



Electricity

Application form for the issue of an Electricity Generation Licence – from 5MW and above

by the Essential Services Commission of SA under the
Electricity Act 1996

April 2021

OFFICIAL

Enquiries concerning this form should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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Glossary of terms

Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
<i>ESC Act</i>	<i>Essential Services Commission Act 2002</i>
Treasurer	Treasurer for the South Australian Government
Minister	Minister for Energy and Mining
Regulator	Technical Regulator

Licence requirements and conditions

It is essential that licence applicants read the Essential Services Commission's (**Commission**) Advisory Bulletin No 4 – “*Licensing Arrangements for the Electricity and Gas Supply Industries*” before they fill out this form. This Bulletin is available on the Commission website www.escosa.sa.gov.au under electricity/licensing.

Generation operations which require a licence

Section 15(2)(a) of the *Electricity Act 1996* (**Electricity Act**)¹ is explicit in that it requires a person that carries on the operation of the generation of electricity to hold a licence. This requirement applies to all generators with the exception of a generator that can rely on:

- ▶ one of the statutory exemptions specified in the Electricity (General) Regulations 1997 (**Regulations**) outlined below
- ▶ an individual exemption issued by the Commission (with the approval of the Minister) pursuant to section 80(1) of the *Electricity Act*, or
- ▶ an exemption made by Governor under a regulation pursuant to section 98(2)(e) of the *Electricity Act*.

Pursuant to Regulations 6(1) and (2), the following generators are exempt from the requirement to hold a generation licence:

- ▶ a generator whose generating plant has a rated nameplate output of 100kVA or less
- ▶ a generator that does not supply electricity for reward to or by means of a transmission or distribution network
- ▶ a generator that generates electricity for the sole consumption of that generator or a designated body (such bodies must be designated by the Minister²), or
- ▶ a generator that generates electricity for a person at a premises occupied or used by the person as a tenant or licensee (whether directly or indirectly) of the generator (or a designated body) where that person is not charged for the supply of electricity except by a licensed retailer/generator or as an unspecified part of rent or charges for the occupation or use of the premises.

It is important for generators (or proposed generators) to carefully consider whether they can rely on a statutory exemption from the requirement to be licensed. If the reliance on a statutory exemption is queried by the Commission, the onus to provide evidence that a particular exemption can be relied upon is on the relevant generator.

In addition, in the event that the operations of a generator change so that it can no longer rely on one of the three exemptions specified above, it will need to apply to the Commission for a generation licence immediately in order to continue those operations.

¹ Available at <https://www.legislation.sa.gov.au/LZ/C/A/ELECTRICITY%20ACT%201996.aspx>

² To date, the Minister for Energy and Mining has not designated any bodies for the purposes of Regulations 6(1).

Mandatory licence conditions

Sections 21(1) and 22 of the *Electricity Act* requires the Commission to place certain mandatory conditions in generation licences. The Commission strongly recommends that applicants review these mandatory conditions. Applicants must be familiar with the relevant conditions and confident that they can comply with the conditions.

Additional technical licence conditions

Additional technical licence conditions apply to all new electricity generators seeking to connect to the South Australian power system. Applicants for a generation licence should familiarise themselves with the Commission's licensing arrangements for generators in South Australia final report, available on the Commissions website.³

Model licence conditions have been developed and are available in Attachment 1. The model conditions will be applicable to all new applications, having regard to advice from the Australian Energy Market Operator (**AEMO**) on the specific circumstances of individual applications received.

Depending on the specific characteristics of a given generation project, the model conditions may be varied to the degree necessary to ensure that South Australian consumers' long-term interests with respect to the price, quality and reliability of electricity services are protected.

Variation of licence conditions

As part of the Commission's licensing function, it has the power to vary (or add to) conditions that are imposed on a licence it has issued. Specifically, under section 27 of the *Electricity Act*, the Commission has the power to vary a licence at any time, subject to statutory procedural requirements, including providing a licensee with reasonable notice of a proposed variation and allowing it the opportunity to make representations on that variation.

There is a broad range of factors that might be potential 'triggers' for the Commission to consider varying a licence, or adding new conditions. These include factors both external and internal to a licensee, and may include (without limitation):

- ▶ material changes in market operations, outcomes or structures
- ▶ changes to applicable national or State legislation, rules or policy
- ▶ the findings of a formal inquiry undertaken by the Commission
- ▶ substantive changes to operations which would have a genuine connection to or impact on the operations authorised under a licence
- ▶ an application by a licensee to vary its licence (for example, to add new generation plant or equipment or increase the capacity of existing generation plant), and
- ▶ evidence of upgrades or material changes to a licensee's business or operational practices relating to the generation plant and equipment authorised under a licence.

In considering a potential licence variation, the Commission must consider the factors specified in section 6 of the *Essential Services Commission Act 2002 (ESC Act)* (which sets out the Commission's primary statutory objective and other relevant considerations), the objects of the *Electricity Act* (as set out in section 3 of that Act). It will also be informed by any information submitted by a licensee

³ Refer: <https://www.escosa.sa.gov.au/projects-and-publications/projects/electricity/licensing-arrangements-for-generators-in-south-australia>

to which the variation may apply, through public consultation and by engagement with regulatory agencies involved in the electricity supply industry.

