Integrated Regional Licence

*Electricity Industry Act 2004 (WA) LI*CENCE EIRL

<<Number>>

TEC Hedland Pty Ltd
(Licensee)

169 777 404

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

1 INTRODUCTION

TEC Hedland Pty Ltd (TEC Hedland) is proposing to construct and operate the South Hedland Power Station (Power Station) in South Hedland. The Power Station will be a 149MW natural gas fired facility supplying electricity to Horizon Power and The Pilbara Infrastructure Pty Ltd (a subsidiary of the Fortescue Metals Group) (FMG) on Horizon Power's transmission and distribution network. The electricity generated will service FMG's port operations located in Port Hedland and provide additional capacity for the Pilbara to meet the long term electricity requirements of Horizon Power.

The plant will consist of three GE LM6000 gas turbines. Two of the LM6000 GT's will be coupled to a once through steam generator that will produce high pressure steam to generate additional electricity in a steam turbine. This Combined Cycle operation provides greater fuel efficiency than operating in a simple or open cycle system, and increases the electricity capacity of the plant. The third gas turbine will be operated in open cycle mode to provide a quick start up and ramp ability to the facility.

In addition to operating on natural gas, the gas turbines are capable of diesel fuel operation. All generators operate at 11kV and are stepped up to 220kV before connecting to the Horizon Power switchyard. The facility will be dispatched to meet the dispatch requirements of Horizon Power and to supply the requirements of the FMG facility.

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 Hedland 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 169 777 404
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 Hedland Pty Ltd intends to build, own and operate a power station for electricity generation.

Associated and/ or Controlled entities	TEC Hedland is wholly owned by TransAlta Energy (Australia) Pty Ltd. TransAlta Energy (Australia) Pty Ltd also owns - TEC Operation Pty Ltd - TEC Desert Pty Ltd - TEC Desert No.2 Pty Ltd - TEC Kalgoorlie Pty Ltd - TEC Pipe Pty Ltd - TEC Infrastructure Pty Ltd - TEC Pilbara Pty Ltd - Startalan Pty Ltd - TEC Outback Pty Ltd TEC Hedland has no subsidiary companies

Classification of the Electricity Licence Application		
Type of Licence Application	Generation ☐ Transmission ☐ Distribution ☐ Retail ☐ Integrated Regional ☒	
For Generation and Integrated Regional Licences	Installed Capacity	149.0 megawatts
For Transmission and Integrated Regional Licences	Transmission System Length	N/A kilometres
For Distribution and Integrated Regional Licences	Distribution System Length	N/A kilometres
For Retail and Integrated Regional Licences	Number of large use customers	2
For Retail and Integrated Regional Licences	Number of small use customers	nil

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 Hedland will supply electricity generated from the Power Station to FMG Port Operations and Horizon Power pursuant to Power Purchase Agreements between TEC Hedland and FMG (FMG PPA) and TEC Hedland and Horizon Power (HP PPA). The Power Station is located in South Hedland, Western Australia.
Service infrastructure/works	
Brief description of service infrastructure/works	The Power Station will comprise the following key infrastructure: • 3 x GE LM6000PF combustion gas turbines, connected to 11kV three phase synchronous generator; • 2 x 55 bar 15 t/h once through steam generators; • 1 x 55 to 4.5 bar single casing steam turbine, connected to 11kV three phase synchronous generator
Other regulatory approvals	
Provide summary information on status of other essential regulatory approvals required	To be applied for: • EP Act Part IV Referral (Referred 26 June 2014) • EP Act Part V Works Approval for prescribed premises (Applied for 9 July 2014) • Aboriginal Heritage agreement to include TEC Hedland as party • Ministerial approval of lease • Planning approval (Applied for 17 July 2014) • Permit to clear vegetation, if required • Dangerous Goods Licence; Building Permit, EP Act Part V prescribed premises licence to operate

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: South Hedland Power Station Address/Location: Boodarie Resource Processing Estate, Lot 601 Boodarie Station Access Road, South Hedland
Gas Supply Area(s) to be covered by this licence	1 Kimberley ☐ 2 Pilbara ☐ 3 Gascoyne ☐ 4 Mid-West ☐ 5 Wheatbelt ☐ 6 Goldfields-Esperance ☐ 7 Great Southern ☐ 8 Coastal ☐
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 Electricity Industry Act 2004, Energy Coordination Act 1994, or Water Services Act 2012 for the licence being applied for and that I have the authority to make this application on behalf of the above entity.

