NorthernPower

Northern Power Opco Pty Ltd
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16 May 2014

Dr Pat Walsh
The Commissioner
Utilities Commission of Northern Territory
Level 9, 38 Cavenagh Street
Darwin NT 0800

Dear Dr Walsh,

RE: Application for the issue of a Generator Licence by the Utilities Commission of the Northern Territory

Please accept this letter and the accompanying documentation as a formal application from Northern Power Opco Pty Ltd ("the Applicant") for a Generator Licence pursuant to the Utilities Commission Act 2000 and the Electricity Reform Act 2000. This application has been prepared in consideration of the requirements of the Utilities Commission's Electricity Supply Industry Licensing Manual dated January 2007.

The Applicant proposes to construct and operate a 60 megawatt gas-fired power station which will connect to the Darwin-Katherine Interconnected System ("the Project"). The Project will be located in the general vicinity of Channel Island Road on the Wickham Point Peninsula within the Northern Territory Government's Gas Based Industrial Area. This area will house the Inpex Project and will in future become one of the most significant areas of growth and development in Northern Australia1. If approved, construction would likely commence in mid-2014 and reach completion within 30 months.

The Northern Territory is one of Australia's fastest growing and most vibrant economies, with around 11,000 businesses in the Darwin and Katherine areas alone and one of the highest levels of business confidence in Australia[2]. Consistent with this, the demand for electricity has been growing rapidly and demand for electricity in the Darwin and Katherine markets has been forecast to grow at 3.6% per annum[3], although the prospect of demand for new large loads in gas related industries in the Darwin region may see this forecast exceeded.

The objective of the Project will be to provide lower cost, reliable and efficient electricity generation using proven power station technology to meet this expected demand growth. The principal Project equipment will consist of:

- Industrial gas turbine driven generator
- Steam turbine generator
- Heat recovery steam generator plus bypass exhaust stack
- Cooling tower for wet cooled condenser
- Water treatment system
- High voltage switchyard

1 http://www.inpex.com.au/projects/ichthys-project/project-overview.aspx
2 http://www.dob.nt.gov.au/business/economics/key-statistics/Pages/business.aspx
3 NT Utilities Commission Annual Planning Report

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As with all substantial infrastructure projects, the Project will be required to comply with a range of regulatory requirements which apply to its construction and operation. As part of the process to reach financial close, the Applicant has engaged external advisers to assist in refining construction and operating plans to ensure compliance and to seek necessary approvals. These assessments are expected to cover:

- Cultural significance
- Air quality
- Noise Emissions
- Water usage and disposal
- Traffic management
- Interfaces to existing infrastructure
- Environmental management plans

The Project's corporate sponsors have significant experience in the development, financing, construction and operation of power generation assets globally. The sponsors have worked together previously to develop Greenfield power generation assets and view this as a unique opportunity to enhance the competitive nature of the Northern Territory electricity market for the benefit of all Territorians.

The proposed plant will utilise extremely reliable industrial gas and steam turbines which have extensive operating history in other Northern Territory generation facilities. The Applicant believes the use of this equipment will provide significant benefits to system security and as such will benefit electricity consumers through improvements to overall system reliability.

The operations and maintenance (O&M) of the Project is expected to be undertaken by GE based on world's best practice philosophies. GE provides O&M services on generation facilities globally, and their commitment to the highest safety standards, quality, reliability and efficiency are evident in their track record to date. The importance of this will also be reflected in the O&M key performance indicators which will be contractually agreed between the Applicant and GE.

The full details for our application are contained in Attachment 1 to this letter.

Fees

The application fee will be deposited to the Utilities Commission bank account via direct deposit following the receipt of the invoice.

