



Kiata Wind Farm

Application for Electricity Generation Licence

Report Prepared For: Victorian Essential Services Commission

21 January 2017



Document:	KWF Application for Electricity Generation Licence
Issue:	Rev1
Status:	Final
Classification:	Public (unless otherwise stated)
Prepared for:	Essential Services Commission
Prepared by:	Jarrold Hughes
Date:	21 January 2017

CONTENTS

1. Introduction	4
2. Glossary	6
3. Information on the Applicant and the Nature of Application.....	7
3.1. Information on the Applicant	7
3.2. Information on the Application.....	9
3.3. Other Information.....	11
4. The Objective of the Commission	12
5. Information on Financial Viability	15
6. Information on Technical Capacity	18
6.1. General Information	18
6.2. Information in Support of a Generation Licence Application	21
7. List of Attachments	23

1. Introduction

Kiata Wind Farm Pty Ltd (KWF) is applying for a licence to generate, sell and supply electricity. This application is being made in accordance with the *Guidance Notes for Applications for Electricity Licences and the Transfer of Existing Electricity Licences* published by the Essential Services Commission (ESC) - November 2006.

Kiata Wind Farm consists of 9 Vestas wind turbines located 50 km north-west of Horsham, Victoria. Works began in January 2017 and the wind farm is expected to begin generating electricity in July 2017. KWF is ultimately majority owned by John Laing Group plc (John Laing) with a minority stake held by Windlab Limited (Windlab). Construction of the wind farm is being financed by John Laing and National Australia Bank Limited (NAB). Operation of the wind farm will be managed by Windlab Asset Management Pty Ltd, a subsidiary of Windlab Limited, under a long-term Asset Management Agreement. Warranty, Operations and Maintenance (WOM) for the wind farm will be supplied by Vestas Australian Wind Technology Pty Ltd (Vestas) for the first 10 years.

Windlab Limited is an Australian public company, whose major shareholders are Lend Lease Ventures and Innovation Capital. Windlab has successfully developed and co-developed windfarms globally, including the following operational projects:

- 20MW Coonoer Bridge Wind Farm (VIC, Australia)
- 67MW Oaklands Hill Wind Farm (VIC, Australia)
- 206MW Collgar Wind Farm (WA, Australia)
- 134MW Amakhala Emoyeni Wind Farm (South Africa)
- 94MW West Coast One Wind Farm (South Africa)

Windlab is responsible for Asset Management at the Coonoer Bridge Wind Farm, as well as the 240 MW Ararat Wind Farm, also located in Victoria and currently under construction. Further information on these projects can be found at: <http://www.windlab.com/>.

Vestas manages the operation and maintenance for over 40,000MW of wind turbines globally and employs over 20,000 people. Vestas installed its first wind turbines in Australia in 1993 and is currently the primary O&M contractor on each of the 13 wind farms it operates with over 1800MW of generation under long term service contracts. Within Australia, Vestas employs over 120 field personnel to plan and execute wind farm maintenance in addition to around 30 local support personnel to manage spare parts and

logistics, engineering and human resources. Vestas' Australian Head Office is located in Melbourne, Victoria.

Vestas utilises its highly-skilled workforce of technicians to undertake maintenance on its customers wind assets. Vestas Technicians are all trade-qualified and multi-skilled enabling them to troubleshoot and undertake almost any task required ensuring maximum asset uptime and generation. Technicians work an on-call roster whereby a team will always be able to respond to both WTG and BOP responses on a 24/7 basis. Those technicians can then be dispatched to the site at any time within a short timeframe. In addition to that, Vestas has a 24/7 remote wind farm surveillance service monitoring the wind farm and is capable of resetting WTGs or alerting the local workforce if required.

For more details refer to <http://www.vestas.com/>.

