



Licence to Sell Electricity Application

Ballarat Battery Energy Storage System

EnergyAustralia Pty Ltd

ABN 99 086 014 968

submitted to the
Essential Services Commission of Victoria (ESC)
on 14th August 2018

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Section 1: Information on the applicant and nature of the application

The Ballarat Battery Energy Storage System (**BESS**) is a utility-scale battery energy storage project located at the Ballarat Terminal Station (**BATS**) in Victoria. It will have a registered capacity of 30MW and 30MWh of storage using Li-ion technology. This project was successful in the Victorian Energy Storage Initiative in securing a combined \$25m in Victorian Government (via the Department of Environment Land Water and Planning (**DELWP**)) and Australian Renewable Energy Association (**ARENA**) funding. The storage system will need to be commissioned and commercially operational by Q3 in 2018 to meet the required timelines.

While EnergyAustralia will operate the BESS in the National Electricity Market (**NEM**), there is a consortium of parties responsible for the development, ownership, maintenance and operations of the BESS:

Spotless is the lead proponent of the consortium and responsible for design & construction of the facility; Spotless is the counterparty to the funding agreement with DELWP and ARENA;

Fluence is the major BESS technology provider, and is a joint venture between AES and Siemens. Fluence will supply, operate, maintain and warrant the battery system under a Long Term Service Agreement (**LTSA**) with Ausnet.

EnergyAustralia will own the rights to operate the BESS in the NEM under the BSSA with Ausnet. EnergyAustralia will be registered with AEMO as a market generator and market customer and has entered into a Use of System Agreement (**UoSA**) with AEMO. EnergyAustralia will hold a licence to sell electricity into the wholesale market.

Ausnet Services will be the owner of the BESS but control of the battery in the energy market sits with EnergyAustralia. To facilitate this, EnergyAustralia has entered into a Connection Services Agreement (**CSA**) and a Battery Storage Services Agreement (**BSSA**) with Ausnet for a term of 15 years. Ausnet Services intends to apply for an exemption under section 17 of the Electricity Industry Act 2000 (Vic) from any requirement to obtain a licence for the generation of electricity for supply or sale of that may apply in connection with its ownership, or other responsibilities, in relation to the BESS.

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Trading Name:	EnergyAustralia Pty Ltd
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Organisational Structure:

The EnergyAustralia corporate group has over 2000 employees working across the retail, energy markets, energy solutions and generation portfolios.

Please refer to confidential **A6 – Organisation Structure** and **A7 - EnergyAustralia Corporate Structure** that details the high-level organisational structure of the teams within EnergyAustralia, and the EnergyAustralia corporate group structure.

Key Contracts:

Agreement	Party A	Party B
Funding Agreement	Spotless	DELWP / ARENA
Battery Supply Contract	Spotless	Fluence
Design & Construction Agreement	AusNet Services	Spotless
Battery Storage Services Agreement	EnergyAustralia	AusNet Services
Use of System Agreement	EnergyAustralia	AEMO

Connection Services Agreement	EnergyAustralia	AusNet Services
Network Services Agreement	AusNet Services	AEMO
Profit Sharing Deed	EnergyAustralia	DELWP / ARENA
Long Term Service Agreement	Fluence	AusNet Services

Licence Type: Licence to sell electricity

Commencement Date: 3rd Quarter of 2018

Nature and scope of proposed operations:

Current operations: EnergyAustralia is one of Australia’s largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory.

We own and operate an extensive energy generation portfolio across the NEM including Yallourn, Newport and Jeeralang Power Stations in Victoria, Tallawarra CCGT and Mount Piper Power Station in New South Wales, and Hallett Power Station in South Australia.

EnergyAustralia Pty Ltd holds a retail licence in Victoria for the sale of electricity in Victoria.

EnergyAustralia Yallourn Pty Ltd holds a generation licence in Victoria for generation from Yallourn Power Station.

EnergyAustralia also has the rights to 500MW of renewable energy under long term off-take contracts.

Future operations: EnergyAustralia is intending to expand and modernise our generation fleet through our contractual arrangements with utility scale battery storage assets in Victoria. In addition to the BESS, EnergyAustralia will also be the Registered Participant for a 25MW/50MWh battery storage project in Gannawarra.

