

Our Ref: 26599202
Telephone: 0409 108 561

13 May 2022

Energy Policy WA
Locked Bag 11
Cloisters Square WA 6850

Attention: Sarah Woenne

Transmitted via email: submissions@energy.wa.gov.au

Dear Sarah

Increasing the threshold for application of the electricity generation licence exemption

Synergy is Western Australia's largest electricity generator with a total nameplate capacity of more than 2,300MW.

Synergy appreciates the opportunity to provide feedback on Energy Policy Western Australia's (EPWA) review of the current 30MW generation licence exemption threshold (**threshold**) specified within the Electricity Industry Exemption Order 2005 (**Exemption Order**).

Synergy has previously advocated amending the *Electricity Industry Act 2004 (Act)* to remove the requirement for generators to be licenced by the Economic Regulation Authority (ERA) in Western Australia and is pleased to support EPWA's proposal to facilitate this regulatory change at a future date. As an interim step, EPWA is recommending the Exemption Order threshold be increased from 30MW to 100MW nameplate capacity at a connection point.

Synergy provides the following feedback to EPWA in relation to its electricity generation licence exemption proposal.

Q.1 Should the threshold be increased?

Yes. Synergy concurs with EPWA that the exemption threshold should be increased.



Q.2 Is it appropriate for the threshold to be increased from 30MW to 100MW? If not, what should be the new threshold?

No. Synergy considers the proposed 100MW threshold to be too low and provides a competitive advantage to generators with a nameplate capacity equal to or less than 100MW at a connection point relative to generators with a capacity of more than 100MW. Substantial costs are incurred by the holder of a generation licence, specifically:

- licence application fees
- annual licence fees
- standing charges
- annual compliance reporting
- periodic performance audit and asset management reviews
- opportunity costs of diverting generation staff from plant operation to generation licence administration
- generation licence compliance framework establishment, operation and maintenance.

It is inequitable for a number of electricity generators with a capacity of more than 100MW to incur the above costs and operational impacts whereas those that meet the threshold are exempt. Synergy also recognises the ERA has operational impacts and costs arising from issuing, monitoring, amending and cancelling generation licences.

The proposal to remove the need for generation licences dates back to 2015. At that time, it was determined there were sufficient regulatory and commercial arrangements in place to effectively manage the operation of generating works without the need to licence a generator. This is still the case. Further, Synergy notes recent regulatory changes has or will strengthen generation governance further including the new wholesale electricity market (**WEM**) generator compliance standards and the new WEM compliance monitoring, reporting and enforcement regime due to commence in October 2023.

Given the policy decision has been made to remove the need for generation licences Synergy considers the threshold should be set at 275-325MW nameplate installed capacity at a connection point as this will provide for generation competitive neutrality in relation to most existing generation capacity within Western Australia (but not all).

Q.3 What conditions, if any should apply to the generation licence exemption if the threshold is increased? Should the requirement for generators connected to the South West Interconnected System to comply with the Electricity Industry (Metering) Code 2012 (Metering Code) be maintained, or is this requirement adequately imposed by the Access Code? If it is retained, does the obligation need to be extended to include the North West Interconnected System and other licensed networks?

Synergy does not consider there is a need for additional conditions to be included within the Exemption Order given other existing legislative requirements including those under the WEM rules, environmental protection under the *Environmental Protection Act 1986* and safety of electrical equipment and contractors under energy safety legislation.

Synergy considers the current Exemption Order requirement to comply with the Metering Code should remain under the licence exemption framework and not be regulated under network access via contractual arrangements.

Further Synergy considers the application of the Metering Code should apply to exempt generators outside of the SWIS connected to a licenced transmission or distribution network to promote locational competitive neutrality.

Q.4 Are there any other relevant matters that Energy Policy WA should consider?

Given the longevity of the proposal to remove generation licences from the Act, it would be beneficial to market participants if EPWA could publish an indicative timeframe for the repeal as part of its final decision on the proposed revised threshold.

Please contact me should you wish to discuss the matters detailed in this submission.

Yours sincerely

SIMON THACKRAY
MANAGER REGULATION AND COMPLIANCE