2. Glossary

AEMO	Australian Energy Market Operator
BOP	Balance of Plant
EPC	Engineering, Procurement and Construction
KWF	Kiata Wind Farm Pty Ltd
LGC	Large-scale Generation Certificate
NEM	National Electricity Market
PPA	Power Purchase Agreement
WOM	Warranty, Operations and Maintenance
WTG	Wind Turbine Generator

3. Information on the Applicant and the Nature of Application

3.1. Information on the Applicant

Name	Kiata Wind Farm Pty Ltd.
ABN	79 607 460 873
Registered Business	Level 4, 60 Marcus Clarke St. Canberra, ACT 2601 Australia
Postal Address	GPO Box 361 Canberra, ACT 2601 Australia
Contact Person	Jarrold Hughes Wind Engineer Windlab Limited 02 6175 4613 jarrod.hughes@windlab.com

Diagram of Kiata Wind Farm corporate structure:

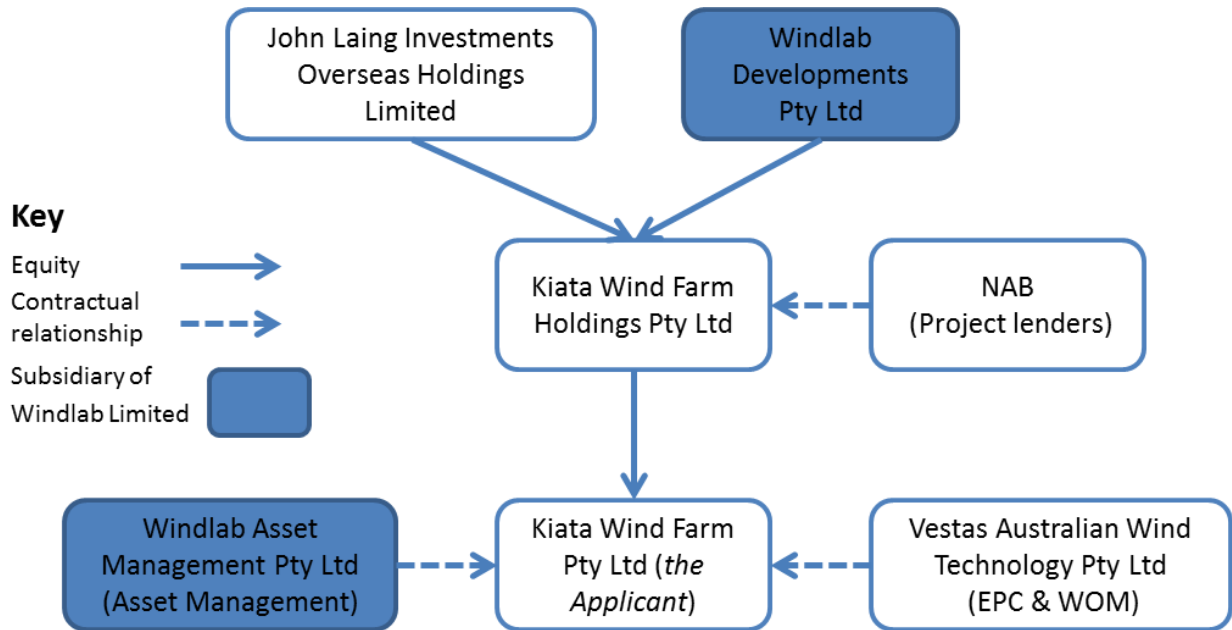
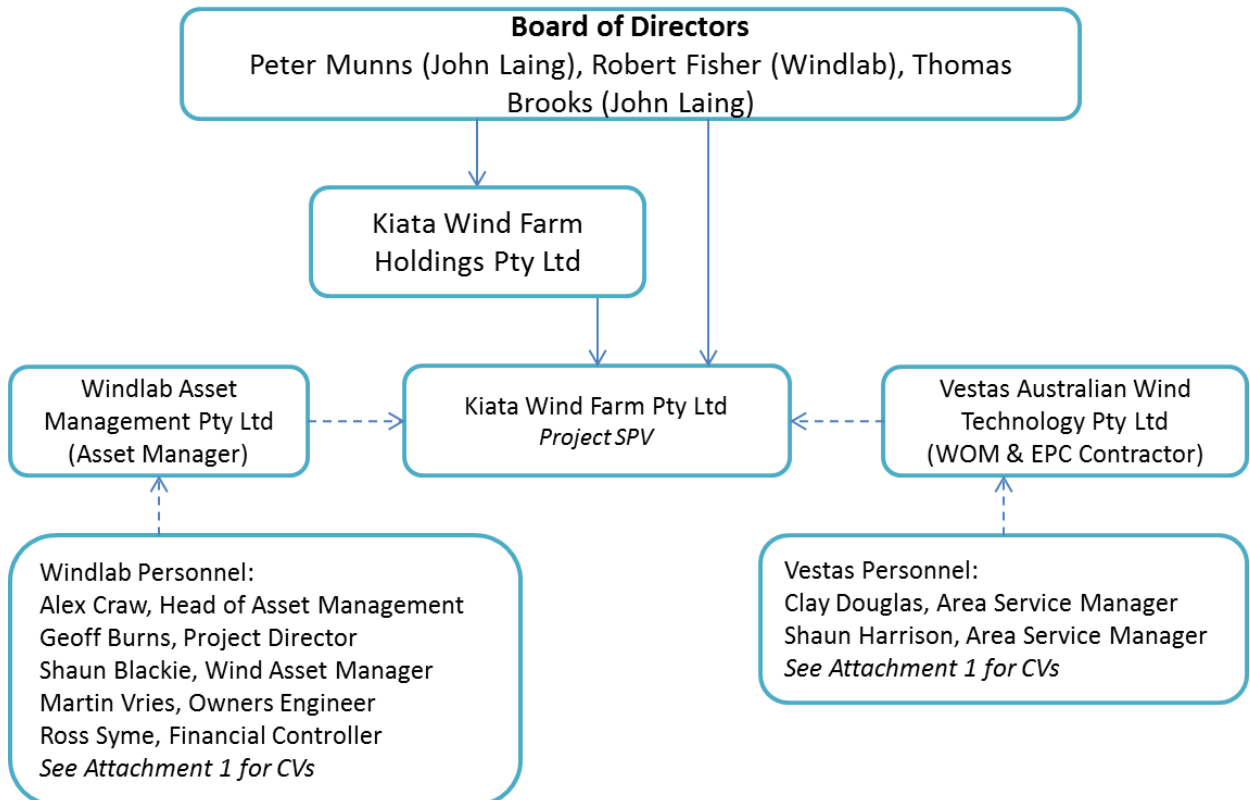