Annual licence fees

Holding a licence incurs annual licence fees. The Commission administers the licence fees determined by the Minister for Energy and Mining. At annual intervals, the Commission, on behalf of the Minister, will send to each licensee, depending on the category within the sector, an invoice for the licence fee. Licence fees are to be paid on receipt of an invoice via one of the payment options set out in the invoice.

The initial licence will not be issued until the first annual licence fee (or approved licence fee instalment) has been paid.

How to apply for a generation licence

This form is to be completed by persons making application to the Commission for the issue of a licence to authorise electricity generation operations in the electricity supply industry in South Australia.

The Commission can also consider joint applications from two or more persons who wish to hold a licence jointly. Persons making joint applications must ensure that each of the applicants completes a separate application form, together with a covering letter explaining that the application is for a licence to be jointly held.

Section 16(1)(a) of the *Electricity Act* provides that an application for the issue of a licence must be made to the Commission in a form approved by the Commission. This is the form approved by the Commission.

Use of this form and applicant's responsibilities

An application for a licence may be made by any legal person including, without limitation, individuals, partnerships, incorporated associations, unit and other forms of trusts and corporations. Entities that are not a legal person (for example, an unincorporated joint venture) cannot apply for a licence.

For the purpose of this application form, reference to the term "officer" include the applicant's directors and secretary, and other persons who make or participate in making decisions that affect a substantial part of the business of the applicant (e.g. Chief Executive Officer, Chief Financial Officer, General Manager etc.).

Applicants should list the information requested in the spaces provided in this form and enclose additional information when required. Applicants must take all reasonable steps to ensure the information provided in the application form is complete, true and correct and are required to make a declaration to that effect in the application form. Failure to disclose information or misrepresent any matter relevant to such information may result in a licence not being issued or in the suspension or cancellation of a licence at a later time.

Applicants are responsible for providing the Commission with current, accurate and relevant documentation. This will ensure that the application is processed promptly and without delay. All applications are assessed on a case-by-case basis. If insufficient information is provided with an application, the Commission will request additional information to be submitted before the application is considered further.

Application fees

Applicants should note they will be required to pay an application fee (presently set by the Minister for Energy and Mining at \$1,000 per licence).

Holding a licence incurs annual licence fees⁴. The Commission administers the licence fees determined by the Minister for Energy and Mining. At annual intervals, the Commission, on behalf of the Minister, will send to each licensee, depending on the category within the sector, an invoice for the licence fee. Licence fees are to be paid on receipt of an invoice via one of the payment options set out in the invoice.

The initial licence will not be issued until the first annual licence fee (or approved licence fee instalment) has been paid.

How to lodge an application

Applicants may send their completed application form electronically (preferred) or in writing to:

Electronically to: licensing@escosa.sa.gov.au

In writing to:
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Consultation and confidentiality

The Commission will consult with relevant government, industry and consumer groups in the conduct of its licensing functions through a public consultation process. Consequently, applications and/or supporting information will be made available on the Commission's website and in hard copy from the Commission's office for this purpose.

If applicants believe that they are providing confidential information when completing this form, they should write, "this information is confidential" after any such information. It is the applicant's responsibility to ensure this is clearly highlighted on the form. Applicants should also provide a 'non-confidential' version of the form capable of publication on the Commission's website.

The Commission will use information supplied in applications and in support of applications in accordance with the requirements of Part 5 of the *ESC Act*. Applicants claiming confidentiality are encouraged to familiarise themselves with Part 5. Applicants should note that the Commission may disclose confidential information in some circumstances.

Further information

Applicants should note that the Commission may ask applicants who have submitted an application form to provide further information to the Commission, or to clarify the information that they have already provided if required.

Please note that, in the event that an application lacks sufficient detail and the Commission is required to request additional information from an applicant, delays in the assessment of the application may occur.

⁴ Available at <https://www.escosa.sa.gov.au/industry/electricity/licensing/licence-fees>

Licence application form

1 The Applicant

(Applicants must answer all questions in this section)

1.1 Identity of applicant

State the full name of the applicant. The applicant is the person who will be undertaking the electricity generation operations that will be the subject of the licence. Joint applicants should each complete an application form, and submit their application forms at the same time, with a covering letter explaining that a joint application is being made.

Name: AGL Torrens Island Battery Pty Limited

1.2 Legal identity of applicant

Provide information about the applicant, (i.e. whether the applicant is a natural person, private limited company or partnership, etc). If the applicant is a body corporate, please also state the jurisdiction in which the applicant is registered, and the applicant's ABN/ACN.

AGL Torrens Island Battery Pty Limited (ABN 43 120 076 388) is a proprietary company and is registered in New South Wales.

1.3 Address and contact details of applicant

Business address: Level 24, 200 George Street, Sydney

State: NSW Post code: 2000

Postal address (if different to business address):

Locked Bag 14120, Melbourne.....

