



Australian Government
Department of Defence

Ms Kimberlee McKay

Director

Utilities Commission of the Northern Territory

GPO Box

Darwin NT 0801

Dear Ms McKay,

**RETAIL LICENSE APPLICATION AND NETWORK LICENSE EXEMPTION –
ROBERTSON BARRACKS AND RAAF DARWIN SOLAR FARMS**

1. The Commonwealth of Australia, represented by the Department of Defence, is pleased to submit the following retail licence application to the Utilities Commission of the Northern Territory. The Commonwealth is also seeking an exemption from the requirement to hold a network licence under the *Electricity Reform Act* with respect to its limited network of medium voltage (11 kV) cables and Intake Switching Stations (ISSs).
2. On 2 April 2019, the Commonwealth of Australia, represented by the Department of Defence, entered into a Power Purchase Agreement ('PPA') with Assure Energy ('the Power Producer') in respect of a project involving the design, construction, operation and finance of two on-base solar photovoltaic power stations and associated battery installations. Those power stations are to be located at the Defence sites Robertson Barracks (10.874 MW) and RAAF Base Darwin (3.62 MW) under a 20-year offtake agreement (**the Project**).
3. On 1 November 2019, and following extensive discussions with Power and Water Corporation ('PWC') representatives, Defence formally notified the Power Producer that it had elected to pursue a commercial 'take or pay' arrangement, as set out in the PPA contract. That option provided for the solar PV system being capable of exporting to PWC's network. Under this configuration, Defence will receive electricity from the Power Producer which would primarily be used to meet Defence's load 'behind the meter' at Robertson Barracks and RAAF Base Darwin. Residual energy not used by those Bases will be sold exclusively to a licensed electricity retailer via the connection points at each Base.
4. The Department of Defence believes that the Project will deliver on key strategic objectives including the strengthening of Base energy security, achieving taxpayer 'value for money' and further promoting sustainable Defence Estate policies. This licence application is an important step in delivering on those objectives for the Commonwealth.
5. Please do not hesitate to contact me should you have any questions in relation to this application.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A O'Connor', is positioned above the typed name.

Allan O'Connor

Assistant Director

Directorate of Environmental Resource Management and Sustainability
Environmental and Engineering Branch

Department of Defence
BP26-02 Brindabella Park
Canberra ACT 2609

12 December 2019



Enclosure:

1. Application to Utilities Commission of the Northern Territory for retail license and exemption from network license.

No.	General	Required Information	Applicant's Response
1. Legal Identity			
		Full legal name of the applicant:	Commonwealth of Australia, represented by the Department of Defence ('Commonwealth')
		ABN/ ACN:	68 706 814 312
		Registration jurisdiction:	ACT
2. Contact Details			
		Name and title of a nominated contact officer and alternative:	Allan O'Connor (Project Director)
		Telephone, facsimile and/or email details:	Commercial-in-Confidence
		Postal address	BP 26-2-B065 26 Brindabella Circuit Canberra Airport 2609 ACT
3. Licence Types			
		Background and Type of licences:	Background On 2 April 2019 the Commonwealth, represented by the Department of Defence, entered into two Power Purchase Agreements ('PPAs') for Assure Energy ('the Power Producer') to supply electricity by solar PV generation to RAAF Base Darwin and Robertson Barracks in Darwin. The Power Stations are currently under construction. Assure Energy is a Special Purpose vehicle owned by Capella Capital.