The Annual Licence Fee invoice should be addressed to:

Accounts Payable
Northern Power Opco Pty Ltd
Johnson Winter Slattery
Level 29, 111 Eagle Street
Brisbane 4000

Notice of Licence Decision

Notices should be directed to:

The Secretary
Northern Power OpCo Pty Ltd
Johnson Winter Slattery
Level 29, 111 Eagle Street
Brisbane 4000.
Ph: 0410 617 973
Email: peter@peterheffernan.com.au

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Any questions or additional information requirements pertaining to this Generator Licence application can be directed to our consultant on this matter:

Mr Tim Duignan
Arc Developments International Pty Ltd
Ph: 0407 756 324
Email: tim.duignan@arcdev.com
Postal Address: PO Box 3372, Birkdale QLD 4159

Yours Sincerely

Peter R Heffernan
Director, Northern Power Opco Pty Ltd

Attachments:

1. Generator Licence Application Details
2. Company Certificate
3. Company Director Details
4. GE Credentials

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Attachment 1 – Northern Power Opco Generator Licence Application Details

No.	Section	Requirement	Northern Power Opco Response
1.	Legal Identity	Applications should provide the full legal name if the applicant, as well as the jurisdiction in which the applicant is registered, and it's ACN.	**Applicant:** Northern Power Opco Pty Ltd Level 29, 111 Eagle Street Brisbane 4000. (ACN 169 512 994)
2.	Contact details	Applications should provide the name and title of a nominated contact officer, and their telephone and facsimile (or e-mail) numbers. A postal and street address to which correspondence can be sent should also be provided.	The Applicant will be represented by ARC Developments International Pty Ltd ("ARC") in the Generator Application Process. The ARC contact is Tim Duignan and he is available on mobile 0407 756 324 or email tim.duignan@arcdev.com. The address for correspondence is: The Secretary Northern Power OpCo Pty Ltd c/o Johnson Winter Slattery Level 29, 111 Eagle Street Brisbane 4000.
3.	Licence types required	The applicant must state the type of licence (or licences) they are seeking and the date (if any) which the applicant seeks to have the licence issued by. The Commission does not undertake to issue the licence by this date. With connection to each type of licence sought, the applicant must state details of the facilities concerned, and details (as applicable) of the area in which the licence activities are to be carried on. The applicant should state the term (in years) for which they wish the licence to be granted.	**Type of licence applied for**: Standard Generation Licence; Date licence required: 31 July 2014; **Generation Facility:** Combined Cycle base load natural gas fuelled nominal 60MW sent out General Electric Frame 6 Industrial gas turbine model 6581 plus Industrial steam turbine model SC1-15. **Location:** in the general vicinity of Channel Island Road on the Wickham Point Peninsula. **Licence Term:** 30 Years.

4.	Licensee details	The applicant must show that: (a)they are a resident of or have permanent representation in Australia; (b)they have the capacity to be sued in their own name in an Australian Court; (c)if a company, it is not under external administration as defined by the Corporations law or under a similar form of administration under any laws applicable to it; (d)if a natural person, he/she is not an undischarged bankrupt; and (e) the applicant has a credit rating or financial situation commensurate with the potential financial exposure. If the applicant is a company, licence applications should include a copy of the applicant's Certificate of Registration of the company. If the applicant is a wholly owned subsidiary of another company, or one of a group of related companies, summary information about the parent company and the ownership structure of the related companies should be provided. The directors, senior management and major shareholders of an applicant should be made known to the Commission in an application. Any breach of a statutory or legal obligation by any of these persons must be made known to the Commission.	(a) Applicant is an Australian registered company with both the current and expected beneficial owners at financial close also being Australian Nationals. (b) Applicant may be sued in its own name in an Australian court (c) Applicant is a company and is not currently under external administration as defined by the Corporations Act 2001 or any other form of administration under any other applicable laws. (d) N/A
5.	Nature of industry participation	The applicant should provide general information about its existing activities, both within and outside the electricity industry. The application should summarise the reasons why the applicant intends to participate in the Northern Territory electricity industry, and the broad nature of that participation.	The proposed plant will utilise extremely reliable industrial gas and steam turbines which have extensive operating history in other Northern Territory generation facilities. The Applicant believes the use of this equipment will provide significant benefits to system security and as such will benefit electricity consumers through improvements to overall system reliability.