State: VIC Post code: 8001

Telephone: (03) 8633 6000..... Facsimile: N/A

E-mail: N/A.....

1.4 Contact person on behalf of applicant

The full name, title and contact details of a person to whom the Commission can direct enquiries and correspondence about the application.

Full name: Kong Min Yep.....

Title: Wholesale Compliance Manager.....

Business address: 699 Bourke Street Docklands.....

.....

State: VIC Post code: 3008

Postal address (if different to business address):

Locked Bag 14120, Melbourne

State: VIC Post code: 8001.....

Telephone: 0402 060 759 Facsimile: N/A

E-mail: kyep@agl.com.au

1.5 Contact person for compliance matters and reporting

The full name and/or title of the person to whom the Commission can direct enquiries and correspondence about compliance matters and annual reporting responsibilities.

Full name: Chris Streets.....

Title: Senior Manager Wholesale Market Regulation

Business address: 699 Bourke Street Docklands

.....

State: VIC Post code: 3008

Postal address (if different to Business address):

Locked Bag 14120, Melbourne

State: VIC Post code: 8001.....

Telephone: 0498 041 638 Facsimile: N/A

E-mail: cstreets@agl.com.au

1.6 Contact person for licence fees

The full name and/or title of the person to whom the Commission can direct enquiries and correspondence about licence fees.

Full name: Chris Streets.....

Title: Senior Manager Wholesale Market Regulation

Business address: 699 Bourke Street Docklands

.....
State: VIC..... Post code: 3008

Postal address (if different to Business address):

Locked Bag 14120, Melbourne

State: VIC..... Post code: 8001

Telephone: 0498 041 638 Facsimile: N/A.....

E-mail: cstreets@agl.com.au

1.7 Diagram of corporate or other structure

Please attach with this application form details of the corporate or other structure, including details of any related companies within the meaning of the *Corporations Act 2001 (Corporations Act)*; and a diagram of the organisational chart, including composition of the board, management, and other key personnel responsible for the key functions of the business.

In March 2021, AGL Energy Limited (**AGL Energy**) provided an initial indication to the market of a proposed structural separation of the company. In June 2021, AGL Energy announced its intention to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange.

At demerger, AGL Energy Limited will become Accel Energy Limited (**Accel Energy**), and AGL Australia Limited (**AGL Australia**) will be demerged to become a new company. Accel Energy will be an electricity generation business focused on accelerating energy transition to decarbonisation. AGL Australia will be a multi-product energy-led retailing and flexible energy trading, storage, and supply business. AGL Australia will retain the AGL brand.

AGL Energy intends to hold a scheme and general meeting to enable shareholders to vote on the proposal, and to complete the demerger in the fourth quarter of the financial year ending 30 June 2022 (FY22) subject to final AGL Energy Board, Australian Tax Office and relevant regulatory, court, and shareholder approvals.

The proposed demerger is intended to provide greater clarity of purpose for both AGL Australia and Accel Energy, positioning each company to better manage opportunities and challenges presented by the accelerating energy transition, and to deliver on their different but important roles in Australia's energy transition.

(Confidential) Attachments 1.7 for Corporate Structure, Organisation Structure and Key Personnel responsible for functions of the business is for AGL Energy businesses and the likely changes should the demerger proceed to create Accel Energy and AGL Australia.

If required, the Applicant will work closely with ESCOSA to manage any official notifications of possible changes in the structures should the demerger proceed as indicated above.

2 The Licence

(Applicants must answer all questions in this section)

2.1 Date from which licence is sought

Applicants should usually allow the Commission a minimum of 16 weeks to consider an application, as a public consultation period of at least four weeks forms part of the Commission's consideration of licence applications. If the applicant seeks to have the licence issued by a certain date, provide this date. Please note that the Commission does not undertake to issue the licence by this date.

The Applicant seeks the approval of Generation Licence by July 2022.

2.2 Nature and scope of operations for which licence is sought

Applicants for a generation licence must state the location of the generation plant, the expected nameplate capacity of the generation plant, the type of generation and fuel used and some details about how the generator is to be connected to the network. Applicants for a wind generation licence must attach a map showing the location of the wind turbines.

The battery will be located on the Northwest side of the existing AGL Torrens Island Power Station (co-ordinates -34.802703, 138.519932)

The nameplate capacity of the battery is 250MW (initially with 1 hour storage).

The battery will be connected to the Torrens Island 275kV switchyard via the connection bay being relinquished by the retirement of AGL Torrens Island Power Station A unit 4.

The battery energy will be charged by the electricity from the power grid.

Aerial Views of the Battery site



2.3 Licensing of electricity entities

Does the applicant for a generation licence supply electricity for reward or by means of a transmission or distribution network?

The battery will be connected to the ElectraNet transmission network, both for charging and export of electricity, and registered with AEMO in the National Electricity Market.

3 Suitability of applicant to hold a licence

(Applicants must answer all questions in this section)

3.1 Standard of honesty and integrity shown by applicant

In deciding whether the applicant is a suitable person to hold a licence, the Commission may:

- ▶ consider the applicant's previous commercial and other dealings, and
- ▶ the standard of honesty and integrity shown in those dealings.