			<p>Under this arrangement electricity will be sold to Defence 'behind the meter' primarily for use on-Base. In order to promote taxpayer value-for-money and efficient use of energy, Defence is seeking to export residual energy not used on-Base to Power and Water Corporation's ('PWC') electricity network. Defence proposes to sell this surplus energy exclusively to a licensed electricity retailer. At present this licensed electricity retailer will be Jacana Energy.</p> <p>At Robertson Barracks the electricity will be transported from the solar farm's via high voltage cables owned by Assure Energy to Defence-owned Intake Switching Stations (ISSs) at three separate connection points. This reflects the internal solar farm configuration being split into three distinct systems: Robertson Barracks A, Robertson Barracks B and Robertson Barracks C. When the Defence load on Base is greater than the solar generation, the generated electricity will be exclusively used by Defence on-site. However where the solar generation is greater than the Defence load, the electricity is proposed to pass from Assure Energy high voltage cables, through the Defence-owned ISS, to the PWC-owned and operated electricity network.</p> <p>At RAAF Base Darwin, the electricity will be transported from the solar farm via high voltage cables owned by Assure Energy to the Defence-owned Central Emergency Power Station (CEPS) switchboard. From there, the electricity will travel via an internal interconnector to the Intake Switching Stations (ISS). The proposed arrangement for use of that electricity is the same as for Robertson Barracks above.</p> <p>The Robertson Barracks and RAAF Darwin power stations will be designed, constructed and operated to comply with the relevant Australian Standards, Codes of Practice and NT Electrical Regulations.</p> <p>System Export Considerations</p> <p>In late 2019, after close consultation with technical advisers, Defence exercised its contractual right to enable the solar PV system to export to the grid. The key considerations that prompted this decision included:</p> <ul style="list-style-type: none">• Compliance with the updated NT Generator Performance Standards ('GPS') was more achievable using an export rather than non-export configuration; and• Financial analysis suggested that an exporting system provided better taxpayer 'value for money'. <p>It should be noted however that Defence receives better project financial value from consuming all energy produced 'behind the meter'. The Feed-in Tariff rate received by Defence from export to the grid is less than the Contract Energy Rate that Defence pays the Power Producer for generated electricity. For that reason, Defence would seek to minimize the export of electricity to the grid wherever possible.</p>
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		<p>Retail License Application</p> <p>It is noted that the arrangement described above could mean that Defence is considered to be 'selling electricity' and so would require a license under section 14(3)(c) of the <i>Electricity Reform Act 2000</i> (NT) ('the Act').</p> <p>Defence is therefore seeking a license to sell electricity under the Act. However, a large number of the standard conditions of a license to sell electricity include requirements relating to managing contestable and non-contestable customers which would not be appropriate for Defence's proposed operations. For that reason, Defence is seeking exemptions to a number of the potential license conditions set out in sections 24 and 28 of the Act.</p> <p>Network Licence Exemption</p> <p>It is also noted that the arrangement described above could mean that Defence is considered to be 'owning or operating an electricity network or a dedicated connection asset' and so require a license under section 14(3)(b) of the <i>Electricity Reform Act 2000</i> (NT).</p> <p>Defence submits that requiring a network license for the proposed operations would be a narrow reading of the legislation that would not promote the Objects of the Act. For that reason, Defence is requesting that the Utilities Commission exercise its powers under section 87 of the Act to grant an exemption from Defence requiring a network license.</p>	
	Proposed date to have the licence issued:		10 March 2020
	Details of the facilities and the area concerned in which the licence activities are to be carried on:		<p>The Robertson Barracks and RAAF Darwin power stations will be two ground mounted solar PV facilities with individual capacities of approximately 10.874MW and 3.62MW each. They will be built on Commonwealth land within the Robertson Barracks and RAAF Base Darwin indicated in the satellite pictures below.</p> <p>Pursuant to sections 15(3) of the <i>Electricity Reform Act 2000</i> (NT), the applicant seeks a single Retail Licence covering each of the facilities. We consider that the one licence is most appropriate because:</p> <ul style="list-style-type: none"> - the facilities will be managed as the one project; - each will be constructed together and have the same technical capabilities and components (although they have different installed capacities); and - each may (in an export scenario) connect to the same Network (Darwin – Katherine interconnected transmission system).

			
			
		<p>Cable Route</p>	<p>Refer to the attached MV cable route drawings for Robertson Barracks and RAAF Base Darwin (Annexure 4).</p> <p>Commercial-in-Confidence – Annexure 4 redacted</p>
		<p>Construction schedule:</p>	<p>Refer to the attached Construction Schedules from Assure Energy for Robertson Barracks and RAAF Darwin (Annexure 1).</p> <p>Commercial-in-Confidence – Annexure 1 redacted</p>
		<p>The term (in years) for which the applicant wishes to apply:</p>	<p>Thirty (30) years.</p>

4.	Licensee Details		
Provide evidence to show:	Residency in Australia:	The Department of Defence represents the Commonwealth of Australia.	
	Capacity of applicant to be sued in their own name in an Australian Court:	The Department of Defence can be sued in its own name in an Australian court.	
	Applicant is not under external administration:	The Department of Defence is not under any external administration, including receivership or liquidation.	
	Evidence that the applicant is able to finance the assets and investments necessary to undertake the licensed activities	<p>The Department of Defence, representing the Commonwealth of Australia, is able to finance the assets necessary for the solar PV facilities to connect to the PWC network. Defence also has the resources to manage its own internal electricity network and to manage the necessary interfacing between PWC and the licensed electricity retailer as part of these arrangements. This technical capacity has been demonstrated over a number of years of operating high voltage networks on Bases all over the Northern Territory. Defence's financial capacity is backed by the Commonwealth of Australia.</p> <p>Defence has also ensured that a rigorous assessment of financial capacity was completed on the Power Producer prior to signature of the PPA contracts. Assure Energy Asset Pty Ltd (as trustee for the Assure Energy Asset Trust) is the parent entity of the special purpose vehicles (SPVs) Assure Energy NT Robertson Pty Ltd (as trustee for the Assure Energy NT Robertson Trust) and Assure Energy NT Darwin Pty Ltd (as trustee for the Assure Energy NT Darwin Trust) which are the contracted entities of each Power Purchase Agreement for Robertson Barracks and RAAF Base Darwin respectively.</p> <p>The Assure Energy SPVs are managed by Capella Capital and are wholly-owned subsidiaries of Lendlease Infrastructure Investment Pty Ltd (LLII) which is a wholly-owned subsidiary of Lendlease Corporation Limited.</p> <p>More information on the financial capacity of Assure Energy can be found in its separately submitted generator license application.</p>	
	For new entities, detailed cash flow analysis for five years based on projected sales scenarios, including details of the assumptions, information source/s and customer analysis underlying the scenarios:	<p>The Department of Defence is an established entity under the Commonwealth of Australia and so this information is not viewed as required.</p> <p>Defence has however provided its projected revenue and expenditure resulting from permission to sell electricity to a licensed retailer in this application.</p>	

