard form contract (as required by section 49 of the Electricity Act)*

There is only one customer proposed and the customer's electricity usage is greater than 160MWh per annum. This provision is not applicable to this application.

- (g) *If the applicant proposes to supply gas to consumers (trading licence) who consume not more than 1 terajoule per annum, provide a copy of the applicant's proposed standard form contract (as required by section 11WD of the Gas Act)*

This provision is not applicable to this application. TEC Pipe will not supply gas.

- (h) *If the applicant proposes to provide water services, provide a copy of the applicant's Customer Service Charter*

This provision is not applicable to this application. TEC Pipe will not supply water services.

- (i) *Where applicable, provide evidence of a commitment to remain or become a member of an approved Ombudsman scheme and to be bound by any decisions of such an Ombudsman*

Section 100 of the Act is intended to apply to providers of electricity with a number of customers. The schemes are a means by which customers can complain about their energy provider. The Energy Ombudsman of Western Australia's website states that it is designed as a scheme by which residential and small business customers can lodge complaints about their electricity provider.

Section 100 of the Act requires that a proposed licensee become a member of an ombudsman scheme where it is proposed that electricity be supplied to customers. This provision is inapplicable in this instance as there will only be one customer (which is neither residential, nor small business) under the PPA. Dispute resolution provisions are included in the PPA.

TEC Pipe is not, therefore, required to become a member of any Ombudsman scheme.

- (j) *Where applicable, provide evidence of compliance with relevant supply industry methods, quality, standards and codes including compliance with relevant consumer protection arrangements including:*

- (i) *The terms and conditions of any proposed standard customer contract*

This provision is not applicable to this application. There will not be any standard customer contract. The supply of electricity will be governed by the PPA.

- (ii) *A description on how customer accounts will be managed*

There will only be one customer account. This account will be managed in accordance with the PPA. As there will only be one customer account, a customer account management system is not required, as would normally be the case for a retailer servicing multiple accounts. TransAlta Australia will use its existing finance systems for invoicing this customer and will apply the governance and compliance methods it uses for its other entities holding electricity licences.

- (iii) *Provide details on customer information provision policies (e.g. tariffs, fees and charges), customer service charters, customer consultation processes, account enquiries processes, payment arrangements and*

hardship policies and procedures, complaints and dispute resolution processes, account termination procedures and customer performance measures

This provision is not applicable to this application. There will only be one customer. The matters specified in this provision will be governed by the PPA.

- (iv) *Provide information on the customer information management systems used by the applicant*

TEC Pipe intends to supply to a single customer. The PPA details the methods of communication between the retailer and the customer.

- (v) *A description and written evidence of environmental, planning and public health approvals, permits or licences.*

The following approvals have been obtained:

- **Ministerial Statement no. 862:** on 20 April 2011 the Minister for Environment issued a statement under the *Environmental Protection Act 1986 (WA)*. The Statement permitted the construction of the power plant the subject of this application.

Attached at Annexure 18 is a copy of Ministerial Statement no. 862.

- **Works Approval no. W5104/2011/1:** on 23 February 2012 the Department of Environment and Conservation issued a works approval permitting the construction of the power plant the subject of this application.

Attached at Annexure 19 is a copy of Works Approval no. W5104/2011/1.

- **Application to amend Works Approval no. W5104/2011/1:** on 3 May 2012 FMG Solomon made an application to amend Works Approval no. W5104/2011/1. The proposed amendment would allow for an increase in the maximum power output of the plant.

The application has not yet been determined. Attached at Annexure 20 is a copy of the application.

- **Dangerous Goods Licence:** on 8 August 2012, FMG applied for a dangerous good licence in respect of the storage of diesel fuel on site. This application is yet to be determined, but is expected by end of August 2012. TEC Pipe will make an application from transfer of this licence, at the time of commencement of occupation of the site.

- **Pilbara Joint Development Assessment Panel approval:** on 16 July 2012 the Pilbara Joint Development Assessment Panel approved application number 20120278 with respect to the construction of the power plant the subject of this application.

- **Building Licence:** the plant is exempt from a requirement for a building licence, except in respect of the ancillary lunch room.

- (k) *A detailed construction schedule of all proposed construction activities including proposed commencement and completion dates of the construction activities and commissioning of works. Construction activities must specify the location of any areas to be temporarily or permanently affected by such activities (note: this information is not required for an electricity retail or gas trading licence application or where an applicant is an existing distributor)*

Under the structure of the Proposed Transaction and Agreement FMG Solomon will construct the power plant and associated works so TEC Pipe is not applying for any construction licences. Commissioning is expected to begin progressively in September 2012 with commissioning of the final unit in January 2013.