Please provide information that will assist the Commission in its consideration of this matter. If the applicant:

- ▶ has been found guilty of any criminal offence
- ▶ has been successfully prosecuted under any Territory, State or Commonwealth legislation (such as the *Australian Securities and Investments Commission Act 2001* or the *Competition and Consumer Act 2010*)
- ▶ has been the subject of disciplinary action, or
- ▶ has been the subject of any past or present administrative or legal actions in relation to an authorisation, authority, or licence in any industry,

Details of such matters must be disclosed. Failure to disclose such information or misrepresent any matter relevant to such information may result in the cancellation of a licence.

The Commission may use the service of an external expert to assist with the assessment of the applicant's standard of honesty and integrity.

AGL Torrens Island Battery can declare that AGL Torrens Island Battery Pty Limited, its officers and officers of AGL Australia Markets Pty Limited (100% shareholder of AGL Torrens Island Battery) have not:

- been found guilty of any criminal offence
- been successfully prosecuted under any Territory, State or Commonwealth legislation (such as the *Australian Securities and Investments Commission Act 2001* or the *Competition and Consumer Act 2010*)
- been the subject of disciplinary action, or
- been the subject of any past or present administrative or legal actions in relation to an authorisation, authority, or licence in any industry.

3.2 Standard of honesty and integrity shown by officers and major shareholders of Applicant

Applicants should address responses to this question in the same manner as 3.1 above except here it relates to officers and major shareholders of the applicant.

Please also supply details of any policies and procedures addressing the probity and competence of officers and other key management staff.

The sole shareholder of AGL Torrens Island Battery Pty Limited is AGL Australia Markets Pty Limited. Its ultimate parent company is AGL Energy Limited (**AGLE**) (please refer to section 1.7 for a proposed demerger). As a large ASX listed energy company operating in a highly regulated environment, AGLE and its subsidiaries are from time to time subject to regulatory action, legal proceedings, and investigations. None of these actions/proceedings/investigations has resulted in AGLE or its subsidiaries being required to forfeit any licences or authorisations needed to operate its business. None of the actions/proceedings/investigations would impact AGL's ability to carry on the operation of the generation of electricity as authorised the ESCOSA licence.

Prior to their employment with AGLE (and its subsidiaries) key management personnel and officers are subject to thorough background checks. This includes police and bankruptcy checks as well as investigations regarding past employment and qualifications. Annual performance reviews are also conducted to ensure competency of key management personnel and officers. Key management personnel and officers also undertake regular training on matters affecting the industry in which AGL operates as well as relevant legislation such as the Australian Competition and Consumer Act. Key management personnel and officers are required to comply with all applicable laws, AGL's Code of Conduct and AGL's Anti-bribery, Corruption and Fraud Policy. AGL's whistle-blower regime provides

another avenue by which probity or competency issues can be reported within the organisation. Key management personnel and officers are required to notify the company of any conflicts of interest that may arise during their employment.

3.3 Names and addresses of the officers of applicant

State the names and addresses of the officers of the applicant. "officers" of the applicant include the applicant's directors and secretary, and other persons who make or participate in making decisions that affect a substantial part of the business of the applicant.

(Dates of Birth and Addresses are private and confidential and not to be published)

Full name: John Fitzgerald

Date of birth: [REDACTED] Office held: Director

Address: [REDACTED]

State: [REDACTED] Post code: [REDACTED]

Full name: Damien Nicks

Date of birth: [REDACTED] .. Office held: Director and Public Officer

Address: [REDACTED]

State: [REDACTED] Post code: [REDACTED]

Full name: Christine Corbett

Date of birth: [REDACTED] Office held: Director

Address: [REDACTED]

State: [REDACTED] Post code: [REDACTED]

Full name: Melinda Hunter

Date of birth: [REDACTED] Office held: Company Secretary

Address: [REDACTED]

State: [REDACTED] Post code: [REDACTED]

(Attach additional pages if necessary)

3.4 Names and addresses of major shareholders of applicant

State the full names and addresses of the major shareholders of the applicant

Name: AGL Australia Markets Pty Limited (ABN 26 118 609 813)

Date of birth (if applicable): N/A Office held (if applicable): N/A

Address: Level 24, 200 George Street
State: NSW Post code: 2000

3.5 Details of the group members

This is information about entities controlled by the applicant, or by the ultimate parent entity of the applicant (if applicable).

the Applicant is owned by AGL Australia Markets Pty Limited (ABN 26 118 609 813). The Ultimate Parent Company of the Applicant is AGL Energy Limited (ABN 74 115 061 375) which is a large proprietary company listed on the ASX. There are several AGL group companies that sit between AGL Australia Markets Pty Limited and AGL Energy Limited in the company structure (see Confidential Attachment 1.7).

3.6 Additional information

Please answer the following questions.

Is the applicant a resident of, or does it have permanent establishment in, Australia? Where the answer to this question is no, please provide further detail.

yes - the Applicant was incorporated in NSW and has its registered office in Sydney NSW.