		Where the applicant is a subsidiary company, audited financial reports for the parent company	Not applicable to the Department of Defence.
		If the applicant is a wholly owned subsidiary of another company, or one of a group of related companies, provide summary information about the parent company and the ownership structure of the related companies:	Not applicable to the Department of Defence.
		Copies of any information submitted to ASIC under chapter 2M of the <i>Corporations Act 2001</i> over the past three years:	Not applicable to the Department of Defence.
		The directors, senior management and major shareholders should be made known to the Commission:	<p>An overview of Defence's organization and key personnel can be found in Annexure 2.</p> <p>Within the Estate and Infrastructure Group are the Infrastructure Division and the Service Delivery Division. The Infrastructure Division contains the Environment and Engineering Branch, which itself encompasses the Directorate of Environmental Resource Management and Sustainability (DERMS).</p> <p>Allan O'Connor is the Project Director and Assistant Director of DERMS.</p> <p>Kevin Woods is the Assistant Director of the Directorate of Estate Energy and Environmental Service Delivery.</p> <p>Brigadier Jason Walk is the Director General of Estate Service Delivery, which is in charge of administering Defence's utilities and retail contracts.</p>
		Projected revenue and expenditure figures for at least five years:	<p>An overview of Defence's projected revenue and expenditure resulting from operations under a license to sell electricity can be found in Annexure 3.</p> <p>Commercial-in-Confidence – Annexure 3 redacted</p>
		Information about assumptions, risks and risk management	<p>In Defence's view, the key risks and risk management strategies are of a technical nature, unrelated to the ambit of this application in seeking a license to sell electricity.</p> <p>With respect to limiting commercial risk, Defence intends to enter</p>

		<p>strategies;</p>	<p>into commercial arrangements with licenced electricity entities only. As such, risks are predominantly of a contractual and financial nature subject to agreements between sophisticated and well-informed entities with similar negotiating capability. The terms and conditions of electricity sales are addressed under Defence's current retail contract with Jacana Energy. This contract was subject to significant negotiation and legal review. Defence is confident that this contract adequately mitigates any risks that could arise in the retail contracting context.</p> <p>Similarly, the Power Purchase Agreements were subject to significant negotiation and legal review and contain numerous provisions allocating responsibilities and obligations including correct facility operation, failure to comply with relevant Codes or Standards and inadvertent damage to Defence property.</p> <p>A long-term business case for selling electricity in this context was established and reviewed consistent with Defence internal policies. Defence has the financial capacity to manage residual commercial risks over the term of the Power Purchase Agreements and the current retail contract.</p>
		<p>For retail licences the applicant is to provide documentary evidence the applicant has the necessary financial capability to discharge all financial obligations to the suppliers of wholesale electricity, network access services and metering services that would arise from the reasonable expected sate of electricity by the applicant. This is to include an investment grade credit rating for long-term unsecured counterparty obligations or evidence the applicant has entered into arrangements with a financial institution capable of providing suppliers with acceptable security in the form of a bank guarantee (or an</p>	<p>Given that Defence's financial capacity is backed by the Commonwealth of Australia, documentary evidence of capacity to meet and discharge financial obligations is not viewed as necessary in the context of this application.</p> <p>The Department of Defence is a party to an existing contract with the Power Producer (the wholesale supplier of electricity), to a Connection Agreement with network service provider Power and Water Corporation that is in its final draft form, and to an existing retail contract with licensed electricity retailer Jacana Energy. These documents have been negotiated between sophisticated parties with full legal review.</p> <p>Defence has the capability to fully discharge any relevant financial obligations arising under a retail license.</p>

		equivalent facility).	
5.	Nature of Industry Participation		
		<p>The applicant should provide general information about its existing activities, both within and outside the electricity industry.</p>	<p>The Department of Defence, representing the Commonwealth of Australia, has two chief goals:</p> <ol style="list-style-type: none"> 1. Defend Australia and its national interests; and 2. Protect and advance Australia’s strategic interests. <p>The Northern Territory (NT) is an important strategic location for Defence. Defence industry continues to make a substantial contribution to the NT economy through direct and indirect employment and demand for local goods and services. The defence industry also generates economic activity through major operations and exercises held in the NT, along with major capital infrastructure projects, many of which engage local businesses. In 2017-18, total defence expenditure contributed 8.4% to the NT’s gross state product (GSP) or approximately \$2.1 billion, in inflation-adjusted terms.</p> <p>Defence has implemented solar PV technology at a number of sites around Australia:</p> <ul style="list-style-type: none"> • Battery and solar microgrid - <i>Bathurst Island, NT</i>; • Battery and solar microgrid – <i>Delamere Weapons Range, NT</i>; • Battery and solar and wave microgrid – <i>Garden Island, HMAS Stirling, WA</i>; • Solar PV – <i>Geraldton, WA</i>. <p>Defence is also actively investigating the implementation of solar PV at a number of other sites across Australia.</p> <p>As will be outlined further below, the Department of Defence is one of the largest electricity users in Australia, consuming over 1 TWh of grid electricity per year. Given the scale of operations in the electricity sector, Defence employs a number of experts both internally and externally to advise it on key issues within the industry.</p>
		<p>Summarise the reasons why it intends to participate in the Northern Territory electricity industry and the broad nature of that participation.</p>	<p>Defence is continuously striving to balance environmental obligations, energy security measures and taxpayer value-for-money to deliver the best outcomes for the people of Australia. Renewable energy is a crucial piece of that picture. The key drivers for Defence in implementing renewable energy on-Base are:</p> <ul style="list-style-type: none"> • <u>Reduced environmental footprint</u>: Building renewable energy capability on key Bases reduces Defence’s environmental footprint and promotes the transition to cleaner energy; • <u>Energy security</u>: When managed appropriately, renewable energy can provide important energy security benefits to key Defence bases. This is an important part of Defence’s security objectives; • <u>Taxpayer value-for-money</u>: Buying renewable energy at rates cheaper than the general market under Power Purchase Agreements promotes efficient spending of