		In providing the above explanation, the applicant should address the Commission's objectives as set out in section 6 of the UCA being: (a) to regulate prices charged by government and other businesses for providing certain monopoly services and for providing services in regulated industries as required under relevant industry regulation Acts; (b) to perform licensing functions under relevant industry regulation Acts; (c) to develop, monitor and enforce compliance with and promote improvement in standards and conditions of service and supply under relevant industry regulation Acts; (d) to make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operations of a regulated industry or licensed entities under relevant industry regulation Acts; (e) to investigate and help resolve complaints relating to the conduct or operations of licensed entities under relevant industry regulation Acts; (f) to provide and require consumer consultation processes in regulated industries and to assist consumers and others with information and other services; (g) to advise the Minister on any matter referred by the Minister; (h) to perform any other function assigned by or under this or any other Act or conferred by the Minister.	The Applicant will ensure it meets its compliance obligations under the various Acts and regulations in the Northern Territory. The Applicant will ensure it also meets the relevant generator standards as detailed in its connection and access agreement with the Network provider (PWC Networks). The Applicant will diligently respond to the Utilities Commission during any relevant investigations with applicable data and information to enable the Utilities Commission to complete its duties and function under the *Utilities Commission Act 2000* and the *Electricity Reform Act 2000*. The proposed Plant will meet the objectives of the *Electricity Reform Act 2000* in the following ways: a. The Applicant is of the view that a competitive generation market in the Northern Territory will benefit domestic, commercial and industrial customers through supply of electricity at a lower cost, thereby promoting increased efficiency and competitiveness in the Northern Territory electricity market. b. The Project will provide an alternative source of supply to electricity retailers in the Northern Territory and as such will introduce greater competition in the generation sector. This in turn should lead to greater competition in the Electricity Retail sector and lower costs to customers.

		In performing the Utilities Commission's functions, the Utilities Commission must have regard to the need: (a) to promote competitive and fair market conduct; (b) to prevent misuse of monopoly or market power; (c) to facilitate entry into relevant markets; (d) to promote economic efficiency; (e) to ensure consumers benefit from competition and efficiency; (f) to protect the interests of consumers with respect to reliability and quality of services and supply in regulated industries; (g) to facilitate maintenance of the financial viability of regulated industries; and (h) to ensure an appropriate rate of return on regulated infrastructure assets. and the objects of the ERA being: (a) to promote efficiency and competition in the electricity supply industry; (b) to promote the safe and efficient generation, transmission, distribution and selling of electricity; (c) to establish and enforce proper standards of safety, reliability and quality in the electricity supply industry; (d) to establish and enforce proper safety and technical standards for electrical installations; (e) to facilitate the maintenance of a financially viable electricity supply industry; and (f) to protect the interests of consumers of electricity; and explain how the granting of a licence would be consistent with those requirements.	c. Emerging retailers will benefit from the Project and the resulting increase in competitive generation by being able to negotiate alternative electricity supply. The entry of the Applicant may also facilitate the entry of other new retailers and generators into the Northern Territory electricity market. d. The operations and maintenance (O&M) of the Project is expected to be undertaken by GE based on world's best practice philosophies and in line with accepted international standards. GE provides O&M services on generation facilities globally, and their commitment to the highest safety standards, quality, reliability and efficiency are evident in their track record to date. The importance of this will also be reflected in the O&M key performance indicators which will be contractually agreed between the Applicant and GE. e. At financial close, the Applicant's financial position will be underpinned by binding contractual agreements for the provision of finance sufficient to fund the construction and operation of the plant, purchase of gas supplies, operations and maintenance contracts and power sale agreements.

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6.	Technical capacity	Applicants must show that they have the technical capacity to comply with the likely conditions of the licence of the relevant type (as set out above) and any associated codes and guidelines published at the time. In order to demonstrate technical capacity to the Commission, applicants should provide: (a)details of their experience in and knowledge of the electricity industry; (b)a summary of the skills and experience of the directors and senior managers, and their relevance to meeting the requirements of the licence; (c)evidence that the applicant has the capacity to comply with the licence conditions, codes and guidelines relevant to its application; and (d)if the applicant is to rely on another entity to provide staff and resources, a summary of the relationship between the applicant and this entity, including any formal agreements to provide services, and a summary of this other entity's experience in and knowledge of the electricity industry, and technical capacity to meet the relevant requirements of the licence.	The Project will be constructed under an Engineer, Procure and Construct contract by GE. Once commissioned, the plant will be operated under an Operations & Maintenance contract between the Applicant and GE. Please see attached documents which provide an overview of GE's O&M capabilities.
7.	Financial viability	The financial resources available to the applicant should be addressed in appropriate detail. Audited financial reports for at least three years should be provided in the first instance. The requirement for audited reports is waived in the case of newly incorporated bodies, but equivalent information should be provided in relation to the other corporations in the applicant's group.	The Applicant has been incorporated as a project vehicle specific to this project. As such audited financial statements are not available for the Applicant. As referenced above, at financial close the Project will be underpinned by contractual commitments to provide non-recourse finance to the Project

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Attachment 2 – Applicant's Company Certificate

Certificate of Registration of a Company

ASIC
Australian Securities & Investments Commission

This is to certify that

NORTHERN POWER OPCO PTY LTD

Australian Company Number 169 512 994

is a registered company under the Corporations Act 2001 and is taken to be registered in Queensland.