Is the applicant under external administration (as defined in the *Corporations Act*) or under a similar form of administration under any laws applicable to it in any jurisdiction? Where the answer to this question is yes, please provide further detail.

No, the Applicant is not under external administration

Is the applicant immune from suit in respect of the obligations under the *Electricity Act*? Where the answer to this question is yes, please provide further detail.

No.

Is the applicant capable of being sued in its own name in a court of Australia? Where the answer to this question is no, please provide further detail.

Yes, the Applicant is capable of being sued in its own name in a court in Australia.

(Attach additional pages if necessary)

3.7 Financial resources available to the applicant

Provide information about the financial resources available to the applicant. If the applicant is a company, please also enclose:

- ▶ copies of all audited profit and loss statements and balance sheets for the last three financial years (including all notes)

- ▶ director's declaration that the financial statements comply with accounting standards, give a true and fair view, have been made in accordance with the *Corporations Act* and that there are reasonable grounds to believe the company/entity will be able to pay its debts as and when they fall due, and
- ▶ the director's report and the audit opinion.

If the applicant is a subsidiary company, please also provide:

- ▶ copies of all audited profit and loss statements and balance sheets of the applicant's parent company for up to the last three financial years.

The applicant should also submit copies of:

- ▶ its business plans including at least strategic direction and objectives, identified opportunities in the marketplace and forecast results, and
- ▶ evidence of capital and liquidity support in place, including any bank or cross guarantees, to support the business and evidence of negotiations with the network service provider concerning credit support arrangements.

AGL Energy Limited (AGL Energy) is one of Australia's top 50 listed companies and Australia's largest private owner, operator, and developer of renewable generation assets. We deliver 4.5 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 10,984 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

AGL Torrens Island Battery Pty Limited is a wholly owned subsidiary of the parent company AGL Energy through several wholly owned subsidiaries (see Corporate Structure in Section 1.7 and (Confidential) Attachment 1.7), and is part of the AGL Energy consolidated group. AGL Torrens Island Battery Pty Limited does not carry separate debt nor publicly release separate accounts.

The Applicant will have access to the full resources of the AGL Group.

The following links provide three years of financial information of the parent company AGL Energy:

Financial Year 2021

https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/investors/2021/210812_fy21annualreport.pdf

Financial Year 2020

<https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/media-centre/2020/202097212-agl-annual-report-2020.pdf>

Financial Year 2019

<https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/investors/2019/20190908-agl-annual-report.pdf>

Strategic Business

As Australia's largest energy generator, we understand the importance of enabling flexibility and ensuring reliability across the National Electricity Market as we continue to integrate renewable generation.

The Torrens Island battery forms part of AGL's vision for low-carbon industrial energy which will play a leading role in driving Australia's energy transition to decarbonisation.

We anticipate the Torrens Island energy hub will bring together various industry sectors and a combination of technologies to deliver South Australia's energy future, and this battery is the first step toward that goal.

The Torrens Island battery will enable AGL to adapt to changing market conditions, with an initial one-hour duration that can expand to up to four-hours duration in the future. It is planned to be fully operational by early 2023.

3.8 Additional details of structure of applicant

If the applicant is part of a group of related companies, and/or party to a partnership, joint venture or alliance agreement with another company, please provide:

- ▶ contractual arrangements (e.g. alliance contracts, associate contracts, establishment contracts) that define relationships within the group – including shared resources, guarantees, revenue flows, obligations and or responsibilities.

Not applicable. AGL Torrens Island Battery is not part of a group of related companies, and/or party to a partnership, joint venture, or alliance agreement with another company.

3.9 Human resources available to the applicant

Provide information about the human resources available to the applicant. This includes:

- ▶ the experience and qualifications of those employees outlined in the organisational chart (see point 1.7), and
- ▶ if the applicant will employ contractor/s to assist with the licensed operations, the name of that contractor/s, details about the experience of the contractor/s in such operations and details of the processes in place to ensure the contractor/s complies with the regulatory obligations imposed by the licence.

AGL has around 1800 employees who manage the generation operation, engineering, and wholesale businesses. This group is led by the Chief Operating Officer Markus Brokhof who is supported by key managers headed by Simon Sarafian and Steve Rieniets in wholesale and generation business units respectively.

For the Torrens Island battery, AGL has engaged Wartsila Australia Pty Ltd and Wartsila Finland Oy (together Wartsila) to design, procure, construct, and commission the battery. Wartsila will continue to provide operational and maintenance services for at least the first five years after commissioning. The Operation and Maintenance Contract with Wartsila includes an option to extend on similar terms for a further five years. Similar arrangements with Wartsila have been in place for AGL's Barker Inlet Power Station; and to date, AGL has been satisfied in the ability of Wartsila to undertake the requirements of the contract.

Wartsila has a global network of service centres, workshops, and service professionals with about 4,500 field service professionals in many countries including Australia.