- (l) *A description of the applicant's prior experience and/or appropriate training related to the nature of the proposed activity*

TEC Pipe and its associated entities have considerable experience in the provision of projects similar to that the subject of this application. The applicant is owned by an entity which ultimately holds a range of electricity licences (EGL 11, ERL 4, EGL 13, ETL 4, EDL 3, ERL 7). TransAlta Australia and its associated entities operates under these licences in good standing and has recently completed successful Audits and Performance reviews.

- (m) *A listing of the key personnel (including contractors) used to install and/or operate and/or maintain the supply of electricity, gas or water services with a summary of the key qualifications of the key personnel (including contractors)*

TEC does not employ any staff. TEC Operations is the TransAlta Australia entity which operates and maintains the supply of Electricity to its customers. Since 1995, TEC Operations has provided qualified personnel comprising of operators, licensed electricians and electrical fitters, controls and instrument fitters, mechanical fitters and engineers, for direct, hands-on operation and maintenance of the power stations. TEC Operations operation and maintenance personnel possess qualified trade certificates and engineering degrees as appropriate for their positions.

Please refer to Annexure 21

Annexure for a listing of the key personnel and relevant qualifications.

- (n) *The applicant's policy on the use of sub-contractors*

TEC pipe intends to use TEC Operations to provide staffing and administrative support as required. Sub-contractors engaged by TEC Operations are required to provide copies of relevant qualifications and experience prior to being permitted to perform work on sites under the control of TEC Operations. TEC Operations contracts under its standard terms and conditions. Please refer to "Purchase Order Terms and Conditions General T's and C's" file provided.

- (o) *Details of any relevant licences or approvals held by the applicant for the supply of electricity, gas or water services in Western Australia or elsewhere*

The applicant does not hold any gas or water licences.

- (p) *If the applicant intends to rely on another entity to provide staff and resources, the applicant should provide a summary of the relationship between the applicant and this entity. This should include evidence of agreements to provide services and a summary of this other entity's experience in and knowledge of the industry and technical capacity to meet the relevant requirements of the licence*

TEC does not employ any staff. TEC Operations is the TransAlta Australia entity which operates and maintains the supply of Electricity to its customers. Since 1995, TEC Operations has provided qualified personnel comprising of operators, licensed electricians and electrical fitters, controls and instrument fitters, mechanical fitters and engineers, for direct, hands-on operation and maintenance of the power stations. TEC Operations operation and maintenance personnel possess qualified trade certificates and engineering degrees as appropriate for their positions.

Sub-contractors engaged by TEC Operations are required to provide copies of relevant qualifications and experience prior to being permitted to perform work on sites under the control of TEC Operations.

TEC Pipe has also will engage a third party supplier to provide operations and maintenance services. The operations and maintenance agreement is attached as Annexure 22.

- (q) *A detailed description of the asset management system is required including:*
- (i) *The measures to be taken by the applicant for the proper maintenance of assets used in the provision of the electricity services and for undertaking maintenance and operation of any works*

Asset Management systems are site and asset specific. Annexure 23 is an example of the asset management systems used by TransAlta Australia. TEC Pipe Pty Ltd will develop an asset management system in line with the principals of existing asset management systems.

- (r) *A description of the existing or proposed asset registers, risk assessments, asset management plans, quality management systems, construction standards, maintenance manuals/plans/schedules, asset management information systems and data management*

Asset registers, risk assessments and asset management plans will be developed for this power station as the plant nears operation. These will be developed in accordance with TransAlta Australia's existing systems and processes. A description of these has been provided in Annexure 23.

6 DETAILS OF OTHER LICENCES

There are two other entities within the TransAlta Australia group that hold licences issued under the Act. These cover Generation, Transmission, Distribution and Retail services.

6.1 Goldfields Power Pty Ltd ABN 81 062 186 243

This project has a capacity of 110 MW. It is located in Kalgoorlie and powered by gas and diesel. Both generation and retail licences are held with respect to this project. TransAlta has 50% ownership.

The plant is tailored to provide electricity to gold mines and minerals processing in the Goldfields area. The structure of the project is therefore very similar to that proposed in the current application. This project also involved the construction and operation of the plant.

Goldfields Power Pty Ltd currently holds the following licences: EGL 11 and ERL 4.

6.2 Southern Cross Energy Partnership ABN 79 271 003 656

This plant is also located in the Goldfields area. It has a 245 MW capacity and is powered by gas and diesel. Generation, transmission, distribution and retail licences are held under this project.