Diagram of Kiata Wind Farm organisational structure:



Summary of experience of key personnel

Refer to Attachment 1.

Details of contracts

The company has entered into an Asset Management Agreement with Windlab Asset Management Pty Ltd, a subsidiary of Windlab Limited. Under the agreement, Windlab Asset Management Pty Ltd will manage the operation of the wind farm. Refer to Attachment 2.

The company has entered into a Warranty, Operations & Maintenance contract with Vestas Australian Wind Technology Pty Limited. Refer to Attachment 3.

Incorporation details

The Certificate of Registration is provided in Attachment 4. The company's Constitution is provided in Attachment 5.

Shareholders' agreement

The shareholders' deed is provided in Attachment 6.

Shareholder details

KWF is a wholly owned subsidiary of Kiata Wind Farm Holdings Pty Limited. The shareholders of Kiata Wind Farm Holdings Pty Limited are as follows: John Laing Investments Overseas Holdings Limited, a wholly owned subsidiary of John Laing Group plc, owns 57,840 shares; Windlab Developments Pty Ltd, a wholly owned subsidiary of Windlab Limited, owns 20,000 shares. For more information refer to Attachment 7. A further 2,160 shares are planned to be given to members of the Kiata community.

Details of regulatory action

No prosecutions or regulatory complaints have commenced against the applicant or any other company or person related to or associated with the applicant.

3.2. Information on the Application

Type of licence sought

Generate electricity for supply or sale

Date from which the licence is sought

01 June 2017

Nature and scope of operations for which the licence is sought

The Kiata Wind Farm will consist of 9 wind turbines capable of generating a combined total of approximately 30MW. The wind farm will be located 50km northwest of Horsham, just north of the Little Desert National Park. The wind farm will be constructed on grazing / crop land leased from local landowners. The total footprint of the project is approximately 10 hectares. Works commenced in January 2017 and the wind farm is expected to be generating electricity in July 2017. The electricity generated at the wind farm will be sold into the National Electricity Market.