When the battery is in operation, the Operation and Maintenance Contract will be managed by AGL General Manager of Gas and Renewables Terry Jobling, who is supported by the Head of Asset, currently Darren Martin and the Head of Gas and Renewable Engineering Simon Ridgway.

As outlined in Section 1.7 and (Confidential) Attachment 1.7, post demerger, AGL Australia would be responsible the oversight of the regulatory and technical compliance of the battery. It would be relying on Wartsila and Excel Energy to support the on-going operation and compliance of the battery. As shown in the organisation chart in (Confidential) Attachment Section 1.7 for AGL Australia, Melinda Buchanan, Terry Jobling, Simon Ridgway and Simon Kelley will be the key leaders providing this oversight.

Under a Technical Services Agreement with AGL Australia post demerger, Excel Energy will provide operation and technical support to be led by Kevin Taylor, Head of Gas and Renewable, and Barry Millar, GM Asset Services.

Please refer to (Confidential) Attachment 1.7, the organisation charts for AGL Energy, and the intended structure post demerger of AGL Australia and Excel Energy relating to the on-going operation and compliance of regulatory requirements. The attachment includes the profile and experience of key personnel across the organisation.

3.10 Technical resources available to the applicant

Applicants for a generation licence are asked to provide details about the availability of technical resources to be used in carrying out the operations for which a licence is sought. The information should include details about the technically qualified staff available to the applicant and (if relevant) details of experience gained in similar operations.

Where applicants are relying on a third party to provide staff and resources to meet the technical requirements of the generation licence, please provide:

- ▶ a list of all functions and activities being proposed to outsource
- ▶ details of any formal agreement/s to provide services, including confirmation that the third party possess relevant technical competencies to conduct the proposed activities
- ▶ a summary of the third party's technical capacity to meet relevant obligations, including relevant accreditations, and
- ▶ a summary of the third party's experience and knowledge in the relevant area.

Wartsila is a Finland-based technology company for the marine and energy markets operating in sixty-eight countries, including the Australian subsidiary. In 2021, Wartsila's net sales totalled EUR 4.8 billion with approximately 17,000 employees. Wartsila is listed on Nasdaq Helsinki and has reported a 2.5 GWh of global battery storage fleet with deployment of eighty storage installations delivered to over 200 locations globally.

As indicated in Section 3.9, the Applicant will be contracting with Wartsila to undertake the design, procure, construct, and commission the battery, and the on-going Operation and Maintenance for the facility. AGL will be entering into several key agreements with Wartsila relating to the performance and obligations of the above functions.

3.11 Quality of electricity produced/connection agreement

The Commission may not issue a generation licence unless it is satisfied that the generating plant (or proposed generating plant) will generate electricity of the appropriate quality for the relevant transmission or distribution network. The Commission will be satisfied that the electricity is of an appropriate quality if the applicant has entered into a connection agreement, which meets the Commission's technical requirements with the licensed operator of the relevant transmission or distribution network. Applicants are therefore required to submit a copy of such a connection agreement.

The Applicant is negotiating a Connection Agreement with ElectraNet and will provide a copy once the agreement completed.

3.12 Risk management

Provide confirmation and reasonable evidence that the applicant's management has identified the risks associated with electricity operations and has established, utilises and relies upon risk management systems and processes, which are adequate, accurate and current to address those risks. A copy of the applicant's risk management strategy should be submitted.

AGL Torrens Island Battery's risk management strategy is governed by AGL Energy's whole of organisation Risk Management Policy and Risk Management and Assessment Standard, which set out the organisational framework, expected practices, and governance structures in place for risk management. The Policy and Standard align with ISO 31000 Risk Management – Principles & Guidelines and the ASX Corporate Governance Council Principles and Recommendations.

Attachment reference:

(Confidential) Attachment 3.12(a) – AGL Risk Management Policy

(Confidential) Attachment 3.12(b) – AGL Risk Management and Assessment Standard

AGL Energy has prepared a report titled, 'Accelerating Our Transition', in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The report sets out four scenarios AGL Energy has modelled of climate-related risks, where this includes assessments of the potential operational, financial, and reputational risks.

The report shows the anticipated impact of the scenarios in a current state, whole of AGL Energy perspective, but also from a post-demergers perspective. This report usefully sets out the risks that AGL Australia faces, as the anticipated post-demergers parent company of AGL Torrens Island Battery.

(Confidential) Attachment 3.12(c) – Accelerating our Transition FY21 TCFD report

Risks associated with electricity generation and wholesale operations are primarily governed by AGL's Integrated Energy Trading, Origination and Portfolio Risk Management Policy. This comprehensive policy describes the governance framework and approach to managing the following risks across wholesale and asset operations:

1. Market Risk
2. Counterparty Credit Risk
3. Operational Risk
4. Model Risk
5. Generation Asset Availability Risk
6. Contract Risk
7. Regulatory Risk
8. Liquidity Risk
9. Foreign Exchange Risk

(Confidential) Attachment 3.12(d) – Integrated Energy Trading, Origination and Portfolio Risk Management Policy

3.13 Development Act approval

Please advise if the applicant has or is applying for approval under the *Development Act 1993 (SA)*. If so, provide details, including the date on which approval was or will be granted.

