

11 July 2017

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Dear Mr Wilson

Amendment to existing SA Power Networks' generation license to enable operation of up to 300 MW of generation

I refer to discussions with you and ESCoSA's staff about amending SA Power Networks existing generation license¹ to include the operation of up to 300MW of temporary generation.

SA Power Networks has been requested by the South Australian Government, as part of its Energy Plan for South Australia (SA), to install 200MW² of temporary generation. The temporary generation is planned to be operational by 1 November 2017 and will be required until the Government's permanent 250MW gas fired power station is operational. SA Power Networks request that the amended generation license, if approved by ESCoSA, be granted as soon as possible and prior to 1 October 2017 to allow commissioning of the temporary generation prior to commencing the operational phase from 1 November 2017.

The SA Government will contract SA Power Networks for the provision, operation and connection of the generation plant to the distribution network. The term of the contract will be initially for 13 months with a one-year extension. The SA Government will be responsible for all the costs for operating the temporary generation and will receive any income from the temporary generation.

The temporary generation will be operated to prevent load shedding in SA if there is a shortfall in available National Electricity Market generation and will only be operated at the direction of either the Australian Energy Market Operator (AEMO) or the Minister for Minerals and Energy.

The temporary generation will be a scheduled and market generator. The operating protocols for the temporary generation will be agreed between AEMO and the SA Government prior to the commissioning of the temporary generation.

The temporary generation will be installed at two sites with five gas turbines installed near Edinburgh and four near Lonsdale, with each gas turbine having a name plate rating of approximately 30.7 MW, giving a combined name plate rating of about 276.3 MW. The

¹ SA Power Networks currently has had a generation license issued by ESCoSA, to operate the generation on Kangaroo Island (near Kingscote) since 28 January 2000.

² The SA Government has requested 200MW under specified environmental conditions which will required the installation of generators with a name plate rating that will exceed 200MW.

temporary generation will be subject to AEMO's technical approval and local jurisdictional development and environmental approval.

SA Power Networks is in discussions with AEMO to ensure that the temporary generation will meet National Electricity Rules (NER) automatic access standards or as varied by agreement with AEMO. In addition, the temporary generation will meet ESCoSA's technical requirements.

SA Power Networks is a good corporate citizen and is unaware of any instance where SA Power Networks has been:

- found guilty of an offence; or
- successfully prosecuted under any Territory, State or Commonwealth legislation or the Competition and Consumer Act 2010; or
- Subject to any material past or present administrative or legal actions in relation to an authorisation, authority or license in any industry.

SA Power Networks has appropriate governance policies, procedures and practices to ensure compliance with its legal obligations. In addition, where a breach has been identified actions are taken to remedy a breach where material or systemic, as reported annually to ESCoSA under its Distribution and Generation Licences.

SA Power Networks is unaware of any instances where its officers and major shareholders of SA Power Networks have been found guilty of an offence, been successfully prosecuted or been subject to any administrative or legal actions in relation to an authorisation or license in any industry.

SA Power Networks financial reports for year ending 31 December 2014, 2015 and 2016 are attached for your information. Note the financial accounts for year ending 31 December 2014 also included financial accounts for year ending 31 December 2015.

SA Power Networks is aware that ESCoSA has been in discussions with the SA Government to undertake a joint public consultation to amend the generation licence and other approvals (eg Environmental Protection Agency requirements).

The Australian Energy Regulator (AER) has granted SA Power Networks a waiver from our distribution licensing ring-fencing requirements for operating the temporary generation until 1 June 2020. Consequently, we request that the amendment of our generator licence have an end date of 1 June 2020.

Our contact for this amendment to SA Power Networks' Generation is Grant Cox, 08 8404 5012.

Yours sincerely



Sean Kelly
General Manager Corporate Strategy