Name Aron Willis

Position Director

Director

Signed _____

Date 04-08-2014

Name Amanda Frodsham

Position Director

Director/Company Secretary

Signed _____

Date 4/8/14

2 APPLICATION SUMMARY

The application is for an Integrated Regional Licence to commence construction and operation of a gas fired power station and to generate and retail electricity from that Power Station. TEC Hedland Pty Ltd is a wholly owned subsidiary of TransAlta Energy (Australia) Pty Ltd. TransAlta Energy (Australia) Pty Ltd has excellent financial credentials and long-term operational experience in this specialised area of energy delivery.

The South Hedland Power Station will be fully contracted under long term Power Purchase Agreements with Horizon Power and FMG and may be expanded to accommodate additional customers at later dates. The long-term PPAs will support the iron ore port operations in Port Hedland and provide additional electricity capacity for the Pilbara to meet the long term electricity requirements of Horizon Power.

The Power Station will be built and funded over the next 33 months and is expected to be delivering power in 2016 with full commissioning of the Power Station in 2017. 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

Legal Entity Name: TEC Hedland Pty Ltd
ACN: 169 777 404

3.2 Address and contact details

Level 14 Parmelia House, 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 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 more than 2000 people. Currently, it has approximately US$9 billion in assets and US$3 billion in revenue.

TransAlta Australia has three 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 3.7 below.

3.4 Copies of any relevant articles of association and company registration details for the applicant and any associated or controlled entities.

Attached to this application at Annexure 2 is a copy of the applicant's ASIC Current and Historical Extract dated 11 June 2014. Attached at Annexure 3 is a copy of an ASIC Current and Historical Extract dated 11 June 2014 for TransAlta Australia. A copy of the TEC Hedland constitution and articles of association is provided at Annexure 4.

3.5 List of company directors

(a) *TEC Hedland*

(i) *Amanda Nicole Frodsham: Unit 7, 39 Allerton Way, Booragoon Perth WA 6154*

(ii) *Aron John Willis: 133A Waddell Road, Bicton Perth WA 6157*

(b) *TransAlta Australia*

(i) *Amanda Nicole Frodsham: Unit 7, 39 Allerton Way, Booragoon Perth WA 6154*

(ii) *Aron John Willis: 133A Waddell Road, Bicton Perth WA 6157*

(iii) *Keith Murray Adams: 51 Hinemoa Street, Kalgoorlie WA 6430*

(iv) *Brett Gellner: 238 Patterson Blvd, Sw., Calgary, Ab T3h 3j6, Canada*

(v) *Gary Woods: 3 Hagen Court, Spruce Grove, Alberta, Canada*

3.6 Statutory declaration by Aron John Willis and Amanda Frodsham

Please refer to Annexure 5.

3.7 Applicant's profile

TEC Hedland was incorporated on 27 May 2014. It is a wholly-owned subsidiary of TransAlta Australia, which forms part of the broader TransAlta Corporation group. The Australian operations of TransAlta Corporation account for approximately 5% of its total worldwide generation capacity.

TransAlta Australia's operations are highly tailored to serving large customers in the mining sector. It currently has six active power stations throughout the Eastern Goldfields and Pilbara regions. 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 Hedland 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. TEC Pipe supplies electricity in situ to FMG's Solomon Mine site and is thus exempted from the *Electricity Industry Act 2004*.

Please refer to Annexure 7 for the TransAlta Australia corporate structure.

(c) *Companies controlled by TEC Hedland*

TEC Hedland 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 Hedland 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 4.2(l) for TransAlta Corporations financial standing and refer to Annexure 9 for TransAlta Australia's consolidated accounts.

In undertaking the activities the subject of this application, TEC Hedland intends to rely on TEC Operations Pty Ltd (TEC Operations), 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, see Annexure 8 for TEC Operations' certificate of registration. The entity has since 1993, carried out activities related to TransAlta Australia's power business in WA, and currently operates and maintains five power stations, and extensive transmission and distribution systems in WA. TEC Operations currently has 55 employees.

Contact details for TEC Operations are as follows:

TEC Operations Pty Ltd
ABN: 46 062 135 871

Level 14, Parmelia House
191 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

Under the terms of the Proposed Transaction, TEC Hedland will contract Jacobs (formerly Sinclair Knight Merz) (Jacobs) to assist with management of the construction of the Power Station and to provide engineering services. Jacobs is a private company operating across Asia Pacific, the Americas, Europe, the Middle East and Africa. Jacobs and SKM combined to form one of the world's largest and most diverse providers of technical, professional and construction services across multiple markets and geographies. Jacobs was founded in 1947 and employs 70,000 people worldwide. It is a publicly traded Fortune 500 company.