AGL Torrens Island Battery received an exemption from Development Approval on 27/5/21 (see (Confidential) Attachment 3.13)

3.14 Registration with Australian Energy Market Operator (AEMO)

Please advise if the applicant will apply to register with AEMO. If so, provide details. Applicants for a wind generation licence should note that registration as a semi-scheduled market participant is required for all new generators and all expansions to existing wind generation plant.

AGL Torrens Island Battery will apply to AEMO to register the battery as a Market Participant in two categories in accordance with National Electricity Rules.

The two categories are: Market Customer and Market Scheduled Generator.

Market Customer registration will cover electricity imported from the National Electricity Market (NEM) to charge the battery

Market Scheduled Generator registration will cover electricity exported from the battery to the NEM.

Both categories of registration will cover the provision of Frequency Control Ancillary Services (FCAS) from the battery to NEM.

3.15 Licences held by the applicant in other Australian jurisdictions.

If the applicant holds, or has previously held, electricity and/or gas licences in other Australian jurisdictions please provide details. If a licence previously held has been suspended or cancelled, please provide details.

AGL Torrens Island Battery Pty Limited has not held electricity or gas licences in other Australian jurisdictions.

3.16 Previous unsuccessful licence applications in other Australian jurisdictions

Please state whether the applicant has applied for an electricity or gas licence in another Australian jurisdiction and not been issued with a licence, and provide details if relevant.

No. AGL Torrens Island Battery Pty Limited has not applied for an electricity or gas licence in another Australian jurisdiction.

3.17 Licences held by associates of the applicant

If an associate of the applicant (within the meaning of the *Corporations Act*) holds an electricity or gas licence in South Australia or in other Australian jurisdictions, please provide details.

Not applicable.

3.18 Compliance plans

Applicants are required to submit a copy of their compliance plan, which demonstrates how the compliance systems the applicant has (or will have) in place will ensure compliance with all of the applicable regulatory obligations imposed by the relevant licence.

The applicant's compliance strategy is governed by AGL Energy's whole of organisation Compliance Management Policy and Standard, which set out the organisational framework, expectations, and governance structures in place for compliance management. The Policy and Standard align with ISO 19600:2015 – Compliance Management Systems. The following are attached for reference

(Confidential) Attachment 3.18(a) – AGL Compliance Management Policy

(Confidential) Attachment 3.18(b) – AGL Compliance Management Standard

Compliance with national and jurisdictional energy laws is governed by two key work streams within AGL Energy:

1. Physical Markets Trading

The Physical Markets Trading team is responsible for the generator's participation in the spot market and therefore has first line responsibility for compliance.

The Wholesale Markets Risk team then provides a second line of compliance and risk defence to the wholesale market trading activities.

Compliance for both the Physical Markets Trading and Wholesale Markets Risk team is governed by the Integrated Energy Trading, Origination and Portfolio Risk Management Policy. Please find attached for reference. Please refer to (Confidential) Attachment 3.12(d) – Integrated Energy Trading, Origination and Portfolio Risk Management Policy

2. Energy Operations

The Operations team manages AGL Energy's diverse portfolio of power generation and gas assets, including 11GW of operated capacity.

Each generator has registered performance standards with AEMO and institutes a Generator Compliance Program in line with the Template for generator compliance programs, which is issued by the Australian Energy Market Commission and updated periodically.

AGL Energy has a technical Standard that defines the minimum requirements and responsibilities for instituting and maintaining a Generator Compliance Program. The Standard describes the process applied to determine whether a non-compliance with Generator Performance Standards has occurred and how to report such events to AEMO.

The Operations team has first line responsibility for generator operational and technical compliance.

The Risk & Governance team provides a second line of compliance and risk defence for generator operations activities. Please find attached for reference.

(Confidential) Attachment 3.18(c) – AGL Generator Performance Compliance Standard

3.19 Additional information

The Commission encourages applicants to provide any additional information they consider would be of assistance in supporting the application. Please provide below.

AGL has appointed a global leader in smart technologies, Wartsila to construct the \$180 million, 250MW Torrens Island grid-scale battery in South Australia.

The Engineering, Procurement and Construction contract with Wartsila was signed in August 2021. The procurement and shipment of the battery are in progress.

Site construction activities started in November 2021.

The project is scheduled to be completed and in operation in 2023.

Digital Images of battery storage



4 Factors specified in the *Essential Services Commission Act 2002*

In considering a licence application, the Commission must have as its primary objective protection of the long-term interests of consumers with respect to the price, quality and reliability of electricity supply, and must have regard to the need to:

- (a) promote competitive and fair market conduct
- (b) prevent misuse of monopoly or market power
- (c) facilitate entry into relevant markets
- (d) promote economic efficiency
- (e) ensure consumers benefit from competition and efficiency
- (f) facilitate maintenance of the financial viability of regulated industries and the incentive for long term investment, and
- (g) promote consistency in regulation with other jurisdictions.

