



Economic Regulation Authority

Decision on application to amend electricity integrated regional licence EIRL2

Regional Power Corporation (trading as Horizon
Power)

2 June 2023

Economic Regulation Authority

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1. Decision

1. In accordance with sections 9 and 19 of the *Electricity Industry Act 2004*, the ERA approves the amendment to the Regional Power Corporation's (trading as Horizon Power) electricity integrated regional licence EIRL2 to give effect to electricity distribution and retail licence exemptions that Horizon Power will be granted to allow it to supply electricity services in remote Aboriginal communities that are in the Remote Essential Services Program (RESP).¹
2. As required by section 23(1) of the Electricity Act, the ERA will publish a notice of the licence amendment in the Government Gazette as soon as practicable.

¹ The *Electricity Industry Exemption Amendment Order 2023* will amend the *Electricity Industry Exemption Order 2005* to include Horizon Power's exemptions in the 2005 Order.

2. Reasons

2.1 Licence amendment

3. On 15 March 2023, Horizon Power applied to amend its electricity integrated regional licence EIRL2 to enable it to supply electricity services under licence exemptions to remote Aboriginal communities in the RESP.
4. The Department of Communities (department) delivers electricity services to 117 remote Aboriginal communities, which are home to about 12,000 people. The department delivers limited, unlicensed electricity services to these communities.
5. The WA Government is transferring responsibility for these services to Horizon Power, a State-owned utility, under the RESP program, which is funded by the WA Government.
6. The process for transferring the responsibility for supplying electricity to the RESP communities to Horizon Power began on 1 April 2023. Electricity infrastructure will be progressively upgraded so that, over time, residents of these communities will receive the same standard of services as similar sized communities in WA and be supplied under Horizon Power's licence, EIRL2.² The program is expected to take several years to complete.
7. Currently, the standard of the electricity assets in these communities is such that Horizon Power is unlikely to be able to meet its licence obligations when it assumes responsibility for these communities. Horizon Power will upgrade (regularise) the electricity assets in the communities, which will allow it to provide licence compliant services to customers.
8. The department has been supplying electricity to Aboriginal communities under a licence exemption in the *Electricity Industry Exemption Order 2005*. Licence exemptions are granted by the WA Government (not the ERA). The WA Government will grant the same licence exemptions to Horizon Power for the purpose of supplying the RESP communities for a fixed period (until 31 December 2031) to enable the transition of the communities to Horizon Power.
9. A licence amendment is required to give effect to the licence exemptions that the WA Government is giving Horizon Power to allow it to transition the RESP communities to be supplied under EIRL2.

2.2 Public consultation

10. On 17 March 2023, the ERA published Horizon Power's [licence application](#) for public comment. The ERA did not receive any submissions.

2 The WA Government has published [guidelines](#) for the recommended minimum service levels for essential services for remote Aboriginal communities.

2.3 Assessments

2.3.1 *Financial and technical assessments*

11. Section 19(1) of the Electricity Act requires the ERA to assess the financial and technical capacity of an applicant when it grants, renews or transfers a licence. There is no requirement to perform this assessment for a licence amendment application.
12. If the ERA considers a licence amendment will result in substantial change to a licensee's business whereby it will increase its licensed activities, there is scope to require financial and technical assessments.
13. The amendment to Horizon Power's licence will not result in an increase to its licensed activities, as the amendment is to give effect to the licence exemptions to supply communities in the RESP program.

2.3.2 *Public interest*

2.3.2.1 *Electricity Industry Act 2004*

14. Section 9 of the Electricity Act requires that the ERA must not grant a licence unless it is satisfied that it would not be contrary to the public interest to do so. Without limiting the other matters that may be taken into account, section 9(2) of the Electricity Act requires that the ERA take into account the matters referred to in section 8(5) of the Electricity Act when determining whether the renewal would not be contrary to the public interest.

Those matters are:

- a. Environmental considerations.
- b. Social welfare and equity considerations, including community service obligations.
- c. Economic and regional development, including employment and investment growth.
- d. The interests of customers generally or of a class of customers.
- e. The interests of any licensee, or applicant for a licence, in respect of the area or areas to which the licence in respect of which the power exercised is exercised would apply.
- f. The importance of competition in electricity industry markets.
- g. The policy objectives of government in relation to the supply of electricity.

2.3.2.2 *Economic Regulation Authority Act 2003*

15. When making a decision on whether or not to grant a licence, the ERA must also have regard to the matters set out in section 26(1) on the *Economic Regulation Authority Act 2003*.³
 - a. The need to promote regulatory outcomes that are in the public interest.

³ Under section 26(2) of the ERA Act, the ERA has discretion as to the weight it gives to the matters in section 26(1).

- b. The long-term interests of consumers in relation to the price, quality and reliability of goods and services provided in relevant markets.
- c. The need to encourage investment in relevant markets.
- d. The legitimate business interests of investors and service providers in relevant markets.
- e. The need to promote competitive and fair market conduct.
- f. The need to prevent abuse of monopoly or market power.
- g. The need to promote transparent decision-making processes that involve public consultation.

2.3.2.3 *Assessment of the public interest*

16. The ERA has considered:

- The matters set out in section 9(2) and section 8(5) of the Electricity Act.
- Section 19(1) of the Electricity Act.
- Section 26(1) of the ERA Act.
- The outcome of the public consultation.
- Information provided in Horizon Power's application.

17. The ERA is satisfied that approving the licence amendment would not be contrary to the public interest, because:

- a. The licence amendment is in the long-term interests of consumers in the RESP communities, as it will enable Horizon Power to upgrade the assets to improve the safety and reliability of electricity services in those communities (sections 8(5)(d) of the Electricity Act and 26(1)(b) of the ERA Act).
- b. The licence amendment will promote regulatory outcomes that are in the public interest by enabling the transition of RESP communities to Horizon Power, which will result in customers in those communities receiving the same benefit from customer protections as existing Horizon Power customers receive under its licence (section 26(1)(a) of the ERA Act).
- c. The licence amendment will promote the policy objectives of government, as it will give effect to the licence exemption that the WA Government is giving Horizon Power and facilitate the roll out of RESP, which is a government funded program to improve electricity services in Aboriginal communities (section 8(5)(g) of the Electricity Act).
- d. The ERA conducted public consultation on the licence application and will state in its decision the reasons for granting the licence (section 26(1)(g) of the ERA Act).