Confidentiality: Attachments are provided on a Commercial-in-Confidence basis

Section 2: The Commission's objectives

From the *Essential Services Commission Act 2001*

8 Objective of the Commission

- (1) *In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers*
- (2) *Without derogating from subsection (1), in performing its functions and exercising its powers in relation to essential services, the Commission must in seeking to achieve the objective specified in subsection (1) have regard to the price, quality and reliability of essential services.*

The Licence will enable EnergyAustralia to charge and discharge energy into the National Electricity Market from the BESS. At a high level, the BESS will typically be charged when prices and demand are at their lowest, and discharge into the market when supply is at its tightest, thereby contributing to a reduction in prices paid by consumers. The BESS will provide additional capacity at periods of peak demand improving reliability of the system.

The BESS will also aid system security through participation in all eight Frequency Control Ancillary Service (**FCAS**) markets. There is scope to register further ancillary services or to enter into network support agreements at a future time, to optimise the capabilities of the BESS in helping to contribute towards enhancing the reliability of the system into the future.

Risk of non-delivery of the project rests on the BESS consortium members while consumers will benefit from success. The BESS project will help contribute to the clean energy transformation by supporting the network in north-western Victoria, the key development corridor for renewable energy in Victoria. Under ARENA's knowledge sharing obligations, there will also be shared information and experience gained in operating this flexible and responsive new technology in Victoria.

Section 3: Information on financial viability

EnergyAustralia is one of Australia's largest energy companies with around 1.7m gas and electricity customers (2.6m total accounts) across NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia (formerly TRUenergy) is a wholly owned subsidiary of Hong Kong-based CLP Holdings Limited (CLP) and represents a fifth of CLP Group assets.

The ultimate Australian parent company of the EnergyAustralia Group is EnergyAustralia Holdings Limited. Subsidiary companies within the EnergyAustralia Group have entered into a Deed of Cross Guarantee (Deed). Under the Deed, each subsidiary company (Company) has guaranteed to the creditor(s) of each other Company the payment in full of any debt (as defined under the Deed) in the event of the Company winding up.

EnergyAustralia Pty Ltd holds an Australian Financial Services Licence, **A8 – AFSL**, issued under the Corporations Act. Financial statements are prepared annually which are audited by PwC and approved by the board and lodged with ASIC. These can be provided upon request if required. A financial statement for EA Holdings is included in **A9 - EA Holdings General Purpose Financial Statements**.

S&P Credit rating:

Please refer to confidential **A10 – Credit Rating** that details the EnergyAustralia Holdings Ltd Standard and Poor's credit rating of BBB+.

Business Plan:

The Battery Storage Services Agreement (BSSA) between Ausnet Services and EnergyAustralia grants EnergyAustralia the rights to charge and discharge the BESS into the NEM, in exchange for fixed monthly payments.

The BESS will be registered in the energy market and eight FCAS markets. Additional specifications and capability can be found in **A2 - Fluence Tech Spec - Advancion_TS-002-01-EN**. The BESS will complement our current portfolio by providing a hedge for our customer load or made available to other participants through the spot and futures markets.

The information and experience gained through operating what is a new technology for the NEM will help us in pursuing our purpose to *lead and accelerate the clean energy transformation for all*.

Please refer to confidential **A11 - Ballarat BESS Business Plan Overview** for details on our business plan and financial forecast.

Section 4: Information on technical capacity

EnergyAustralia Pty Ltd is a wholly owned subsidiary of EnergyAustralia Holdings Limited. The EnergyAustralia group owns and operates a multi-billion-dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of more than 4,500MW of generation in the National Electricity Market (NEM). EnergyAustralia is also one of Australia's largest energy retailers with more than 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory.

The EnergyAustralia group currently operates multiple retail and generator participants in the NEM using supporting IT systems and processes. The BESS will leverage existing IT systems, processes, expertise, and personal of EnergyAustralia to operate the BESS in the market on behalf of the Ballarat consortium.

EnergyAustralia is in the process of registering with AEMO as the market participant for the BESS. AEMO requires that we are registered as both a generator and market participant as the battery will operate as both a scheduled generator and scheduled load. The Applications for Registration were submitted to AEMO on the 23rd of April 2018.