KWF has entered into a LGC Sale & Purchase Agreement with the Victorian Government, under which the Victorian Government will purchase Large Scale Generation Certificates generated by KWF.

Details of other licences

KWF has never held or applied for a licence in Victoria or any other jurisdiction, nor have they had a licence refused. KWF has registered as an Intending Participant in the NEM with AEMO.

Windlab Developments Pty Ltd is a shareholder in Coonooer Bridge Wind Farm Holdings Pty Ltd. Coonooer Bridge Wind Farm Pty Ltd (CBWF), a subsidiary of Coonooer Bridge Wind Farm Holdings Pty Ltd has the following licence:

Victoria – Licence to generate electricity for supply or sale (Coonooer Bridge Wind Farm Pty Ltd. ABN: 35 160 665 485)

Non-standard licence conditions

KWF is not seeking any non-standard licence conditions.

3.3. Other Information

Experience of key personnel, the applicant and related parties within and external to the electricity industry

For experience of key personnel, refer to Attachment 1. For details of experience of related parties refer to Attachment 14.

4. The Objective of the Commission

The Objective of the Commission is set out under sub-section 8(1) of the *Essential Services Commission Act 2001* (ESC Act) as follows:

In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers.

The applicant believes that the granting of the licence is consistent with this Objective. KWF is a financially viable generator, underpinned by long-term contracts, and supported by major industry players.

As a wind energy generator, KWF will provide low marginal cost energy into the NEM, enhancing competition and associated efficiencies. It will increase and diversify the supply of energy in Victoria, leading to increased reliability and reduced energy costs. Importantly, the environment in Victoria will benefit from increased zero emission electricity generation.

Under sub-sections 8(1) and 8(2) of the ESC Act, the Commission must have regard to a number of matters in seeking to achieve the Objective. The applicant believes that granting of the licence is consistent with these matters, described in sub-section 8A(1), as follows:

The efficiency in the industry and incentives for long term investment

KWF is an efficient long term electricity industry investment for the state of Victoria. This is evidenced by fixed long term contracts with established industry entities in addition to a contracted LGC Sale & Purchase Agreement with the Victoria Government. The risks are low and well understood. The operational design life of the project is 25 years.

The financial viability of the industry

KWF is a financially viable generator, underpinned by long-term contracts, and supported by major industry players. Comprehensive due diligence has been carried out on the financial and energy yield aspects of the project with the debt facility granted by the NAB evidence of the projects bankability.

The degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries

As a small generator, KWF is expected to be a price-taker and therefore will not be able to set the market price nor wield significant market power. This has the potential to lower market

spot prices. Relative to other generators within Victoria and the NEM as a whole, KWF can be considered only a minor player in the industry.

The relevant health, safety, environmental and social legislation applying to the industry

KWF will be subject to all relevant health, safety, environmental and social legislation applying to the Victorian electricity industry. In particular, the externalities of electricity generated by KWF, as a wind farm, including health, safety, environmental and social costs, will be low.

The benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers)

KWF will minimise the costs of regulation and allow consumers and users of electricity (including low income and vulnerable consumers) to receive the benefits of increased renewable energy supply. These include reduced cost, and increased reliability and quality, of electricity supply, as outlined above, and reduced externalities, including environmental and health costs.

Consistency in regulation between States and on a national basis

KWF is bound by the rules set by the Australian Energy Regulator under national energy legislation and rules. Electricity generated in Victoria is sold into the NEM wholesale spot market covering eastern and southern Australia. KWF will generate large-scale generation certificates under the *Renewable Energy (Electricity) Act 2000* (Commonwealth).

Any matters specified in the empowering instrument

Under section 10 of the *Electricity Industry Act 2000* (EI Act), the objectives of the Commission are:

- to the extent that it is efficient and practicable to do so, to promote a consistent regulatory approach between the electricity industry and the gas industry; and
- to promote the development of full retail competition.