			<p>taxpayer funds, allowing Defence to better achieve its key objectives.</p> <p>There will be periods of time when the energy generated on Base by the solar PV will be larger than the Base's electrical load. In order to maximise taxpayer value-for-money, Defence is seeking the capability to export this surplus energy to PWC's electricity network under a feed-in tariff rate agreed upon with a licensed electricity retailer (currently proposed to be Jacana Energy). It should be noted that Defence has strong financial incentives to use all energy generated on-Base, and will only be seeking to export where that energy cannot be used on-site.</p>
		Explain how the granting of a licence would be consistent with those requirements:	The granting of a retail licence will allow Defence to on-sell excess electricity to a licensed electricity retailer, promoting the efficient expenditure of taxpayer funds and making use of electricity that would otherwise be curtailed.
		List authorisations held in other jurisdictions	The applicant does not hold electricity authorisations in other jurisdictions.
6. Technical Capacity			
Applicant must show that they have the technical capacity to comply with the likely conditions of the licence and any associated codes and guidelines published at the time. This must include (but not limited to):			
		<ul style="list-style-type: none"> ➤ the Generator Performance Standards 	<p><u>Administration of retail contract and license obligations</u></p> <p>The Department of Defence's Estate & Infrastructure Group ('E&IG') delivers a range of support services where Defence works, trains and lives across Australia. Defence's large national asset base of over 300 major sites means that a wide variety of expertise is required to administer the delivery of electricity, water and other key services. E&IG collect and monitor data on Defence's electricity usage as well as administering retail contracts with the relevant electricity provider.</p> <p>In particular, Defence is a large energy user, consuming over 1 TWh of electricity from the grid annually. The questions of how to interface with utilities, manage on-site HV infrastructure and deliver 'value for money' retail contract options are handled by E&IG every day at sites around Australia. This high level of knowledge is reflected in the fact that Defence often performs energy procurement for other Federal Government agencies.</p> <p>E&IG will ensure that Defence brings the requisite level of regulatory and technical knowledge to enable effective administration of the license conditions.</p>
		<ul style="list-style-type: none"> ➤ the System Control Technical Code 	
		<ul style="list-style-type: none"> ➤ the Network Technical Code. 	
		<ul style="list-style-type: none"> ➤ The Electricity Standards of Service Code. 	
		<ul style="list-style-type: none"> ➤ The relevant sections of the National Electricity Rules that apply in the Northern Territory 	
		<ul style="list-style-type: none"> ➤ requirement to develop and maintain a safety management and mitigation plan, which must be consistent with and reflect 	

		<p>good electricity industry practice in relation to safety management of electricity infrastructure owned by the applicant</p>	<p><u>Electrical engineering knowledge</u></p> <p>The parties within the Assure Energy consortium have the relevant specialist knowledge and technical capacity to ensure safe and reliable operation of the Power Station. To ensure that requirements around technical capacity and licencing conditions are met, Defence has developed robust contractual protections with the Power Producer covering technical obligations under relevant Codes, Standards and Regulations.</p> <p>The Power Producer, as owner of the generation assets, will be primarily responsible for technical maintenance and good electricity industry practice in dealing with the assets. Assure Energy will be the contractual interface and deliver its obligations by passing them through to its subcontractors via an Engineering, Procurement and Construction (EPC) contract and an Operations and Maintenance (O&M) contract, to Lendlease Services Pty Limited.</p> <p>Lendlease Services Pty Limited will engage specialist design consultants and subcontractors to assist with certain technical elements. Assure Energy will also engage with key specialist consultants such as Sol Systems to assist with particular technical requirements.</p> <p>A brief overview of these parties is given below:</p> <p>Capella Capital (SPV/ Asset Manager): Capella Capital, a Lendlease subsidiary, is an industry leader in delivering value to governments by bringing together infrastructure development, design, construction, and operation solutions that deliver on objectives and satisfy each party's risk and reward requirements. Capella has successfully delivered on a range of projects including the Sydney International Convention Centre, Sunshine Coast University Hospital and New Bendigo Hospital.</p> <p>Lendlease Services (EPC/ O&M Contractor): has delivered over 2,000MW of gas fired power station Balance of Plant, and 63MW of wind. Currently delivering the Summerhill Solar Farm (5MW) and Warwick Solar Farm (64MW) for the University of Queensland. Recently completed the Northam Solar Farm (10MW) project in WA. Currently delivering a range of battery solutions in NSW and WA.</p> <p>E&IG also contracts HV Controller services via its Northern Territory Estate Maintenance & Operational Services (EMOS) contractor, Broadspectrum. Broadspectrum already operate the on base 11kV electrical network to all relevant codes and standards on Defence's behalf.</p>
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In order to demonstrate technical capacity to the Commission, applicants should provide:		
	<p>➤ details of their experience in and knowledge of the electricity industry:</p>	<p>As detailed above, Defence is one of the largest energy users in Australia and the largest energy user within the Federal Government. It has significant resources, knowledge and skill in dealing with the electricity industry to deliver on its core objectives.</p> <p>More recently, Defence has also been moving to improve the energy security of key assets by building on-site generation. In particular, recent projects that have been completed on Defence land and are currently operational include:</p> <ul style="list-style-type: none"> • Battery and solar microgrid - <i>Bathurst Island, NT</i>; • Battery and solar microgrid – <i>Delamere Weapons Range, NT</i>; • Battery and solar and wave microgrid – <i>Garden Island, HMAS Stirling, WA</i>; • Solar PV – <i>Geraldton, WA</i>. <p>Defence has the requisite organizational knowledge in procuring, generating and dealing in electrical power to allow it to continue, through this project, to further its strategic and operational objectives.</p>
	<p>➤ a summary of the skills and experience of the directors and senior managers, and their relevance to meeting the requirements of the licence</p>	<p>Allan O'Connor – Project Director</p> <p>Allan is the Assistant Director of the Directorate of Environmental Resource Management and Sustainability. He has been pivotal in the delivery and negotiation of key Defence renewable energy projects in Western Australia, South Australia and the Northern Territory. Allan's broad knowledge of project commercial considerations, regulatory issues and technical concerns means that he is well-placed to deliver this Project on behalf of Defence.</p> <p>Kevin Woods – Assistant Director, Directorate of Estate Energy and Environmental Service Delivery, Service Delivery Division</p> <p>Kevin is an Assistant Director of the Directorate of Estate Environment and Energy Service Delivery. Kevin is responsible for utility procurement across Australia, including building and maintaining key relationships with utilities in the Northern Territory on Defence's behalf.</p> <p>Recently, Kevin took the lead in negotiating a new retail contract for Defence with the licensed electricity retailer Jacana Energy. Kevin and his team's intimate knowledge of regulatory and commercial considerations in the NT retail electricity market will be a key factor in Defence meeting its retail license obligations.</p> <p>Energetics</p> <p>Defence retain Energetics' services for advice on energy markets, energy contract procurement options, electricity market obligations and the promotion of energy efficiency measures.</p> <p>Energetics is a specialist energy and carbon management consultancy. For 35 years Energetics have advised all levels of government and ASX200 businesses on leading approaches to</p>

