

Application for Electricity Generation Authority

AGL Hydro Partnership for the Coopers Gap Wind Farm Information Paper

April 2017

This publication has been compiled by Regulation, Governance and Analytics, Department of Energy and Water Supply.

© State of Queensland, 2017

The Queensland Government supports and encourages the dissemination and exchange of its information. The copyright in this publication is licensed under a Creative Commons Attribution 4.0 International (CC BY 4.0) licence.

Under this licence you are free, without having to seek our permission, to use this publication in accordance with the licence terms.



You must keep intact the copyright notice and attribute the State of Queensland as the source of the publication.

Note: Some content in this publication may have different licence terms as indicated.

For more information on this licence, visit <https://creativecommons.org/licenses/by/4.0/>.

The information contained herein is subject to change without notice. The Queensland Government shall not be liable for technical or other errors or omissions contained herein. The reader/user accepts all risks and responsibility for losses, damages, costs and other consequences resulting directly or indirectly from using this information.

Table of contents

Background	1
General	1
Consideration of an Application	1
The applicant (as operator).....	2
The owner	4
The proposed generating plant	4
Approvals for construction of the generating plant.....	4
Submissions.....	5

Background

General

AGL Hydro Partnership (AGL Hydro), has applied to the Regulator for a generation authority under the *Electricity Act 1994* (Act). Under the Act, the Regulator is the Director-General of the Department of Energy and Water Supply, being the Chief Executive of the Department that administers the Act.

The application for a generation authority is in respect of a proposed wind farm (the Coopers Gap Wind Farm), to be located 180 kilometres (km) north-west of Brisbane near Cooranga North, between Dalby and Kingaroy.

The generating plant will comprise up to 115 wind turbines with a total nominal capacity of up to 460 megawatts (MW), located over approximately 10 200 hectares (ha) of farm land, of which the wind farm infrastructure will occupy in the order of two per cent of the total land area.

Coopers Gap Wind Farm intends to connect into Powerlink's transmission grid on the Western Downs to Halys 275 kilovolt (kV) transmission line. Electricity generated is proposed to be sent into the National Electricity Market (NEM).

Coopers Gap Wind Farm Pty Ltd (CGWF Pty Ltd) as a wholly owned subsidiary of AGL Energy Limited (AGL Energy), is developing the Coopers Gap Wind Farm and is owner of the project. AGL Energy will not be seeking a sale agreement for the electricity generated. Rather, as an integrated energy company, AGL Energy (or a subsidiary) will use the renewable energy generated to satisfy existing customer demand within Queensland.

The generation authority, if issued, will authorise:

- connection of the wind farm to Powerlink's transmission grid and
- operation of the wind farm.

Subject to receipt of all necessary approvals (including this generation authority) and finalisation of commercial arrangements, AGL Energy anticipates the Coopers Gap Wind Farm will begin generating power in June 2018, with project completion anticipated in August 2019.

Consideration of an Application

The Act provides that the Regulator may issue a generation authority only if satisfied—

- (a) the applicant will operate the generating plant stated in the application; and
- (b) the generating plant will be able to provide electricity of a quality suitable for the transmission grid or supply network stated in the application; and
- (c) the applicant is a suitable person to be a generation entity; and
- (d) the owner or proposed owner of the generating plant (whether or not the applicant) is a suitable person to be the owner; and
- (e) the applicant meets the additional criteria prescribed under a regulation. (Note that no additional criteria are prescribed by regulation).

In deciding whether the applicant is a suitable person to be a generation entity, or the owner or proposed owner of the generating plant (whether or not the applicant) is a suitable person to be the owner, the Act states the Regulator may consider—

- (a) the person's previous commercial and other dealings and the standard of honesty and integrity shown in the dealings; and
- (b) any failure by the person to perform commercial or statutory obligations and the reasons for the failure; and

- (c) the person's criminal history; and
- (d) if the person is a corporation – the matters mentioned in paragraphs (a) to (c) for persons who are shareholders, directors or holders of other interests in the corporation; and
- (e) for the applicant – the applicant's competence to be the operator; and
- (f) additional matters prescribed by regulation.
(Note that no additional matters are prescribed by regulation).

