



Electricity Supply Industry Act 1995

Statement of Reasons

Retail Licence Application

Integral Energy Australia

ABN 59 253 130 878

08 December 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 27 October 2006, the Regulator received an application for an electricity retail licence from Integral Energy Australia (IEA), a statutory New South Wales (NSW) State-owned corporation incorporated under the *Energy Services Corporations Act 1995* (NSW).

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 8 November 2006 and concluded 5 December 2006. No submissions were received.

REGULATOR'S DECISION

The decision of the Regulator was to issue a retail licence to IEA.

A retail licence was issued to IEA (ABN 59 253 130 878) on 8 December 2006 for a period of ten years.

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

REASONS FOR DECISION

Statutory obligations

The relevant provisions of 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 applicant is not a generator of electricity that has a substantial degree of market power in the Tasmanian market for the generation of electricity; and
3. no subsidiary of the applicant or related person is a generator of electricity that has a substantial degree of market power in the Tasmanian market for the generation of electricity; and
2. the applicant, its subsidiaries and its related persons are not, when taken together, generators of electricity that have a substantial degree of market power in the Tasmanian market for the generation of electricity.

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 application from IEA, 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 also sought additional information from IEA for clarification as part of the assessment of the application.

IEA 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:

- IEA currently distributes electricity to more than 832 000 customers, or 2.1 million people, in households and businesses across a network franchise spanning 24 500 square kilometres in Sydney's Greater West, Illawarra, Blue Mountains and the Southern Highlands of New South Wales. IEA also retails energy and provides metering and data services to industrial and commercial customers.
- IEA holds authorities and licences to retail electricity in New South Wales, Victoria, the Australian Capital Territory and Queensland. It is noted that copies of these licences were enclosed with IEA's licence application.
- IEA is registered as a Market Participant by the National Electricity Market Management Company (NEMMCO), in the categories of Market Customer and Market Network Service Provider. IEA notes that to be registered with NEMMCO in either of the above categories, IEA would have had to meet the stringent prudential requirements under the National Electricity Rules.

- Standard & Poor's awarded IEA a credit rating of AA for long-term corporate credit. IEA's credit rating is reported in its annual reports. Standard and Poor's defines an obligation rated 'AA' as 'differs from the highest-rated obligations only to a small degree. The obligator's capacity to meet its financial commitment on the obligation is very strong'. The long-term credit rating continues to reflect NSW Government ownership of IEA.
- IEA does not hold a licence to generate electricity in the Tasmanian market. Nor does any subsidiary of IEA's hold a licence to generate electricity in the Tasmanian market.

In assessing IEA's licence application, the Regulator accepted that the technical and other information supplied by IEA in support of its licence application is true and correct, and IEA has made full and diligent inquiry in that regard.

Based on the assessment of IEA's licence application and supporting information, the Regulator was satisfied that:

- the level of technical, human and financial resources available to IEA is appropriate;
- there is no evidence of an inappropriate standard of honesty and integrity shown by the applicant and/or its officers in its previous commercial and other dealings; and
- IEA does not hold a licence to generate electricity in the Tasmanian market. Nor does any subsidiary of IEA's hold a licence to generate electricity in the Tasmanian market.

Hence, the Regulator was satisfied that IEA is a suitable person to hold an electricity retail licence in Tasmania and that the issue of a licence to IEA 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

8 December 2006