



Electricity Supply Industry Act 1995

Statement of Reasons

**Generation Licence Application
AGL Energy Services Pty Limited
ACN 074 821 720**

31 January 2006

BACKGROUND

Pursuant to the *Electricity Supply Industry Act 1995* (the 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 23 August 2005, the Regulator received an application for an electricity generation licence from AGL Energy Services Pty Limited (AGL Energy Services) to operate two proposed landfill gas-fuelled generation facilities, one at Jackson St, Glenorchy and one at McRobies Gully, Hobart. The maximum generating capacity of each facility was to be 1 MW. AGL Energy Services subsequently provided additional information to the Regulator to the effect that the Glenorchy facility will have a maximum generating capacity of 1.6 MW.

AGL Energy Services is a wholly owned subsidiary of the Australian Gas Light Company (AGL).

CONSULTATION

The Regulator invited public comment in respect of the application by way of notice in the *Mercury*, *Advocate* and *Examiner* newspapers and on the Regulator's website at www.energyregulator.tas.gov.au. Consultation commenced 10 September 2005 and concluded 30 September 2005. No submissions were received.

REGULATOR'S DECISION

The decision of the Regulator is to issue a generation licence to AGL Energy Services.

A generation licence was issued to AGL Energy Services Pty Limited (ACN 074 821 720) on 31 January 2006 for a period of ten years.

A copy of the licence has been placed in the Public Register and is available on the Regulator's website at www.energyregulator.tas.gov.au.

REASONS FOR DECISION

Statutory obligations

The relevant provisions of the *Electricity Supply Industry Act 1995* (the Act) provide that the Regulator may only issue a licence to an applicant if satisfied that:

1. the applicant is a suitable person to hold the licence. In deciding this the Regulator may consider:
 - the applicant's previous commercial and other dealings and the standard of honesty and integrity shown in those dealings;
 - the financial, technical and human resources available to the applicant; and

- the officers and, if applicable, major shareholders of the applicant and their previous commercial and other dealings and the standard of honesty and integrity shown in those dealings (including breaches of statutory and other legal obligations); and
2. the generating plant (or proposed generating plant) will generate electricity of the appropriate quality for the relevant transmission or distribution network.

In exercising powers under the Act, the Regulator's objectives are to:

- promote efficiency and competition in the electricity supply industry;
- establish and maintain a safe and efficient system of electricity generation, transmission, distribution and supply;
- establish and enforce proper standards of safety, security, reliability and quality in the electricity supply industry; and
- protect the interests of consumers of electricity.

The Regulator's assessment

The Regulator undertook a 'due diligence' assessment of the licence application from AGL Energy Services, having regard to its compliance with statutory licence application requirements and the *Information for Licence Applicants: Electricity Industry Guideline No.1 (Version 4)*. The Regulator sought additional information from AGL Energy Services to clarify the licence application and this was also considered in the Regulator's assessment of the application.

AGL Energy Services made representations in support of its application for a licence and the Regulator has, in good faith, relied upon these representations in the issue of the licence. Such representations include:

- AGL Energy Services has sufficient financial resources available to it to operate the generation activities for which the licence is required.
- AGL Energy Services is supported by the technical and human resources of AGL and contractors to operate and maintain its renewable generation assets.
- AGL Energy Services intends to contract Clarke Energy Australia Pty Ltd to operate and maintain the generator sites.
- AGL Energy Services has contracted Run Energy Pty Ltd to monitor and manage the operation of the landfill gas extraction systems.
- AGL Energy Services will enter into a connection agreement with Aurora Energy Pty Ltd (Aurora Energy).

The Regulator issues the licence accepting that technical and other information supplied by AGL Energy Services in support of its application for a licence is true and correct, AGL Energy Services having made full and diligent inquiry in that regard.

The Regulator is satisfied as to the technical, human and financial resources available to AGL Energy Services and as to its previous commercial and other dealings and the standard of honesty and integrity shown in those dealings.

The Regulator determined that AGL Energy Services is a suitable person to hold a generation licence.

The Regulator is of the view that the risks associated with generating electricity of the appropriate quality (being the impact on the quality of supply to local customers, network integrity and system security) are appropriately managed by:

- AGL Energy Services entering into a connection agreement with the relevant Network Service Provider, Aurora Energy; and
- AGL Energy Services being obliged to comply with the *Tasmanian Electricity Code* and *National Electricity Rules*.

The Regulator is therefore satisfied that the generating plant will generate electricity of the appropriate quality for Aurora Energy's distribution network.

Under sub-clause 12.8.1(a)(2) of the *Tasmanian Electricity Code*, a holder of an electricity licence is required to develop and submit a compliance plan to the Regulator upon notification.

The Regulator has exempted AGL Energy Services from the requirement of a compliance plan recognising that:

- the small generating capacity of AGL Energy Services' proposed generation facility is unlikely to have impacts on system security and stability; and
- any risks associated with generating electricity of the appropriate quality are appropriately managed as stated above.

This is consistent with the approach of NEMMCO to registration which exempts small generators. The exemption has been given effect in AGL Energy Services' licence.

The Regulator determined that the issue of a licence to AGL Energy Services is consistent with the objectives of the Act and the objectives of the Regulator in exercising his powers and functions under the Act.

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Andrew John Reeves

REGULATOR

31 January 2006