Further, the Act provides that, in deciding whether to issue the generation authority, the Regulator must consider—

- (a) the objects of the Act; and
- (b) relevant government policies about environmental and energy issues and the likely environmental effects of building and operating the generating plant; and
- (c) additional matters prescribed under a regulation.
(Note that no additional matters are prescribed by regulation).

The Act also stipulates that, before issuing a generation authority, the Regulator must invite interested persons to make submissions about the application for the authority and the Regulator must consider the submissions made.

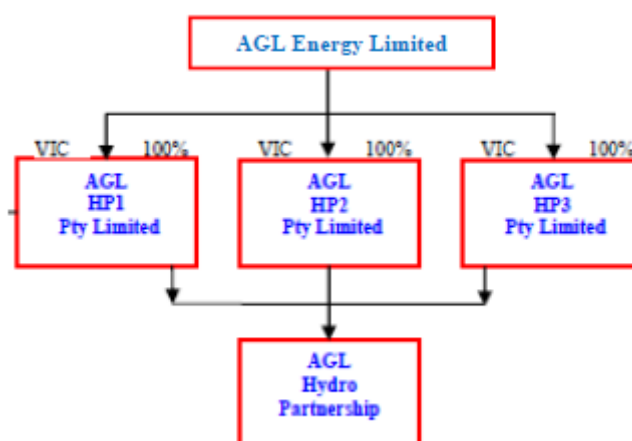
The applicant (as operator)

The information set out in sections 2 to 4 of this Information Paper was provided by AGL Energy as part of AGL Hydro's formal application to the Regulator for a generation authority.

AGL Hydro was registered as an Australian company on 2 February 2006, and will be the operator of the proposed 460MW Coopers Gap Wind Farm.

AGL Energy is the ultimate owner of AGL Hydro, owning 100 per cent of the partnership companies as shown in diagram 1 below.

Diagram 1



AGL Hydro is AGL Energy's primary electricity trading entity and manager of AGL Energy's green product obligations. It also operates AGL Energy's hydro, wind and solar generation assets. AGL Hydro is currently a partnership of three fully owned subsidiaries of AGL Energy and is part of the AGL consolidated group.

AGL Hydro does not prepare and lodge audited financial statements. Rather it derives its financial resources from the parent entity – AGL Energy. AGL Energy produces statutory financial statements and annual reports on a consolidated basis.

AGL Energy has in place a Deed of Cross Guarantee (Deed) which was entered into as a condition of the ASIC Class Order 98/1418¹ being granted. Each owner of AGL Hydro (AGL HP1 Pty Limited, AGL HP2 Pty Limited and AGL HP3 Pty Limited) is a party to the Deed. The Deed provides financial support to AGL Hydro on the basis that its owners would meet debt obligations attributable to any other AGL Hydro partner.

With a market capitalisation of over \$15B, AGL Energy currently services approximately 3.7M customer accounts (gas and electricity). In 2016, AGL generated \$11.15B in revenue, recording an underlying profit of \$701M.

AGL Energy has a Baa2² rating from Moody's Investor Service (Moody's) with a stable outlook. In assigning the rating, Moody's indicated that AGL Energy's strong retail market position and the low cost position, scale and operating track record of its generation fleet enables AGL Energy to navigate the challenges presented by the evolving energy market in Australia. The solid financial metrics indicate a high degree of financial flexibility for AGL Energy at this rating level.

AGL Energy has investments in a range of energy products, including electricity generation, and has a detailed understanding of the risks and opportunities presented by the energy sector. AGL Energy also has a Health, Safety and Environment Management System that documents a framework of requirements, policies, standards, guidelines and management practices in relation to these matters.

AGL Hydro is a current generation licence holder for the renewable generation facilities listed in Table 1:

Table 1 – Generation facilities and capacities

Jurisdiction	Generation facility and capacity
Victoria	<ul style="list-style-type: none"> • Dartmouth Power Station (12.2MW) • Bogong Power Station (160MW) • Oaklands Hill Wind Farm (63MW)
South Australia	<ul style="list-style-type: none"> • North Brown Hill Wind Farm (132MW) • Hallett Hill Wind Farm (71MW) • The Bluff Wind Farm (53MW) • Wattle Point Wind Farm (91MW)
New South Wales	<ul style="list-style-type: none"> • Nyngan Solar Farm (102MW) • Silverton Solar Farm (50MW)

Within AGL Energy, its Group Operations is the largest business division, numbering approximately 1,800 personnel. Group Operations manages, operates and maintains AGL Energy's extensive fleet of power generation assets, and will operate, maintain, and provide engineering and technical support to the Coopers Gap Wind Farm.