If the applicant believes that information about their application would assist the Commission in its consideration of these factors, the applicant should provide such information below.

Torrens Island facilities have played an important role in the South Australia's energy generation for many decades and the proposed battery ensure the site's legacy continues with smart and sustainable technologies.

This grid-scale battery will support South Australia's energy transition, providing essential capacity when renewable generation is impacted and during periods of high demand.

The granting of the licence is consistent with the Commission's primary objective on the protection of the long-term interests of consumers with respect to the price, quality, and reliability of electricity supply.

With South Australia generating more power from renewable sources than any other state, this battery will further reinforce a reliable energy supply for households and businesses.

The provision of battery services in the South Australian and the National Electricity Market will enhance the quality and reliability of the energy supply system. The battery energy storage system is increasingly playing a critical role in counter-balancing the higher penetration of intermittent energy resources. The intermittent nature of the wind and solar energy sources puts pressure on the energy system's ability to manage any deficit or excess in the supply and demand of wholesale energy. Battery is additionally effective in enhancing the decreasing system inertia due to the higher level of renewable resources and the expected de-commissioning of traditional thermal and coal generation plants.

The fast rate of energy dispatch from the battery provides an important resource to manage any fluctuations in system frequencies due to loss of load or generation.

The ability of the battery to store and discharge energy provides commercial opportunities in optimising the supply in the market with a competitive price. It also allows the battery to store solar or wind farms energy and dispatch them when the market conditions are favourable. The increase of a new energy supply from the battery will enhance competition and prices in the electricity market.

The Torrens Island battery will be the first of AGL's national roll-out of 850 MW of grid-scale batteries to get underway and is also a first step in the future of Torrens Island Energy Hub.

5 Declaration

All information in this application for the issue of a licence to authorise electricity generation operations in the electricity supply industry in South Australia must be verified by a Statutory Declaration of the applicant, in accordance with the provisions of the *Oaths Act 1936 (SA)*⁵, stating that the information contained in the application is true and correct to the best of the applicant's knowledge, information and belief.

Where the applicant is a body corporate, evidence of the relevant authority of the declarant to sign on behalf of the body corporate must also be provided to the Commission.⁶

Statutory Declaration

I, MELINDA HUNTER

of Level 24, 200 George St Sydney NSW

do solemnly and sincerely declare that the information contained in this application for the issue of a licence to authorise electricity generation operations in the electricity supply industry in South Australia is true and correct to the best of my knowledge information and belief.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1936*.

Date 10 March 2022

Signature 

(Where the applicant is a body corporate, the declaration must be made by a person authorised by body corporate to sign on its behalf)

Declared at: SYDNEY this 10th day of NOVEMBER 2022.

Before me:  (HILARY THORPE, SOLICITOR NSW).

(Signature of Justice of the Peace or other person authorised under the *Oaths Act 1936*)

⁵ or equivalent legislation in other Australian jurisdictions.

⁶ The Commission will accept a copy of a Board minute (or circulating resolution) giving approval for the declarant to sign on behalf of the applicant as evidence of the relevant authority.

Attachment 1

2017 model licence conditions for new generators⁷

1 Interpretation of this schedule

1.1 Interpretation

1.1.1 Terms used in this schedule and also in the National Electricity Rules (**NER**) have the same meaning in this schedule as they have in those rules (unless otherwise specified or unless the context otherwise requires).

1.1.2 This schedule retains the numbering convention of the 2017 model licence conditions.

1.1.3 For the purposes of this schedule, the term:

Commission means the Essential Services Commission established under the *Essential Services Commission Act 2002*.

licensee means (Name of applicant)⁸

2 Disturbance ride through capability

2.1 Disturbance ride-through (voltage phase angle shift)

2.1.1 The generating system of the licensee must not include any vector shift or similar relay/protective function acting upon voltage phase angle, which might operate for phase angle changes less than 20 degrees.

3 System strength

3.1 System strength

3.1.1 Individual components of plant within the generating system of the licensee, which includes but is not limited to generating units and dynamic reactive power plant, must be capable of operating down to the following levels at the high voltage terminals in relation to each component:

- (a) minimum short circuit ratio of 1.5, and
- (b) minimum positive sequence X/R ratio of 2.

4 System restoration

4.1 System restoration

4.1.1 Where sufficient minimum fault level is available from online synchronous machines, the

⁷ The numbering convention of the conditions retains the numbering convention of the 2017 model licence conditions as amended in the 2019 Report Licensing Arrangements for Generators in South Australia

⁸ To be inserted by the Commission at the time the licence is issued.

generating system of the licensee must have the following capability in the event of a black system:

- (a) the generating system must be capable of operation with auxiliary loads only for X⁹ minutes while system load is being restored, and
- (b) the generating system, including, but not limited to, each of its generating units and dynamic reactive power plant (as applicable) must have the capability to provide steady-state and dynamic reactive power when operating with auxiliary loads only for X¹⁰ minutes while system load is being restored.

⁹ The exact duration will be specified by the Commission at the time the licence is issued.

¹⁰ The exact duration will be specified by the Commission at the time the licence is issued.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