The company **is limited by shares.**

The company is a **proprietary** company.

The day of commencement of registration is **the thirteenth day of May 2014.**

Issued by the
Australian Securities and Investments Commission
on this thirteenth day of May, 2014.

Greg Medcraft
Chairman

CERTIFIED COPY

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Attachment 3 – Company Director Details

Matt Rennie, Chairman and founder of Northern Power

Matt has a 16 year history as an economist and strategic adviser in the Australian and international energy markets which has included advising generation, networks and retail companies on regulatory and business strategy throughout both the NEM Asian markets, as well as the AEMC, AER and State Governments on market reform issues. This has included the development of many of the regulatory instruments which now form part of the national regulatory regime.

Matt is a recognised expert in the electricity industry, and speaks regularly at conferences, on panels and in the boardrooms of major electricity companies. In 2012 Matt was appointed to the three person Queensland Independent Review Panel reviewing the Queensland electricity market tasked with considering the structure and efficiency of the distribution sector in that State. He is currently advising several Japanese electricity companies on the restructure and reform of that market and works regularly in the Middle East, the United States and in Northern Europe.

Matt currently leads the Global Power and Utilities transactions business for a business advisory firm, and is the Chairman of Bravehearts, which is one of the largest and well known organisations in the field of child protection in Australia.

Matt has long standing experience in the Northern Territory, having commenced his career with the Northern Territory Treasury and worked in the mid to late 1990's as an economist and pricing manager with the then Power and Water Authority. Matt is a Visiting Fellow of the Faculty of Business and Law at Charles Darwin University.

Sam Winston Smith, founding director of Northern Power

Sam is Managing Director of consulting group CME Partners. He has a long history in the merchant banking and investment sectors in Australia and overseas across a wide range of industries. This includes prior positions as Chairman and Founding Director with various successful Investment Banks and significant international joint ventures. Sam is experienced in major projects with proven ability to take projects from initial development phase to final conclusion and financial closure.

Sam's wide experience in capital markets includes advisory roles to the Qld and NT Governments in relation to capital raisings and other major transactions including in the power generation sector. He has also advised a large number of significant private companies on a range of investment banking and project financing transactions, as well as international companies and Governments on strategic and financial matters. Specifically in the Northern Territory, Sam advised the Department of Treasury in its formative years during the NT development phases in the 1980s, and has a number of significant contacts among business and political leaders in the Northern Territory.

Sam was for many years, the honorary French Consul in Brisbane, and continues his association with a number of French Institutions and companies.

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Peter Heffernan, founding director of Northern Power

Peter is a former Senior Partner of Ernst & Young and Director of Ernst & Young Corporate Finance in Brisbane. He is a Fellow of the Institute of Chartered Accountants and Fellow of the Australian Institute of Company Directors. He retired from Ernst & Young in 2000 and now runs a boutique consulting practice.

Since his retirement in 2000, his consulting practice has provided advisory, accounting and representation services to a portfolio of local and foreign clients, and he is currently a non-executive Director to a number of Australian and International companies. Peter's client roles have typically involved advising on strategy and set-up, structuring and business planning, assisting with preparation of feasibilities and financing proposals, as well as working with Banks and other lending institutions in distressed situations such as company re-constructions, receiverships and work-outs.

In his professional career at Ernst & Young he advised on many large transactions including company and asset valuations and IPOs. Some of his high profile assignments have included a lead role in the 1998 Feasibility study for Queensland Events Corporation leading to Brisbane's successful bid to host the 2001 Goodwill Games, as well as preparation of the Economic Impact Study in 1998 for Brisbane Airport Corporation to support its post privatisation ten-year Master Plan including a second runway, and which ultimately became the blueprint development master plan of the Brisbane airport.

