

Decision on Amendment to Electricity Generation Licence 7 to include the Greenough River Solar PV Farm – Electricity Generation Corporation (t/a Verve Energy)

17 March 2011

Economic Regulation Authority



WESTERN AUSTRALIA

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DECISION

1. On 22 December 2010, Electricity Generation Corporation (Verve Energy) submitted an application to the Economic Regulation Authority (Authority) to amend its Electricity Generation Licence 7. The amendment proposes the addition of the Greenough River Solar PV Farm (GRSF) to Verve Energy's licence area. The solar farm will be located near Ellendale in the Mid West, about 30 kilometres east of Greenough and 50 kilometres southeast of Geraldton, on the Nangetty Walkaway Road.
2. The licence amendment was made pursuant to section 21 of the *Electricity Industry Act 2004* (Act).
3. Pursuant to sections 9 and 21 of the Act, the Authority approves the amendment of Electricity Generation Licence 7.
4. As required by section 23(1) of the Act, the Authority will publish a notice of its approval of the amendment in the *Government Gazette* as soon as is practicable.

REASONS

1. Pursuant to section 21 of the Act, the Authority may amend a licence if it is satisfied that the Applicant: has made the application in a form approved by the Authority; paid the prescribed application fee; and where a requirement has been made for additional information the relevant information has been provided to the Authority.
2. 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.
3. On 24 December 2010, the Authority published a notice on its website seeking public submissions on the proposal. The Authority received one objection to the amendment from Griffin Energy Pty Ltd.
4. The Authority, in considering a decision that would not be contrary to the public interest, is required to consider those matters listed in Section 8(5) of the *Electricity Industry Act 2004*. With regard to the issues raised by Griffin, Section 8(5)(e) and 8(5)(f) apply.
5. The GRSF is a small scale project and will have a capacity factor similar to other renewable projects, approximately 40% of name plate capacity.
6. It is unlikely that the operation of GRSF will impact significantly on the output of Verve Energy's power stations in the region. Western Power has confirmed that it can manage the situation within Verve's contracted generation capacity at Geraldton and Mungarra power stations.
7. Western Power has indicated that there may be a requirement to curtail output of renewable energy generators in the future. The Authority concludes that the real impact from GRSF, given its low capacity output, is likely to be very small. The

Authority views the possibility of curtailment as a factor of market risk that should be anticipated and is not a significant public interest issue.

8. The material issue in Griffin's objection pertains to the manner in which the project is to be funded and the choice of proponent. While some of Griffin Energy's assertions in its submission are incorrect: namely, the offtake agreement is not with Synergy and there is no commitment from Government to fund the expansion of this project; it is clear that the GRSF project was initiated without a tender process and as a consequence Griffin has formed the view that this decision by Government will have a detrimental impact on competition within the Wholesale Electricity Market (WEM).
9. The Office of Energy submits that the GRSF is a development project which aims to proof a concept and design for PV farms and to eliminate regulatory and developmental risks so as to encourage future renewable energy investment.
10. The Authority cannot say whether the GRSF will be financially viable and is therefore, not in a position to determine the future impacts on electricity customers.
11. However, a more open and transparent process to decide who should have been the developer of this project may have helped to avoid any concerns about impacts on competition in the WEM.
12. 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). On balance, the Authority is satisfied that approval of this amendment would not be contrary to the public interest.
13. The Authority has therefore decided to approve the amendment to Electricity Generation Licence 7.

LYNDON ROWE
CHAIRMAN