TEC Hedland has engaged IHI Engineering Australia Pty Ltd (IEA) to construct the Power Station. IEA is an Engineering Procurement Construction (EPC) project provider specialising in coal-fired and gas turbine power plants. IEA offers plant solutions matching customer

technical requirements and achieving delivery of projects in accordance to customers' programmes. TransAlta Australia has worked with IEA previously during the construction of Parkeston Power Station (1993). Recent projects delivered by IEA are listed below

Coal-fired power stations:

•Bluewaters Power Station, Collie, Western Australia
•Tarong North Power Station, Nanango, Queensland
•Callide C Power Station, Biloela, Queensland

Gas turbine power stations:

•Alinta Energy Bairnsdale Power Station, Bairnsdale, Victoria
•Rio Tinto Paraburdoo Power Station, Paraburdoo, Western Australia
•Rio Tinto Yurralyi Maya Power Station, Karratha, Western Australia

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 Hedland 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 Hedland's most recent general purpose financial report*

A general purpose financial report was not created for TEC Hedland as it is a new entity.

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

There are no audited financial reports for TEC Hedland as it is a new entity.

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

TEC Hedland is a subsidiary of TransAlta Australia, which is wholly owned by TransAlta Corporation. As stated above TransAlta Corporation is listed on both the Toronto and New York Stock Exchanges. While TEC Hedland is a new entity in regards to electricity licencing, it will operate 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 Hedland's long and short term credit ratings from a credit ratings agency*

TEC Hedland does not have a credit rating.

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

TEC Hedland's financial obligations are fully guaranteed by TransAlta Corporation. These guarantees are detailed in the various project agreements.

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

TEC Hedland is a wholly owned by TransAlta Energy (Australia) Pty Ltd. There are no other contractual agreements between the two entities or any other entities within the group.

(i) *Written declaration from an independent auditor/principal financial institution stating that:*

(i) *An insolvency official has not been appointed in respect of TEC Hedland or any property of TEC Hedland*

(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 Hedland*

(iii) *TEC Hedland 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 Hedland does not have any bank guarantees.

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

As of March 31, 2014, TransAlta Corporation had $2.1 billion in credit facilities in place, $0.9 billion of which remains undrawn. In addition to our own cash resources at closing, TransAlta Corporation has strong access to capital markets in the United States and Canada.

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 utilised 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 & Poor's**	**Moody's**
Effective Date	Nov 5, 2005	Aug 1, 2012	Aug 2, 2012
Issuer Rating	BBB/ Stable	BBB- / Stable	--
Senior Unsecured Debentures	BBB / Stable	BBB- / Stable	Baa3 / Negative

TransAlta Corporation 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$2 billion Universal Shelf. This, along with a CDN$1.5 billion fully committed syndicated loan facility expiring in 2018, provides sufficient resources to fund the Proposed Transaction.

We expect our financing plan for this Proposed Transaction to be consistent with the existing business in that it will be funded on the balance sheet at the corporate level. 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.

Over the past three years, TransAlta Corporation 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.

Date	**Source of Funds**	**Dollar Value**
11/30/2011	Preferred Shares	$275 Million CAD
08/10/2012	Preferred Shares	$225 Million CAD
09/13/2012	Common Equity	$304M CAD
11/04/2012	Senior Notes	$400 Million USD
08/09/2013	Equity in TransAlta Renewables	$221 Million CAD
11/22/2013	Unsecured Medium Term Notes	$400 Million CAD
04/29/2014	Equity in TransAlta Renewables	$136.2 Million CAD
06/03/2014	Senior Notes	$400 Million USD
2011-2014	Dividend Reinvestment Proceeds	>$400 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 Corporation has developed a model to project future revenue and expenditures. Annexure 14 shows an extract of the financials for the first 8 years of the project. As stated above TransAlta Corporation maintains a low risk profile by operating a highly contracted set of assets, TransAlta has managed many of the risks involved in this project through the various agreements it has entered into. TEC

Hedland has negotiated a fixed cost on the build of the power station. In addition major revenue streams are determined through the power purchase agreements.

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

Please refer to section 4.2(l).

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

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

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's 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 Hedland's pricing policies, methods and procedures*

These are not relevant as TEC Hedland will operate under two long term PPAs with Horizon Power and FMG.

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

TEC Hedland intends to construct a power station, operate the power station, and distribute electricity from the power station.