The majority of energy generated at this plant is provided to BHP Billiton NickelWest, utilising a structure similar to that proposed in this application. The capacity under these licences is also significantly higher than the current application.

Southern Cross Energy currently holds the following licences: EGL 13, ETL 4, EDL 3, and ERL 7.

6.3 Discussion

The fact that two other entities within the broader TransAlta group possess licences across all categories available under the Act highlights the suitability of TEC Pipe in the current application. Not only has TEC Pipe shown it has access to sufficient financial and technical resources, its parent and related entities have a proven track record in the provision of energy utilising business models broadly analogous to that proposed under the PPA.

7 PUBLIC INTEREST

Sections 8(5) and 9 of the Act identify criteria to be taken into account when assessing whether an application is contrary to the public interest. Consideration of these criteria indicates that this application is not contrary to the public interest.

7.1 Environmental considerations – Section 8(5)(a)

Please refer to paragraph 5.2(j)(v) and relevant annexures for specifics and copies of each environmental approval applied for to date. Currently the only approval outstanding is the application to amend Works Approval no. W5104/2011/1. Resolution of this final approval will go to the permitted capacity of the power plant.

Considering the approvals already obtained and the single application outstanding, it is apparent that the project does not raise any significant environmental issues. Those that have been raised have been adequately addressed through the environmental approval process. This application is therefore not contrary to the public interest in respect of environmental considerations.

7.2 Social welfare and equity considerations, including community service obligations – Section 8(5)(b)

As this application relates to an arrangement whereby there will only be one customer receiving the electricity generated, issues of welfare and equity do not arise.

7.3 Economic and regional development, including employment and investment growth – Section 8(5)(c)

The granting of the licence the subject of this application is an essential precondition to facilitating the Solomon project. The Solomon project itself will result in the creation of many new jobs. The predicted royalties generated in favour of the Western Australian State Government will be considerable. The employment of these workers and the receipt of these royalties will contribute positively and significantly to the State's development.

Further, the Solomon project is located in a relatively remote area of Western Australia. The investment that will take place in terms of infrastructure, employment and ancillary development will have a positive impact on regional development.

In light of these considerations TEC Pipe considers that application satisfies the criteria in section 8(5)(c).

7.4 The interests of customers generally or of a class of customers – Section 8(5)(d)

This provision is not directly applicable. This application relates to an arrangement whereby there will only be one customer receiving the electricity generated. The interests of customers generally or of a class of customers will not be adversely impacted by the granting of this application.

7.5 The interests of any licensee, or applicant for a licence, in respect of the area or areas to which the order, if made, would apply – Section 8(5)(e)

This application covers a relatively small area of land. All arrangements for access and development of the land have been effected by FMG as part of a detailed negotiation process. There is nothing in the manner of these negotiations or the final outcome that offends the public interest.

7.6 The importance of competition in electricity and industry markets – Section 8(5)(f)

This provision is not directly applicable as this project relates to the supply of electricity to a single customer as part of its mining operations.

The broader-scale impacts of the application on the provision of electricity generally throughout the State are negligible. In particular:

- the price of electricity available to the broader public will not be affected; and
- the broader public's access to electricity will not be affected.

7.7 The policy objectives of government in relation to the supply of electricity – Section 8(5)(g)

The area over which the application will operate does not fall within the South-West Interconnected Area, and as such the Wholesale Energy Market considerations do not apply.

A common theme of State Government publications is the need to ensure a safe and secure energy supply for the mining and minerals processing industry. This is because the mining industry is the biggest single source of economic growth in the State, as well as the country.

The Western Australian Office of Energy has explored many of the issues associated with securing energy for the mining industry in *Energy 2031: Strategic Energy Initiative Discussion Paper*, and the subsequent *Strategic Energy Initiative, Energy 2031*.

Under 'Chapter 3: Strategic themes and policy options', the paper acknowledges that:

“the State faces a challenge in the planning and development of infrastructure in remote areas of Western Australia to support the mining industry.”

Projects such as the one proposed under this application are essential in addressing these issues.

The Discussion Paper goes on to identify that:

“the efficient provision and use of energy infrastructure has the potential to enable economic growth as well as provide downward pressure on the cost of energy services.”

The approval and operation of the power plant under this application is an essential step in ensuring efficient energy provision for the life of the Solomon Mining Project.

Accessing power from other sources within Western Australia will be economically, technically and environmentally inefficient.

Because there is only one proposed customer, many of the public interest considerations relevant to other licence applications do not apply to this application. Issues associated with competition and ensuring equitable access to electricity that apply in most retail licence applications do not apply in this instance. The commissioning of this project will not have adverse impacts on other customers in the broader Western Australian community.