			<p>energy markets, clean energy technology investments and climate-related risk management strategies. Energetics offers a team of >50 energy sector specialists with diverse skills across engineering, economics, energy market regulations, finance and renewable energy project development. Energetics team has experience trading in the wholesale energy markets, energy markets risk management, energy market stakeholder engagement, and operationalising complex market regulatory obligations.</p> <p>Defence also contracts a range of other Consultants and Service Providers to manage the electrical requirements of its vast estate. These Consultants and Service Providers are on hand to provide support as required.</p> <p>Energetics and the other contractors will work with Allan, Kevin and the broader Defence team to ensure that all conditions of the retail license are understood and implemented where needed.</p>
		<p>➤ 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 entity's experience in and knowledge of the electricity industry, and technical capability to meet the relevant requirements of the licence:</p>	<p>The generation facilities will be owned by Assure Energy and operated by Lendlease Services. Defence has a Power Purchase Agreement with Assure Energy covering construction and the operations and maintenance ('O&M') phases. Assure Energy has an O&M agreement with Lendlease Services. Lendlease provides the staff and resources to Assure Energy to operate the two solar projects.</p> <p>However, Defence's Estate & Infrastructure Group will be responsible for the administration of the retail contract with the licensed electricity retailer and ensuring that any licensing obligations are met.</p>
		<p>➤ Evidence that negotiation of relevant agreements necessary to undertake electricity operations in the Northern Territory (e.g. network access agreement, power purchase</p>	<p>Power Purchase Agreements</p> <p>On 2 April 2019 Defence entered into two PPAs for Assure Energy to supply Renewable Energy for the RAAF Darwin and Robertson Barracks bases in Darwin, Northern Territory. The Power Stations are currently under construction, to be delivered on Commonwealth Land on these Bases.</p> <p>Combined Generator User and Load User Agreements (Network Access Agreements)</p> <p>Defence are actively engaging Power and Water Corporation</p>

		<p>agreements, provision of standby agreements) is well advanced and that no substantive issues have been identified that would stop such agreements being executed.</p>	<p>(PWC) in relation to Combined Generator User and Load User Agreements. The legal framework of these agreements has been finalised. Subject to agreement on the Declared Sent-Out Capacity ('DSOC') and harmonic allocations, it is expected that these Agreements will be executed before the end of 2019.</p> <p>Agreement with the licensed electricity retailer (Jacana Energy)</p> <p>Defence have recently re-negotiated the retail contract with Jacana Energy in the Northern Territory. As part of that process, Jacana Energy have agreed in-principle to Defence selling surplus energy to them from solar PV at Robertson Barracks and RAAF Base Darwin. Jacana Energy have also provided Defence with an indicative confidential feed-in tariff rate.</p>
		<p>➤ Description of the physical environment of the proposed operation and its immediate vicinity.</p>	<p>The Robertson Barracks and RAAF Darwin power stations will be built on Commonwealth land within the Robertson Barracks and RAAF Base Darwin. The power stations will be located within allocated parcels of land of approximately 9.5 and 5 hectares respectively.</p> <p>Robertson Barracks is located approximately 15 kilometres east of the City of Darwin on an area of over 700 hectares. The Barracks is a purpose-built facility that supports Army's mechanised and army aviation operations and is the largest single military base in the Darwin region.</p> <p>RAAF Base Darwin is one of the main forward operating bases for the Royal Australian Air Force. The base covers an area of over 1,200 hectares and is located 5 kilometres north east of the Darwin CBD. The main runway at the base is shared with Darwin International Airport.</p>
		<p>➤ Description of the supply infrastructure systems</p>	<p>The Robertson Barracks and RAAF Darwin power stations will be 'behind the meter' ground mounted fixed tilt solar PV facilities with individual capacities of approximately 10.874MW and 3.62MW each connected to the Defence electrical network.</p>
<p>7. Cross – Ownership and Ring – Fencing</p>			
		<p>The basis on which services and resources will be transacted between relevant operating areas of the applicant, or the applicant and other related entities.</p>	<p>The services and resources transacted between Defence and the Power Producer are governed by a detailed PPA contract.</p> <p>Within Defence, the Estate Maintenance and Operation Support ('EMOS') contractor will manage the technical interface between Defence and the Power Producer's solar PV, as well as the Defence HV network and the broader PWC network.</p> <p>From a retailing standpoint, Defence's Estate & Infrastructure Group will liaise with licensed electricity retailers to manage the delivery of electricity to the grid.</p>