4.3 Conclusion

The information provided in this section satisfies section 19 of the Act, in demonstrating that TEC Hedland 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*

The Power Station will be located within the Boodarie Resource Processing Estate, approximately 13km south of Port Hedland and 6km west of South Hedland. The Power Station will be adjacent to the Alinta DEWAP Pty Ltd Power Station (north east) and the APA Pilbara Pipeline (east), and is approximately 700m of west of the Great Northern Highway. The Boodarie Station Access Road is located to the north of the site. Access to the Boodarie Station Access Road will be over a licenced area (discussed below).

The land is Crown land and is vested in Horizon Power for the purpose of a power station. Subject to the consent of the Minister for Lands, Horizon Power will grant TEC Hedland a lease over a portion of land in the north east corner. A balance of plant licence will also be granted, providing TEC Hedland with access to the leased area and use of existing assets on the site, including the evaporation ponds. A temporary access licence may be required to the east of the site, overlaying easements held by the Water Corporation and APA (Pilbarra Pipeline) Pty Ltd. The temporary access road would be required by IEA for the purpose of delivery of plant to the site.

The plant consists of three GE LM6000 gas turbines. Two of the LM6000 GT's are coupled with once through steam generators that produce high pressure steam to generate additional electricity in a single steam turbine.

(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 36^0C and 45% relative humidity.

Power station design criteria

Parameter	Value
Nameplate generating capacity	149 MW
Expected maximum load	145MW
Average annual load	101MW
Expected annual energy demand	~889GWh

The Power Station will comprise the following key infrastructure:

- 3 x GE LM6000PF combustion gas turbines, connected to 11kV three phase synchronous generator
- 2 x 55 bar 15 t/h once through steam generators
- 1 x 55 to 4.5 bar single casing steam turbine, connected to 11kV three phase synchronous generator

GE Gas Turbines

The Power Station will also comprise 3 x GE LM6000PF gas turbines. One turbine will be open cycle with the remaining two being closed cycle. 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.

Once Through Steam Generator

A once through steam generator is a specialised type of Heat Recovery Steam Generator without boiler drums. In this design, the inlet feed water follows a continuous path without segmented sections for economizers, evaporators, and superheaters. This provides a high degree of flexibility as the sections are allowed to grow or contract based on the heat load being received from the gas turbine. The absence of drums allows for quick changes in steam production and fewer variables to control, and is ideal for cycling and base load operation.

Electricity will be provided to the Horizon Power and FMG at delivery points defined in the PPAs. [redacted]

(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)*

Under the proposed structure there will only be two large customers, FMG and Horizon Power. Electricity will be provided to the Horizon Power and FMG at delivery points defined in the PPAs. [redacted]

[redacted] Horizon Power owns and operates a portion of the North West Interconnected System and has agreed to provide TEC Hedland with access to the North West Interconnect System. Horizon Power and TEC Hedland will negotiate an Electricity Transfer Access Contract for connecting to the North West Interconnect System

(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*

TEC Hedland will provide, own, install, connect, test, adjust, place in service, operate, check and maintain the metering facilities at the delivery points in accordance with the Metering Code. The meters will be capable of measuring the electricity supplied at the delivery points, with a level of accuracy which is within appropriate industry standards and a margin of error which complies with the Metering Code.

Under the PPAs, TEC Hedland will provide 110MW of capacity annually to Horizon Power and 35MW of capacity annually to FMG. This will not change in the next 5 years.

(ii) *agreements with network service providers;*

Under the proposed transaction Horizon Power will be the network service provider. As stated above, Horizon Power will provide TEC Hedland with access to the North West Interconnect System. All metering arrangements for the proposed services are dealt with in the PPA with Horizon Power.

(iii) *agreements with metering agents; and*

There are no agreements with metering agents. The meters are owned by TEC Hedland.

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

The arrangements for dealing with metering complaints and queries are addressed in the PPA's. Both PPA's allow the customer to request an accuracy test of the metering facilities and to deliver notices of dispute in regards to metering complaints. The dispute process is also detailed in the PPAs.

(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 supply arrangements between the applicant and two end use customers. A description of the physical arrangements is provided in section 5.2(b) and the commercial terms of the contract are encapsulated by the PPAs.

(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 are only two customers and the customers' 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 Hedland 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 Hedland 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 not applicable in this instance as there will only be two customers (which are neither residential nor small business) under the PPAs. Dispute resolution provisions are included in the PPAs.

TEC Hedland 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 PPAs.

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

There will only be two customer accounts. These accounts will be managed in accordance with the PPAs. As there will only be two customer accounts, 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 its customers 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 two customers. The matters specified in this provision will be governed by the PPAs.