¹ Further details regarding [relief from corporate finance provisions](http://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/relief-from-corporate-finance-provisions/deeds-of-cross-guarantee/) by Deeds of Cross-Guarantee can be found at <http://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/relief-from-corporate-finance-provisions/deeds-of-cross-guarantee/>

² An explanation of the rating can be found at https://www.moody.com/researchdocumentcontentpage.aspx?docid=pub_79004

AGL Hydro, through the AGL Group Operations business units, will provide all the expertise and resources required to operate the Coopers Gap Wind Farm and will be directly responsible for:

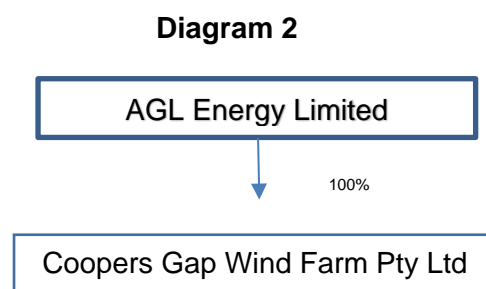
- the wind farm's entire operation and maintenance and
- compliance with all relevant electricity laws, rules, regulations and codes.

AGL Hydro considers it has the engineering, technical and operational expertise, to competently operate the Coopers Gap Wind Farm.

AGL Hydro also considers it has an outstanding track record of regulatory compliance, stakeholder management, and health and safety.

The owner

The Coopers Gap Wind Farm is owned by AGL Energy subsidiary company Coopers Gap Wind Farm Pty Ltd, as shown in diagram 2 below.



The proposed generating plant

The proposed generating plant will be known as the Coopers Gap Wind Farm.

The wind farm will be located over 30 lots, ranging between 50ha and 500ha. The total wind farm area is approximately 10 200ha, of which the wind farm infrastructure will occupy approximately two per cent of the total land area under long term lease arrangements.

Coopers Gap Wind Farm intends to connect to Powerlink's Western Downs to Halys 275kV transmission line that traverses the site. AGL Energy is in the process of developing the necessary detailed arrangements to progress a Transmission Connection Agreement.

The generating plant comprises up to 115 wind turbine generators with a total installed capacity of up to 460MW, depending on the final Original Equipment Manufacturer (OEM) wind turbine specifications. The natural wind resource will provide the necessary power to drive the wind turbine generators that will export approximately 1 400 gigawatt hours (GWh) of renewable energy annually.

Approvals for construction of the generating plant

A generation authority issued under the Act authorises its holder to—

- connect the generating plant stated in the authority to the transmission grid or supply network stated in the authority and
- operate the generating plant.

It should be noted that a generation authority does not authorise or approve the construction of generating plant and, indeed, that is not a matter within the jurisdiction of the Act or the Regulator. Section 26(2) of the Act states:

'A generation authority does not relieve its holder or anyone else from complying with laws applying to the development, building, operation or maintenance of generating plant'.

The proponent of the generating plant has the responsibility to obtain all approvals necessary for construction and ongoing operation of the plant, including relevant environmental and local government approvals.

AGL Energy has worked closely with the Office of the Coordinator-General regarding approval for the development by the Coordinator-General (CG). The CG approved the project with conditions on 1 March 2017. The CG's report and conditions can be found at:

<http://statedevelopment.qld.gov.au/assessments-and-approvals/coopers-gap-wind-farm.html>.

The CG's report includes approval of the Environmental Impact Statement (EIS).

Submissions

Submissions are invited from interested persons in relation to the application from AGL Hydro for a generation authority.

In particular, the Regulator is interested in matters that may impact on the suitability of the applicant to be a generation entity, and Coopers Gap Wind Farm Pty Ltd to be the owner of the generating plant, as well as the other issues the Regulator must consider under the Act.

Submissions must be made in writing, and sent by email or mail to:

Attention: Ms Andrea Wold - Manager
Regulation, Governance and Analytics
Department of Energy and Water Supply
PO Box 15456
CITY EAST QLD 4002
Email: ewsenergyregulation@dews.qld.gov.au

Closing date for submissions is 5:00pm on Monday, 1 May 2017.