		In the case of applicants that are wholly owned subsidiaries, proposed audit arrangement for the applicant and whether separate reports for the licensed entity and its parent are to be prepared and made publicly available	Not applicable.
		other guidelines or standards relating to financial separation, ring fencing, and separate audit arrangements, which the applicant intends to follow	Not applicable.
8.			
		Where the applicant is seeking particular licence conditions, the nature and reasons for seeking these conditions should be explained:	Defence is seeking exemptions from a number of retail license conditions on the basis that those conditions are not suitable to the circumstances of this Project. The reasons for those exemptions or modifications to particular license conditions are set out in Section 9 below.
9.	Exemptions		
		Where an applicant seeks any regulatory exemptions or modifications, the nature and reasons for seeking these exemptions or modifications should be explained	<p><u>Exemptions from certain general license conditions</u></p> <p>Defence is seeking an exemption from the following general license conditions set out in s 24(1) of the <i>Electricity Reform Act 2000</i> (NT):</p> <ul style="list-style-type: none"> • (c) relating to the electricity entity's financial or other capacity to continue operations under the license; • (d) requiring the electricity entity to have all or part of the operations authorised by the license audited and to report the results of the audit to the Utilities Commission; • (e) requiring the electricity entity to notify the Utilities Commission about changes to officers and, if applicable, major shareholders of the entity; • (f) requiring the electricity entity to comply with the requirements of any scheme approved and funded by the Minister for the performance of community service obligations by electricity entities. <p>The reasons for seeking these exemptions are set out below:</p>