The granting of the licence is consistent with these objectives as:

- the objectives of the Commission applicable to the gas industry are the Objective specified under sub-section 8(1) of the ESC Act, as well as the objectives under section 18 of the *Gas Industry Act 2001* which are identical to those under section 10 of the EI Act, ensuring that the regulatory approach is consistent between the two industries; and
- investment in generation capacity will increase the supply of electricity available to be purchased by retailers, which will increase the viability of retailers and allow them to compete more effectively, promoting the development of full retail competition.

5. Information on Financial Viability

KWF can meet and address the financial viability requirement. Full supporting details are provided to the Commission in the Attachments on a commercial-in-confidence basis, but may be summarised as follows:

1. The company is majority (>72%) owned by John Laing Investments Overseas Holdings Limited, an infrastructure fund that specialises in investing and managing public infrastructure projects. The company invests in projects across a number of sectors, from transport to environmental and social infrastructure projects and across a range of markets internationally. The balance is owned by Windlab Developments Pty Ltd, an Australian developer of wind farms.
2. The company is financed by equity from John Laing Investments Overseas Holdings Limited and long-term debt from the NAB.
3. The company's shareholders' agreement contains mechanisms allowing equity investors to support the company with future injections of capital if required.
4. The company's long term viability is supported by an LGC Sale and Purchase Agreement with the State of Victoria. The Sale & Purchase Agreement has a 10 year life and guarantees the price received for the LGC output.

Current balance sheet

The balance sheet, including a statement of assets and liabilities, is provided in Attachment 8.

Other financial data

Further financial details are provided in Attachment 9.

Significant contracts

Asset Management Agreement

See Attachment 2.

Warranty Operation & Maintenance Contract

See Attachment 3.

Annual report

The company has not yet prepared its first annual report; the first annual report will be prepared at the end of 2017.

Credit ratings

The company is not rated by a credit agency. Note however that the project has successfully obtained debt finance with the National Australia Bank which supports the creditworthiness of the company.

Auditor statement

The company has not yet been audited, although this will occur for the first annual report at the end of 2017.

Consultants' statements

Prior to financial close (represented by NAB & John Laing signing respective agreements) due-diligence was undertaken, and is provided in Attachment 10.

Share register

Refer to Attachment 7.

Certificate of registration

Refer to Attachment 4.

Statements from financiers

KWF has finalised agreements with debt and equity which serve to support the financial viability of the project. Letters of support outlining those debt and equity arrangements from John Laing Investments Overseas Holdings Ltd and the NAB are included in Attachment 11 respectively.

Guarantees

John Laing has provided an irrevocable letter of credit to back the KWF project. In addition to this, the KWF's shareholders agreement contains mechanisms allowing equity investors to support the company with future injections of capital if required.

Australian Financial Services Licence

KWF does not require an Australian Financial Services Licence. It does not intend to undertake any of the activities which require an Australian Financial Services Licence; that is, KWF will not:

- provide financial product advice to clients
- deal in a financial product
- make a market for a financial product
- operate a registered scheme
- provide a custodial or depository service, or
- provide traditional trustee company services

Assurance of sufficient financial resources

The company assures the regulator that it has sufficient financial resources to sustain its operations including all prudential requirements set by AEMO and/or licensed distributors.

Credit support arrangements

Appropriate credit support arrangements with Powercor are in place.

Business plan

The company's business plan is provided in Attachment 12.

6. Information on Technical Capacity

KWF can meet and address the technical capacity requirement. KWF has the expertise, knowledge and skill base to operate a viable electricity generation business. The owners and operators of KWF – John Laing Group plc, Windlab and Vestas – have strong track-records of successfully operating viable electricity generation businesses.

Windlab's successes include 520MW of operating wind capacity and over 240MW of wind capacity currently under construction in Victoria. Vestas is the world's leading supplier, operator and maintainer of wind turbines, with 42,000MW under service globally. Refer to Attachment 14 for details of Windlab and Vestas' track-records of successfully operating in the electricity generation industry. Refer to Attachment 1 for the skills of key personnel.

