



Electricity Supply Industry Act 1995

Statement of Reasons

Retail Licence Application

Country Energy

ABN 37 428 185 226

7 June 2007

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 8 May 2007, the Regulator received an application from Country Energy for an electricity retail licence. Country Energy is a statutory State Owned Corporation under the *Energy Services Corporations Act (NSW) 1995*. Country Energy holds retail licences in NSW, Victoria, South Australia, ACT and Queensland.

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.energyregulator.tas.gov.au.

Consultation commenced 12 May 2007 and concluded 1 June 2007. No submissions were received.

REGULATOR'S ASSESSMENT

The Regulator undertook a 'due diligence' assessment of the licence application from Country Energy, 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

Country Energy states that it has no material breaches of licences in its experience to date retailing in the NEM and that its compliance with legal and regulatory obligations is actively monitored.

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

Country Energy states that:

- as a State-Owned Corporation, it is backed by the NSW Treasury;

- as at 3 April 2007, Fitch Ratings affirmed its long-term foreign currency issuer default rating of ‘AA’ and short-term foreign currency rating of ‘F1+’;
- it has a comprehensive range of managerial and technical experience in the electricity industry, at Executive and Board level through to all operating divisions;
- it has a comprehensive understanding of the applicable regulatory and statutory frameworks across the NEM and is registered with NEMMCO as a Generator (Non-Market Non-Scheduled), Market Customer, NSP (Distribution and Transmission) and Special Participant Distribution System Operator; and
- it has systematic compliance processes in place to ensure it is capable of managing its obligations under the *Tasmanian Electricity Code*.

The information provided by Country Energy in its licence application satisfies the Regulator as to the above matters and therefore that Country Energy is a suitable person to hold a retail licence.

2. Generator with market power

Country Energy 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 Country Energy is consistent with the objectives of the ESI Act and the objectives of the Regulator in exercising his powers and functions under the ESI Act.

The decision of the Regulator was to issue an electricity retail licence to Country Energy (ABN 37 428 185 226) on 7 June 2007 for a period of ten years.

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

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

.....
 Andrew John Reeves

REGULATOR

7 June 2007