		<p><i>(c) relating to the electricity entity's financial or other capacity to continue operations under the license.</i></p> <p>The Commonwealth will always have the financial capacity to meet its obligations under a proposed license. Defence, representing the Commonwealth, does not view finance-related license conditions as necessary to good governance under the Act.</p> <p><i>(d) requiring the electricity entity to have all or part of the operations authorised by the license audited and to report the results of the audit to the Utilities Commission.</i></p> <p>Defence intends to trade and sell electricity exclusively with licensed electricity entities such as the currently contracted electricity retailer, Jacana Energy. These contractual arrangements will be between sophisticated and well-informed entities with similar negotiating capability. The risk profile of these restricted activities to other market participants and consumers is low.</p> <p>It is noted that the Power Producer currently has an application for a generator license pending with the Utilities Commission. In Defence's view, the reporting requirements under that license will provide the Utilities Commission with substantial technical and commercial information around the operation of the generation facilities. Defence proposes to provide the Utilities Commission with information on the technical and commercial information relating to the proposed relationship between the licensed electricity retailer and Defence that would not fall within the Power Producer's generator license reporting obligations.</p> <p>The information that Defence proposes to retain for reporting purposes includes:</p> <ul style="list-style-type: none"> • Applicable feed-in tariff rate; • Export metering data; and • Financial records relating to these export energy transactions. <p>These records reflect that the selling of electricity by Defence to the licensed electricity retailer in this instance resembles a direct private transaction.</p> <p>Defence proposes that the information set out above may be provided on request to the Utilities Commission.</p> <p><i>(e) requiring the electricity entity to notify the Utilities Commission about changes to officers and, if applicable, major shareholders of the entity.</i></p> <p>Defence does not view this subsection as appropriate for application to the Commonwealth, or to Defence in particular.</p> <p><i>(f) requiring the electricity entity to comply with the requirements of any scheme approved and funded by the Minister for the performance of community service</i></p>
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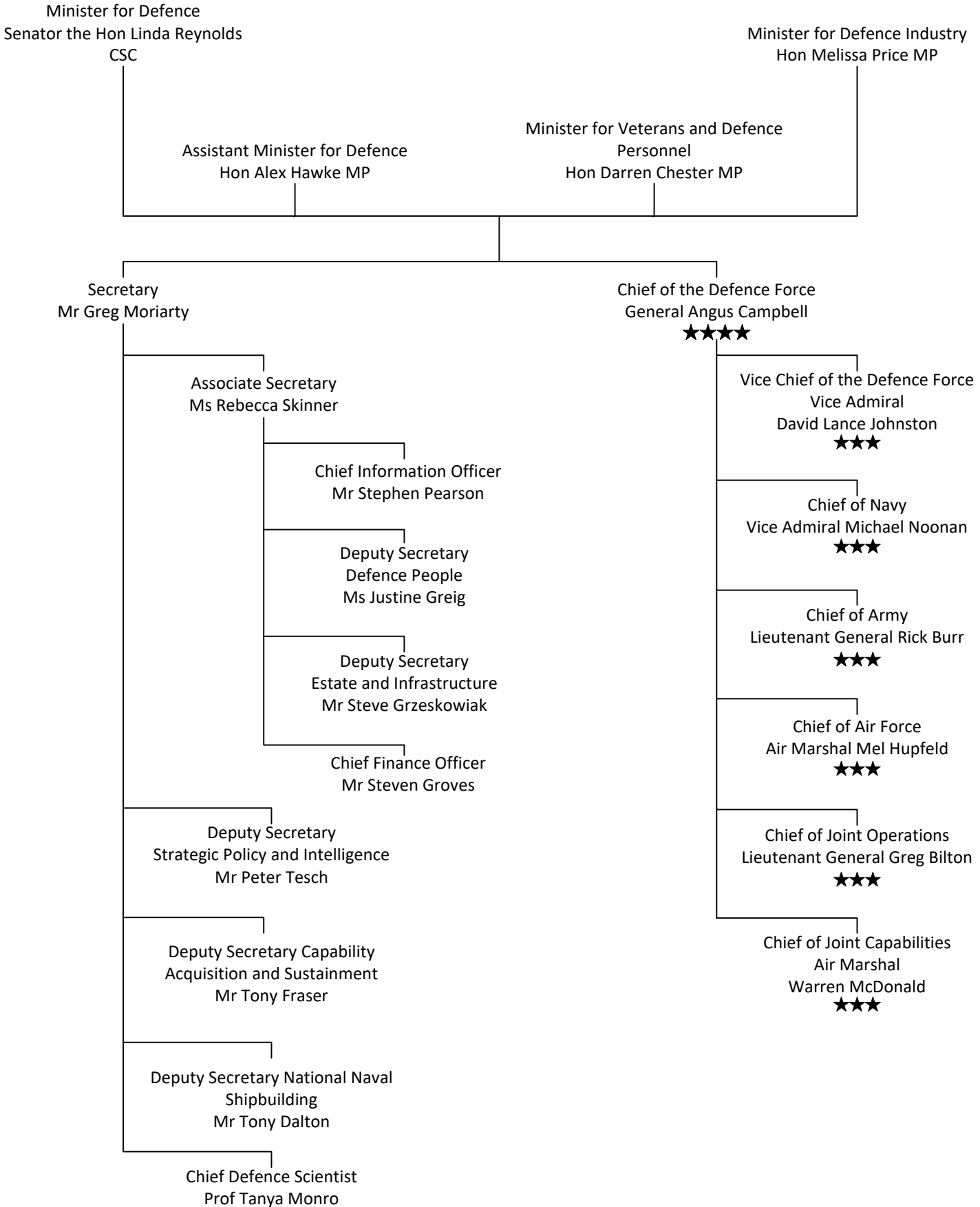
			<p><i>obligations by electricity entities.</i></p> <p>Defence intends to trade and sell electricity exclusively with licenced electricity entities such as the currently contracted electricity retailer, Jacana Energy. Defence will not be selling electricity to non-contestable customers. On this basis Defence does not envisage being presented with a situation where a CSO is applicable.</p> <p><u>Exemptions from retail license conditions</u></p> <p>The applicant is seeking an exemption from the following license conditions on the selling of electricity, as set out in s 28(1) of the <i>Electricity Reform Act 2000</i> (NT):</p> <ul style="list-style-type: none"> • (b) - Requiring the electricity entity to sell electricity to non-contestable consumers who own or occupy premises within its retail area on application by non-contestable consumers; • (c) - Requiring the electricity entity to sell electricity to non-contestable customers on fair and reasonable terms (which terms may differ between customers or classes of customers); • (e) - If the electricity entity sells electricity to contestable customers – requiring the electricity entity to take reasonable steps to ensure that it has in place at all times arrangements to generate and supply electricity to these contestable customers. • (j) requiring the electricity entity to enter into and comply with an agreement (on terms approved from time to time by Utilities Commission) with each electricity entity holding a license authorising the generation of electricity and the operation of that electricity network that provides services to the customers supplies by the entity as to the coordination and provision of services to those customers, including arrangements whereby any complaint that a customer has about the quality of the services being supplied is taken up by the electricity entity with those electricity entities on the customer's behalf. <p>The reasons for seeking these exemptions are set out below:</p> <p><i>(b) Requiring the electricity entity to sell electricity to non-contestable consumers who own or occupy premises within its retail area on application by non-contestable consumers.</i></p> <p>Defence is proposing to sell electricity exclusively to licenced electricity entities such as the currently contracted electricity retailer, Jacana Energy. As Jacana Energy is an 'electricity entity' it is a contestable customer, per section 6(3) of the <i>Electricity Reform (Administration) Regulations 2000</i> (NT). This subsection is therefore not applicable to the nature of this relationship.</p> <p>It is also noted that from section 6(4) of the <i>Electricity Reform (Administration) Regulations 2000</i> (NT) that from 1 April 2010 all customers are contestable customers.</p>