6.1. General Information

Organisational chart of key personnel with details of experience and knowledge of the industry

Refer to Section 3.1 Information on the Applicant for the organisational chart. Refer to Attachment 1 for the skills and experience of key personnel.

Contracts with external service providers, including customer and supply contracts and outsourcing arrangements

The company has entered into an Asset Management Agreement with Windlab Asset Management Pty Ltd, a subsidiary of Windlab Limited. Under the agreement, Windlab Asset Management Pty Ltd will manage the operation of the wind farm. The agreement is provided in Attachment 2.

The company has entered into a Warranty Operation & Maintenance contract with Vestas Australian Wind Technology Pty Limited. The contract is provided in Attachment 3.

Statements from industry bodies

Windlab was the winner of the 2015 Clean Energy Council Community Engagement Award. The award celebrates the positive outcomes that have been achieved for the local Victorian communities of Coonooer and Yeungroon through Windlab's community engagement and project participation activities at the Coonooer Bridge Wind Farm Project. The Kiata Wind Farm is being developed by Windlab using the same award-winning community engagement

process. This includes making members of the local community shareholders in the wind farm.

See: <http://www.cleanenergycouncil.org.au/media-centre/media-releases/July-2015/clean-energy-council-award-winners.html>

Internal controls, policies and procedures

Kiata Wind Farm will be operated in accordance with the internal controls, policies and procedures of Vestas and Windlab, which are consistent with industry standards and best practice.

Relevant internal controls, policies and procedures include:

- Kiata Wind Farm Environmental Management Plan (See Attachment 16)
- Kiata Wind Farm Risk Management Plan (See Attachment 17)
- Vestas' Workplace Health and Safety Management Plan for Kiata Wind Farm (See Attachment 18)
- Windlab's OH&S Policy (See Attachment 20)

Business model/plans

The company's business plan is provided in Attachment 12. Further financial information is provided in Attachment 9.

Risk management policies

Kiata Wind Farm will be constructed and operated in accordance with the KWF Workplace Health & Safety Management Plan. Risk is being managed in accordance with the KWF Risk Management Plan, which has been developed in accordance with ISO 31000:2009(E).

Governance policies

For details of KWF's governance policies, refer to Attachment 6.

References for key personnel

Refer to Attachment 1.

Demonstrations of billing and management systems

Kiata Wind Farm is currently under construction, and therefore billing and operational management systems are not yet implemented. We note that as a generator Kiata Wind Farm does not have any direct contact or billing interactions with consumers in Victoria.

Complaints register and procedures

We note that as a generator KWF does not have any direct contact or billing interactions with consumers in Victoria. Therefore we would not anticipate receiving complaints from end consumers in their capacity as energy customers. Any complaints that are received are fully recorded and documented in accordance with the planning permit conditions, which are based on the *Community Engagement Guidelines for the Australian Wind Industry* (Clean Energy Council, 2012).

Privacy statements

We note that as a generator KWF does not have any direct contact or billing interactions with consumers in Victoria. Privacy and confidentiality conditions are built into all agreements with third parties.

KWF will have responsibilities under the *Privacy Act 1988*, including compliance with the Australian Privacy Principles. KWF will respect the privacy of all members of the public it interacts with, including members of the local community and especially with respect to the handling of complaints.

Document retention policies

It is Windlab's policy to retain documents for the required statutory periods.

Industry submissions and results of any research supporting the application

Financial close has been reached for the project and contracts with John Laing and NAB have been finalised. Project works have now commenced at the KWF site; therefore we have not included any industry submissions related to the viability of the project.

6.2. Information in Support of a Generation Licence Application

Details of experience in and knowledge of the electricity industry

As a newly incorporated special purpose entity, KWF's knowledge of and experience in the electricity industry is derived from its owners and operators. John Laing and Windlab are owners of KWF. Windlab and Vestas are the operators of KWF.

Windlab's experience includes 520MW of operating wind capacity and over 240MW of wind capacity currently under construction in Victoria. Vestas is the world's leading supplier, operator and maintainer of wind turbines, with 42,000MW under service globally. Refer to Attachment 14 for details of Windlab and Vestas' experience and capability. Refer Attachment 1 for the experience and knowledge of key personnel, and Attachment 13 for the experience and knowledge of directors.

