

# Decision on Electricity Generation Licence Application – Mumbida Wind Farm Pty Ltd

17 March 2011

Economic Regulation Authority



WESTERN AUSTRALIA

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## DECISION

1. Pursuant to sections 9 and 19 of the *Electricity Industry Act 2004* (Act), the Authority approves the grant of a generation licence to Mumbida Wind Farm Pty Ltd (Applicant) to generate electricity, subject to, and in accordance with, the terms set out in the generation licence for a period of 30 years.
2. As required by section 23(1) of the Act, the Authority will publish a notice of the grant of licence in the Government Gazette as soon as practicable.

## REASONS

3. On 8 December 2010, the Applicant submitted a licence application to the Authority to construct and operate a 55MW wind farm in the Midwest region. The Mumbida Wind Farm (MWF) is located 40km SSE of Geraldton and will connect to Mungarra to Three Springs transmission line.
4. The Applicant is currently a wholly owned subsidiary of Macquarie Capital Group Limited (Macquarie Capital). However, it is intended that the MWF will be a joint venture between Macquarie Capital and Electricity Generation Corporation trading as Verve Energy (Verve Energy) following receipt by Verve Energy of Ministerial consent to enter into the joint venture.
5. The Applicant is not deemed an existing operator and therefore under section 7 of the Act requires a generation licence in order to construct and operate a transmission system in Western Australia.
6. The Authority engaged 2020Global to examine the financial capacity of the Applicant to undertake the activities authorised by the generation licence. Following the assessment, 2020Global concluded that the Applicant has and will likely retain the financial resources to undertake the activities authorised by the licence.
7. The Authority engaged Qualeng to examine the technical capacity of the Applicant to undertake activities authorised by the generation licence. Following the assessment, Qualeng concluded that the Applicant has and is likely to retain the technical resources to undertake the activities authorised by the licence.
8. The Authority has considered the generation licence application including the advisors' assessments conducted for the purpose of the generation licence application and is satisfied that the Applicant meets the requirements of section 19(1) of the Act.
9. Section 9 of the Act, amongst other matters, requires that the Authority must not grant an electricity licence unless it is satisfied that it would not be contrary to the public interest to do so. Section 8(5) of the Act, without limitation, specifies the matters to be considered by the Authority in this regard.
10. A notice seeking public submissions was published on 14 December 2010 and the submission period closed on 4 January 2011. On 13 January 2011, Griffin Energy Pty Ltd (Griffin) made a late submission. The Economic Regulation Authority considered the submission and decided that the issues raised by Griffin were

significant and decided to accept the late submission.

11. Griffin is concerned that the introduction of the MWF is likely to impact on its Emu Downs wind farm (Emu Downs) and other private renewable generators by constraining their capacity to provide renewable power to the SWIS.
12. The Authority sought and obtained advice from Western Power on the potential impacts to other generators as a consequence of the possible entry of the MWF
13. Western Power confirmed that the only other independent power producer impacted by the MWF's connection to the northern country area of the network is Walkaway Wind Farm. Western Power advised that with the addition of the MWF output the allowable average export of Walkaway Wind Farm is likely to decrease somewhat.
14. The Authority understands that system curtailment is controlled by computer based system parameters and usually only occurs when a significant network line goes out of service and there are no other available lines with capacity to take up the current output.
15. The Authority is informed that the northern country area of the SWIS has experienced only one episode where there was curtailment in these circumstances, in the past 2 years.
16. Western Power advised that curtailment of output for Emu Downs would only occur in the event that there are no gas turbines running at Mungarra power station. Western Power does not expect the allowable export capacity of Emu Downs to change with the entry of the MWF.
17. The Authority has concluded that constraints to capacity output for renewable generators is part of the operation of the electricity wholesale market, which independent participants are aware of at their entry into the market. Therefore the real or potential curtailment of output as a consequence of new generation entrants is not a public interest issue.
18. The Authority found no evidence to support Griffin's claim that Verve Energy will incur additional costs for maintaining excess capacity at the expense of other potential developers and consumers.
19. Griffin's assumption that Verve Energy has an offtake agreement with Synergy is incorrect.
20. The Authority rejects the conclusions that the project will have a negative impact on competition in the market and that Verve is abusing its monopoly power.
21. In its consideration of the Application, the Authority considered the public interest, including the matters set out in section 8(5) of the Act as required by section 9(2). The Authority is satisfied that approval of a transmission licence to the Applicant would not be contrary to the public interest.

**LYNDON ROWE**  
**CHAIRMAN**