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			<p><i>(c) Requiring the electricity entity to sell electricity to non-contestable customers on fair and reasonable terms (which terms may differ between customers or classes of customers).</i></p> <p>See response for (b) above.</p> <p><i>(e) - If the electricity entity sells electricity to contestable customers – requiring the electricity entity to take reasonable steps to ensure that it has in place at all times arrangements to generate and supply electricity to these contestable customers.</i></p> <p>Defence has entered into a Power Purchase Agreement with Assure Energy for the generation and supply of electricity.</p> <p>Assure Energy’s pending generation license application covers all technical elements of the capacity of the generation facilities to generate and supply electricity.</p> <p>Defence is confident that it currently has adequate legal arrangements in place to ensure that all reasonable steps are taken to provide a secure electricity supply to Jacana Energy. Given the supply will be for surplus energy only, the supply of electricity to Jacana Energy will be inherently variable and thus not used for base load power.</p> <p><i>(j) requiring the electricity entity to enter into and comply with an agreement (on terms approved from time to time by Utilities Commission) with each electricity entity holding a license authorising the generation of electricity and the operation of that electricity network that provides services to the customers supplied by the entity as to the coordination and provision of services to those customers, including arrangements whereby any complaint that a customer has about the quality of the services being supplied is taken up by the electricity entity with those electricity entities on the customer’s behalf.</i></p> <p>Defence currently holds an existing retail contract with Jacana Energy that allows the sale of electricity at an agreed rate. Defence also has an existing contract with the proposed generator (Assure Energy) governing the availability of supply and the minimum generation required annually. Power Water Corporation and Defence are, at the time of the submission of this application, in the closing stages of finalising a Connection Agreement dealing with Defence’s access to the grid at Robertson Barracks and RAAF Base Darwin.</p> <p>It is submitted that the licensed electricity retailers (‘the customer’) to whom Defence will be selling electricity, including Jacana Energy, are sophisticated commercial participants capable of defending their interests. The detailed retail contract between Jacana Energy and Defence sets out in detail how disputes are to be managed.</p> <p>Defence proposes that these contracts adequately deal with the possibility of customer complaint in the supply of electricity to the licensed retailer, and that the regular oversight of the NT Utilities Commission is not required to ensure fairness in these</p>
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			<p>circumstances.</p> <p><u>Exemption from requirement for network license</u></p> <p>The applicant is seeking an exemption from the requirement to hold a license for owning or operating an electricity network under s 14(1)(b) of the <i>Electricity Reform Act 2000</i> (NT).</p> <p>1. Legal background</p> <p>A license is required for ‘<i>owning or operating an electricity network or a dedicated connection asset</i>’ (s.14(b), <i>Electricity Reform Act 2000</i> (NT)).</p> <p>‘Electricity network’ is defined by section 4 of the <i>Electricity Reform Act 2000</i> (NT) to mean ‘<i>the assets that together are operated by the network provider for the purposes of transporting electricity from generators of electricity to a transfer point with another network or to consumers of electricity</i>’.</p> <p>The Power Producer will own all Generation Facilities and the HV cabling from those facilities to the Intake Switching Stations (ISSs) on Defence-owned land. From these ISSs, the power may be directed through the switchboard to Defence loads, or out to the PWC network. It is acknowledged that the electricity, in some periods of time, will be flowing from the Power Producer through Defence ISSs and into PWC’s broader electricity network. This could lead to the individual ISSs being classified as separate ‘electricity networks’ for the purposes of the Act. The single line diagram of Robertson Barracks and RAAF Base Darwin in Annexure 5 shows this configuration of PV feeders with Defence ISSs and the wider PWC network.</p> <p>Commercial-in-Confidence – Annexure 5 redacted</p> <p>Defence seeks an exemption from the requirement to obtain a license to own and operate an electricity network in this instance, if the ISSs were so classified.</p> <p>2. The case for an exemption</p> <p>To establish a case for an exemption from the requirement to obtain and maintain a network license, Defence believe that some key points must be made out:</p> <ul style="list-style-type: none"> • Granting the exemption does not violate an Object of the Act; and • Granting of a license would not degrade the ability of the Utilities Commission and PWC to monitor electricity networks in the Northern Territory. <p>The key Objects of the Act for consideration in this instance are:</p> <ul style="list-style-type: none"> • (b) to promote the safe and efficient generation, transmission, distribution and selling of electricity; • (c) to establish and enforce proper safety and technical
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			<p>standards for electrical installations;</p> <ul style="list-style-type: none">• (f) to protect the interests of consumers of electricity. <p><i>(i) Assessing against the Objects of the Act.</i></p> <p>Defence submits that requiring a network license for each individual ISS would be a technical, narrow reading of the legislation which does not further the Objects of the Act. Each ISS is on Defence land, and is maintained and operated by trained high voltage engineers who specialise in this type of work. Rigorous safety standards relating to Defence electrical installations are enforced on these personnel to establish the highest standards of safety and technical maintenance. Being on Defence land and under strict security protocols, these installations do not interface with consumers of electricity and so have no direct effect on the general population in this regard.</p> <p>For these reasons, requiring a network license would not further promote the safe and efficient distribution and selling of electricity, enforce proper safety and technical standards or protect the interests of consumers of electricity above and beyond the procedures and protections Defence currently implements.</p> <p>It is Defence's view that granting an exemption from a network license would be a balanced and reasonable exercise of the Utilities Commission's powers under section 87 of the <i>Electricity Reform Act 2000</i> (NT).</p>
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Defence Organisational Structure Chart



Defence's two enduring purposes are:

Purpose 1: Defend Australia and its national interests

Purpose 2: Protect and advance Australia's strategic interests

★ Stars refer to ADF Star rank
As at 21 Aug 2019