Summary of the skills and experience of the directors and senior managers and their relevance to meeting the requirements of the licence

Windlab's Head of Asset Management has the skills and experience to ensure the operational requirements of the licence are met. Windlab's Financial Controller has the skills and experience to ensure the financial requirements of the licence are met. Refer to Attachment 1 for more details. The Directors of KWF have the skills and experience to ensure the governance requirements of the licence are met, as detailed in Attachment 13.

Evidence that the applicant has the capacity to comply with the licence conditions, codes and guidelines relevant to its application

As detailed in Attachment 1, the company has all the necessary expertise available to comply with all relevant licence conditions, codes and guidelines.

Evidence of any interactions or preliminary registration with AEMO

KWF received registration as an Intending Participant in the National Electricity Market effective 18 September 2015. Evidence of this registration is provided in Attachment 15.

Details of agreements with external entities, and their experience and capacity

The company has entered into an Asset Management Agreement with Windlab Asset Management Pty Ltd, a subsidiary of Windlab Limited. Under the agreement, Windlab Asset Management Pty Ltd will manage the operation the wind farm. The agreement is provided in Attachment 2.

The company has entered into a Warranty Operation & Maintenance Contract with Vestas Australian Wind Technology Pty Limited. The contract is provided in Attachment 3.

The capacity of Windlab and Vestas is evidenced by the experience and capability detailed in Attachment 14.

Confirmation that all planning and environmental approvals have been completed

The project has received planning approval and all environmental approvals for the project are in place. Planning permit PA1500023 for the “Use and develop of land for a Wind energy facility and associated buildings and works, one permanent anemometer, removal of native vegetation and business identification signage” was issued to KWF on 12 July 2016.

Risk, governance and compliance management and strategies

KWF has in place risk, governance and compliance management procedures. All risks, including compliance with laws, regulations and permit/licence conditions, are managed under the KWF Risk Management Plan in accordance with ISO 31000:2009(E) and following Windlab’s internal controls, policies and procedures. For details of KWF governance policies, refer to Attachment 6.

Evidence that demonstrates that the entity can successfully operate a business within the electricity industry

The owners and operators of KWF – John Laing, Windlab and Vestas – have strong track-records of successfully operating businesses in the electricity industry. Refer to Attachment 14 for details of Windlab and Vestas’ track-records of successfully operating in the electricity industry.

7. List of Attachments

The attachments below marked commercial-in-confidence are excluded from the public due to the commercially sensitive or confidential information contained therein. These attachments may not be disclosed to third parties without the written consent of KWF.

- Attachment 1.** Experience of Key Personnel (commercial-in-confidence)
- Attachment 2.** Asset Management Agreement (commercial-in-confidence)
- Attachment 3.** Warranty Operation & Maintenance Contract (commercial-in-confidence)
- Attachment 4.** Certificate of Registration
- Attachment 5.** Constitution (commercial-in-confidence)
- Attachment 6.** Shareholders' Agreement (commercial-in-confidence)
- Attachment 7.** Shareholder Registers
- Attachment 8.** Balance Sheets (commercial-in-confidence)
- Attachment 9.** Financial Data (commercial-in-confidence)
- Attachment 10.** Due-Diligence Report (commercial-in-confidence)
- Attachment 11.** Letters of Support (commercial-in-confidence)
- Attachment 12.** Business Plan (commercial-in-confidence)
- Attachment 13.** Experience of Directors (commercial-in-confidence)
- Attachment 14.** Operator Capability (commercial-in-confidence)
- Attachment 15.** Confirmation of NEM Registration (commercial-in-confidence)
- Attachment 16.** Environmental Management Plan (commercial-in-confidence)
- Attachment 17.** Risk Management Plan (commercial-in-confidence)
- Attachment 18.** Workplace Health & Safety KWF (commercial-in-confidence)
- Attachment 19.** Complaint Handling Procedure (commercial-in-confidence)
- Attachment 20.** Windlab Group OH&S Policy (commercial-in-confidence)