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

The PPAs detail the methods of communication between TEC Hedland and the customers.

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

- The project was referred to the Environmental Protection Authority (EPA) under section 38 of the Environmental Protection Act 1986 (EP Act) on the 26th June 2014. The EPA will determine whether or not it is going to assess the proposal by 30 July 2014. If the EPA determines not to assess the proposal, TEC Hedland will be required to obtain a works approval under Part V of the EP Act before commencing construction. If the EPA determines that an assessment is required, it will be a minimum of 4 months before TEC Hedland receives a Ministerial Statement that it can implement the proposal. If the EPA either determines that the proposal is non-compliant, or the Minister for Environment does not grant a Ministerial Statement, the project will need to be redesigned and re-submitted as a new proposal and the process will commence again.

- An application for a works approval under Part V of the EP Act was made on 7 July 2014. We expect to get the works approval by 7 November 2014. If a works approval is not granted, the proposal will need to be adjusted and re-configured until the works approval is granted.

- A development application was lodged with the Town of Port Hedland on 17 July 2014. We expect to receive approval by 30 October 2014. If not approved, the proposal will need to be redesigned and resubmitted for approval.

- Annexure 15 is a copy of the clearing permit that applies to the site.

- The Dangerous Goods Licence and Building licence will be obtained by IEA prior to commencement of construction (pre first quarter of 2015).

(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 Agreements IEA will construct the power plant and associated works. Construction is expected to begin in January 2015 and will be completed in June 2016. The commissioning of the Power Station is expected to be completed in the first quarter of 2017. *See Annexure 16 for detailed timeline of activities*, Annexure 20 for details of the site plan and the projects development footprint.

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

TEC Hedland 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, and ERL 7). TransAlta Australia and its associated entities operate under these licences in good standing and have 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 Hedland will engage IEA to construct the Power station. IEA is an EPC project provider specialising in coal-fired and gas turbine power plants. IEA offers plant solutions matching customer technical requirements and achieving delivery of projects in accordance to customers' programmes. TransAlta Australia has worked with IEA previously during the construction of Parkeston Power Station (1993).

TEC Hedland does not employ any staff. TEC Operations is the TransAlta Australia entity which operates and maintains the supply of electricity to its customers. Since 1993, 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 17 for a listing of TEC Operations key personnel and relevant qualifications.

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

TEC Hedland 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 Hedland 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 Hedland will engage IEA to construct the South Hedland Power station. TEA has previously worked with IEA on the construction of Parkeston Power Station in 1993.

(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 19 is an example of an asset management systems used by TransAlta Australia. TEC Hedland 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 19.

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 Australia 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.

All of the 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 Australia group possess licences across all categories available under the Act highlights the suitability of TEC Hedland in the current application. TEC Hedland has access to sufficient financial and technical resources and its parent and related entities have a proven track record in the provision of energy utilising business models broadly analogous to that proposed in this project.

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.

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

This project meets the growing energy demands of the Pilbara region adding up to 149MW of capacity to the North West Interconnect System.

"The new power station will help ensure long term energy security of residents and businesses in the growing Pilbara region. " - Energy Minister (Mike Nahan)

http://www.mediastatements.wa.gov.au/Pages/StatementDetails.aspx?listName=StatementsBarnett&StatId=8500

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 South Hedland Power Station. The South Hedland Power 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 South Hedland Power 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 Hedland 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)

The South Hedland Power Station will ensure that both residents and industry in the Pilbara have access to reliable electricity into the future. Combined cycle power plants are highly efficient which will result in lower fuel costs to supply electricity to both residents and industry in the Pilbara.

"This will ensure precious resources are not wasted and that customers are buying power from the most cost effective system possible." - Energy Minister (Mike Nahan)

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)

There will be no negative impacts on the interests of any licensee, or applicant of a licence, in respect of the area or areas to which the order would apply.

This application covers a relatively small area of land. The land is Crown land and is vested in Horizon Power for the purpose of a power station. Subject to the consent of the Minister for Lands, Horizon Power will grant TEC Hedland a lease over a portion of the land. A balance of plant licence will also be granted, providing TEC Hedland with access to the leased area and use of existing assets on the site. 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)

The Pilbara region previously only had 3 major generators supplying electricity. The addition of TEC Hedland will add competition to the generator market in the region.

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

The government has the clear policy objective to improve the level of competition in the Western Australian electricity market. As stated previously, the addition TEC Hedland will add competition for electricity generators in the Pilbara region. In addition the proposed power station will be one of the most efficient and reliable power stations in the region.