Please refer to **A12 - Resumes of key managers** for details on key managers in the business and how their roles in the business ensure our activities as a licensed generator are carried out in a prudent manner.

Partners

Fluence, a Siemens and AES company, is a global energy storage technology solutions and services company that combines the agility of a technology company with the expertise, vision, and financial backing of two industry powerhouses. Fluence's goal is to create a more sustainable future by transforming the way we power our world. The company offers proven energy storage technology solutions designed to address the diverse needs and challenges of customers in a rapidly transforming energy landscape, providing design, delivery and integration in over 160 countries. Fluence works closely with customers during every step of their journey and provides advisory, financing, and project lifecycle services. To date, Fluence's teams have deployed or been awarded over 500 MW in 16 countries.

Spotless is a leading provider of integrated facilities services in Australia and New Zealand. Spotless' 36,000 people, including 10,000 Victorians, deliver millions of service hours a year across more than 100 services that are essential to our customers. Spotless is the consortium lead company for the Victorian Government Energy Storage Initiative responsible for delivering the Battery Energy Storage System in Warrenheip, Ballarat. Spotless is 88 per cent owned by Downer EDI Limited (DOW), and headquartered in Melbourne.

AusNet Services owns and operates the Victorian electricity transmission network, one of the five electricity distribution networks and one of the three gas distribution networks in Victoria, and a commercial energy services business that provides utility-scale connection assets, commercial,

industrial and community-based energy assets, platform solutions, metering, asset intelligence and telecommunication solutions to the utility and infrastructure sectors. AusNet Services will own the proposed BESS. Further details are outlined in **A3 - Introduction to AusNet Services**

Construction Environmental Management Plan

Spotless is responsible for design and construction of the BESS. The BESS will be installed on the existing terminal station site and all construction works will be contained within the site. Environmental management measures applicable during construction are detailed in **A13 - Construction Environmental Management Plan Final** (CEMP). Taken directly from the CEMP:

This CEMP details the environmental management and mitigation measures which will be implemented during the construction phase of the BATS BESS project, with the primary objective of reducing any associated adverse environmental impacts and meeting regulatory requirements. This CEMP provides a framework for actions, responsibilities and protocols associated with environmental management which the Spotless Group and their Delivery Partners (DPs) are required to maintain at all times.

The management measures detailed in this CEMP are required as a minimum to meet the Spotless Group Environmental Management System, City of Ballarat, and the Department of Environment, Land, Water, and Planning (DELWP) requirements.

The BESS will operate without significant environmental impacts or unreasonable noise levels in accordance with the Planning Scheme Amendment 208 and incorporated Document.

Noise levels emanating from the land must comply with the requirements of the Environment Protection Authority's Publication 1411 "Noise from industry in Regional Victoria (NIRV)" to the satisfaction of the Responsible Authority. A report by a suitably qualified acoustician must be prepared to the satisfaction of the Minister for Planning to demonstrate how compliance will be achieved and all plant and equipment must be acoustically treated in accordance with the acoustic report.

Planning Approval

The Ballarat Planning Scheme was amended (Amendment c208) on 30th November 2017 to introduce the document titled 'Ballarat Terminal Station Incorporated Document September 2017' and is attached as **A4 - Incorporated Document**. This document and related material is available on the website of the DELWP.

Compliance Strategy

The EnergyAustralia corporate group has a compliance strategy that applies to EnergyAustralia Holdings Limited and its subsidiaries, including The Embedded Networks Company.

Compliance Strategy

The EnergyAustralia compliance strategy is provided in at **A14 - Regulatory Compliance Policy** and **A15 - Regulatory Compliance Assurance Program**. The Policy and Program are aligned with the Australian Compliance Management Systems – Guidelines, ISO19600:2015. They were implemented in 2013 and have been continually improved since implementation.

The EnergyAustralia Regulatory Compliance Policy outlines the company's

- commitment to regulatory compliance and responsibilities; and
- approach to managing regulatory compliance risks.

The most recent version of the Regulatory Compliance Policy was approved by EnergyAustralia's Executive Management team and signed by EnergyAustralia Holding Limited's Managing Director in November 2015.