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Attachment 4 – GE Credentials

GE Australia Project specific credentials

GE powers the world with the cleanest, most advanced technologies and energy solutions. From FlexEfficiency Combined Cycle power, to smart grids that help utilities manage electricity demand, to gas engines that run on organic waste, our technology currently helps to deliver a quarter of the world's electricity.

Technology

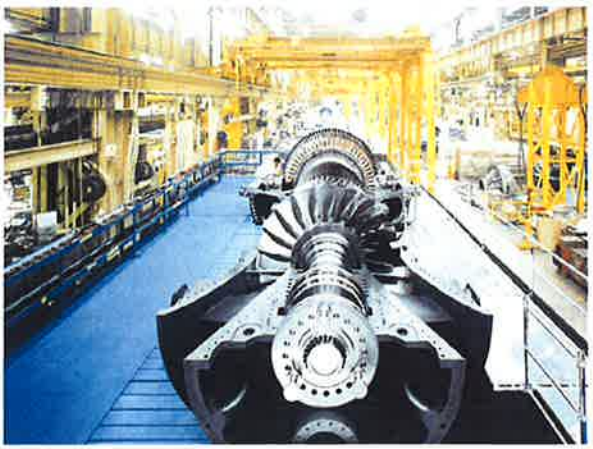
GE offers the widest range of heavy duty gas turbines available, ranging from 43 to 470 MW. We supply machines for every utility, independent power producer, and industrial application, from pure power generation to cogeneration and district heating.

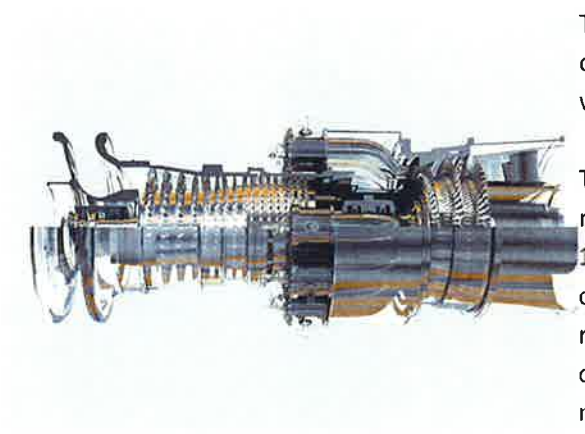
Our worldwide installed fleet totals nearly 7,000 gas turbines, the largest installed base of any gas turbine supplier. These units have accumulated well over 200 million fired hours of operating experience at unparalleled reliability levels. On the cutting edge of gas turbine technology, GE offers a wide array of equipment options that help meet the most challenging energy requirements.

GE offers a range of turbines that would meet the operating conditions at the Project site.

One of the more recent additions to the Darwin-Katherine network was the addition of 2 x LM6000 gas turbines providing up to 86MWs of capacity at the adjacent Weddell power station site.

There are over 1,000 of these units in operation with over 21 million operating hours.





There are also 5 x GE Frame 6 gas turbines in operation at the Channel Island power station which provide up to 158MWs of capacity.

These units feature low-cost installation and maintenance requirements, with more than 1,200 units in service and more than 60 million operating hours. It offers high availability and reliability in simple cycle, cogeneration and combined cycle applications and from barge-mounted to industrial installations.

Some of the many features and benefits of the GE gas turbines include:

- Fuel flexibility;
- Application flexibility, including operating profile;
- Extended operating intervals between required maintenance;
- Ability to provide reliable power in remote locations with extreme operating conditions;
- High reliability and low emissions; and
- Excellent for selective island grids.

To meet the needs of today's global market, GE has created a services organization to specifically provide customer values by developing service offerings to not only provide leading edge powering technology, but also to operate and maintain the GE equipment under long term service agreements. The strong financial backing and technical expertise that comes from being a leading supplier of technology, products and services across the energy industry, GE is able to develop and offer extensive and innovative solutions to our customers. GE currently provides operating and maintenance services on some 60 sites in 17 countries around the globe.

Recent experience

In addition to our experience in the Darwin market, a number of more recent gas fired power projects where GE has provided technology and operations and / or maintenance services include the following.

Project	**Location**	**Size**
Darling Downs	Queensland	540 MW CC
Quarantine Power Station	South Australia	120 MW
Townsville Power Station	Queensland	120 MW
Merredin Power Station	Western Australia	80 MW