



Electricity Supply Industry Act 1995

Statement of Reasons

Retail Licence Application

AGL Sales Pty Ltd

ACN 090 538 337

15 October 2010

BACKGROUND

Pursuant to the *Electricity Supply Industry Act 1995* (ESI Act), the Regulator is responsible for administering the licensing system for electricity entities. The Regulator has the authority to consider and determine licence applications, and can refuse or issue licences for the generation, transmission, distribution and retailing of electricity.

On 13 September 2010, the Regulator received an application from AGL Sales Pty Ltd (AGL) for an electricity retail licence.

CONSULTATION

The Regulator invited public comment in respect of the licence application by way of notice in the *Mercury*, *Advocate* and *Examiner* newspapers and on the Regulator's website at www.economicregulator.tas.gov.au.

Consultation commenced 18 September 2010 and concluded 8 October 2010. No submissions were received.

REGULATOR'S ASSESSMENT

The Regulator undertook a 'due diligence' assessment of the licence application from AGL, having regard to its compliance with statutory licence application requirements.

The relevant provisions of the ESI Act provide that the Regulator may only issue a retail licence if satisfied that:

1. the applicant is a suitable person to hold such a licence (section 19(2)(a)); and
2. the applicant, its subsidiaries and related persons, either individually or taken together, are not generators of electricity that have a substantial degree of market power in the Tasmanian market for the generation of electricity (section 19(2)(fa)(i), (ii) and (iii)).

1. Suitable Person

The ESI Act outlines the matters that the Regulator may consider in deciding whether an applicant is a suitable person to hold a licence.

(a) Standard of honesty and integrity of applicant

AGL states that:

- the officers and major shareholders of AGL are not involved in any legal proceedings, civil or criminal, commenced or likely to commence in relation to the business activities of the licence applicant; and
- its Chief Financial Officer and Company Secretary are fit and proper to be Directors.

(b) Financial, technical and human resources available to the applicant

AGL states that it:

- is currently a national energy generation and retail company, Australia's leading renewable energy generator and intends to become an electricity retailer in Tasmania;
- has sufficient financial resources available to it to operate the retail activities for which the licence is required; it is currently in service to more than three million Australian customers and maintains a BBB investment grade credit rating from Standard & Poor's;
- has relevant experience in the electricity industry, serving Australians for more than 100 years;
- with its related entities, currently holds licences for electricity and gas retail and wholesale in Victoria, South Australia, New South Wales and Queensland;
- is registered as a generator, customer and trader with AEMO; and
- is familiar with the operation of the Tasmanian electricity industry and agrees to comply with the *Tasmanian Electricity Code*.

Based on the information provided by AGL in its licence application concerning the above matters, the Regulator is satisfied that AGL is a suitable person to hold a retail licence.

2. Generator with market power

AGL states that it is not a generator of electricity that has a substantial degree of market power in the Tasmanian market for the generation of electricity nor does any subsidiary or related persons.

REGULATOR'S DECISION

The Regulator is satisfied that the issue of a licence to AGL is consistent with the objectives of the ESI Act and the objectives of the Regulator in exercising its powers and functions under the ESI Act.

The Regulator issued an electricity retail licence to AGL on 15 October 2010 for a period of ten years.

The Regulator issued the licence accepting that technical and other information supplied by AGL in support of its application is true and correct, AGL having made full and diligent inquiry in that regard. The Regulator has relied in good faith on the representations made by AGL in support of its application.

A copy of the licence is available on the Regulator's website at www.economicregulator.tas.gov.au.

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Glenn Peter Appleyard

**CHAIRMAN
TASMANIAN ECONOMIC REGULATOR**

15 October 2010