The Regulatory Compliance Assurance Program (RCAP) outlines the governance structure, systems and key processes that EnergyAustralia operates to support its Regulatory Compliance Policy. The Program has been developed in accordance with the Australian Standard on compliance programs 3806-2006.

The program sets out Roles and Responsibilities of staff managing governance and compliance. The key roles and responsibilities are set out below:

Board

The Board, as EnergyAustralia's ultimate governing body, is responsible for overseeing EnergyAustralia's compliance with obligations, including ensuring the suitability and effectiveness of EnergyAustralia's Policy and the Regulatory Compliance Assurance Program. The Board is assisted by the ARC.

Audit and Risk Committee (ARC)

The ARC, as a delegate of the Board, oversees the effectiveness and continuous improvement of the RCAP. The ARC monitors compliance performance and the management of any material breaches through quarterly reports that are coordinated and submitted by the Regulatory Compliance Team.

The ARC refers matters to the Board and makes recommendations on key decisions on those matters where appropriate.

Executive Management Team (EMT)

The Executive Management Team (EMT) is responsible for promoting a compliance culture within their business units and to champion their commitment to the continuous improvement of compliance performance.

Business Unit Executives

Business Unit Executives are accountable for ensuring compliance with obligations that apply to their business unit's operations. They have ultimate responsibility for ensuring:

- business unit adherence to the RCAP;
- the integration of the RCAP into their business unit processes;
- that business unit policies, procedures and processes are developed and implemented to achieve compliance objectives;
- the resources required to implement the RCAP are available, allocated and assigned; and
- the reporting of incidents and breaches of obligations and allocation of sufficient resources to execute remediation plans.

General Counsel and Company Secretary

The General Counsel and Company Secretary have direct access to the Board and Board Committees, and are accountable for maintaining the independence and overall governance of the compliance function.

The General Counsel and Company Secretary are responsible for providing the framework for setting compliance objectives and approving the design, development, implementation, maintenance and continuous improvement of EnergyAustralia's RCAP and compliance performance.

Head of Regulatory Compliance

The Head of Regulatory Compliance reports to the General Counsel and Company Secretary and is responsible for preparing, communicating and implementing the RCAP and the Policy while ensuring timely reporting and assurance to stakeholders. The Head of Regulatory Compliance leads a team of compliance advisors to ensure that compliance risks are effectively and transparently managed by business units.

Details of our Compliance strategy

EnergyAustralia's Regulatory Compliance Policy and RCAP applies to all energy regulation including obligations imposed on authorised retailers under the Retail Law and Retail Rules and applicable technical energy requirements in each jurisdiction. These are key and central obligations in our RCAP.

EnergyAustralia's Regulatory Compliance function and in-house legal team are centralised within EnergyAustralia and have experience and expertise in the relevant law and rules. Additionally, as detailed in our RCAP, knowledge and understanding of obligations extend beyond the Regulatory Compliance function and legal team to the business units that operate the retail energy business. All obligations including those under the Retail Law and Rules that are applicable to EnergyAustralia are captured in a central register in the Regulatory Compliance Assurance System (RCAS). RCAS is an online register of obligations which supports the management, monitoring and reporting of obligations, and breaches.

Each obligation relevant to our operations in the energy market in the register has an obligation owner who has responsibility for compliance assurance and ensuring the necessary operational systems, controls, training and resources are in place to ensure compliance. The obligation owner ensures that relevant responsible person(s) are appointed for each obligation. A responsible person ensures that activities are undertaken to ensure compliance with the obligation. The obligation owner and responsible person sits within the business.

A25 – Obligation Register covers EnergyAustralia’s obligations relevant to our BESS operations as they currently appear in our register. Obligations owners, responsible persons, and key risk controls will be updated closer to commissioning as obligations arise.

External Assurance Process for Compliance Risk Strategy

EnergyAustralia’s RCAP has been subject to an external assurance process undertaken by KPMG in 2013 and 2016. The purpose of the assessment was to determine the level of regulatory compliance maturity taking into account compliance risk across all of EnergyAustralia’s business units individually and at an enterprise level. The executive summary of KPMG’s report is attached as **A16 – Executive summary of KPMG’s report** and provided on a confidential basis.

Risk Management Strategy including Operational and Financial Risk

Our risk methodology for developing and maintaining business unit and project risk profiles is consistent with the International Organization for Standardisation ISO-31000 Risk Management – Principles and Guidelines.

Please refer to confidential **A17 - Risk Management Operating Procedures** which detail EnergyAustralia’s operational and financial risk policies and procedures. **A24 – Risk Register** enumerates the risks facing EnergyAustralia, mitigation steps, and personnel responsible for oversight and management.

Risk Management Strategy including Operational and Financial Risk

EnergyAustralia is committed to conducting business in accordance with all relevant legislative requirements and creating and keeping accurate and reliable information to meet these obligations.

EnergyAustralia will implement fit-for-purpose information management practices and systems to ensure the creation, maintenance and protection of reliable information. EnergyAustralia has recognised that robust information management practices will support:

- data accuracy and consistency which in turn, will enable procedural efficiency, cost and time savings for EnergyAustralia;
- data availability via the provisioning content which is easily navigable, searchable and traceable will support regulatory and compliance requirements; and

- data consistency via the unification of data sources and content across the enterprise which will enable a reliable source of truth supporting auditability and lifecycle management.

Please refer to confidential **A18 - Enterprise Information Management Policy** and **A19 - Standard for record retention and disposal**.

Probity and Competence Policies & Procedures

EnergyAustralia Holdings Ltd has a stringent Recruitment and Resourcing Policy. EnergyAustralia requires potential employees to complete probity checks (including reference, identity, qualification and education, drug and alcohol, eligibility to work in Australia, and police checks) subject to specific role requirements and capacity. Employees who are successful in obtaining employment with EnergyAustralia and who have done so by misleading, deceptive or fraudulent means will be subject to disciplinary proceedings which may include termination of employment, with or without notice.

EnergyAustralia operates under our parent company CLP Code of Conduct that applies to all EnergyAustralia employees and covers the follows areas:

- Compliance with Laws and Regulations
- Abiding by our Company Policies and Procedures
- Compliance with Financial Controls and Reporting Requirements

Failure to abide by these requirements is investigated by CLP's Australian internal audit team. Please refer to confidential **A5 – CLP Code of Conduct** that details this policy and procedure.

All employees are required to complete mandatory training modules on an annual basis, covering

- Workplace Behaviour
- Competition and Consumer Law
- IT Security
- Privacy
- Workplace Health and Safety

All employees are required to undertake an annual performance objective setting and review process, measuring competence, performance and behaviour.

Prosecutions and Regulatory Complaints

EnergyAustralia has established compliance and complaints management systems to pro-actively identify, record and action potential compliance breaches and complaints. The EnergyAustralia group holds generation and energy retail licences, authorisations and registrations in several NEM jurisdictions, including Victoria that include self-reporting obligations. We actively report incidents and breaches to the relevant regulators, including ESC, AER and AEMO. The ESC will have the details for all breaches related to our retail licences in Victoria.

A table of material compliance failures (infringement notices, court actions, administrative undertakings) for the EA group in the last 10 years is provided as attachment **A20 –Material compliance failures**. No prosecutions are currently underway.

Section 5: Attachments

Attachment Name	Confidential
A1 – Statutory Declaration	NO
A2 - Fluence Tech Spec - Advancion_TS-002-01-EN	NO
A3 – Introduction to AusNet Services	NO
A4 - Incorporated Document	NO
A5 – CLP Code of Conduct	NO
A6 – Organisation Structure	YES
A7 - EnergyAustralia Corporate Structure	YES
A8 – AFSL	YES
A9 - EA Holdings General Purpose Financial Statements	YES
A10 – Credit Rating	YES
A11 - Ballarat BESS Business Plan Overview	YES
A12 - Resumes of key managers	YES
A13 - Construction Environmental Management Plan Final	YES
A14 - Regulatory Compliance Policy	YES
A15 - Regulatory Compliance Assurance Program	YES
A16 – Executive summary of KPMG’s report	YES
A17 - Risk Management Operating Procedures	YES
A18 - Enterprise Information Management Policy	YES
A19 - Standard for record retention and disposal	YES
A20 – Material compliance failures	YES
A21 - Battery Storage Services Agreement	YES
A22 - Connection Services Agreement	YES
A23 - Use of System Agreement	YES
A24 – Risk Register	YES
A25 – Obligation Register	YES