

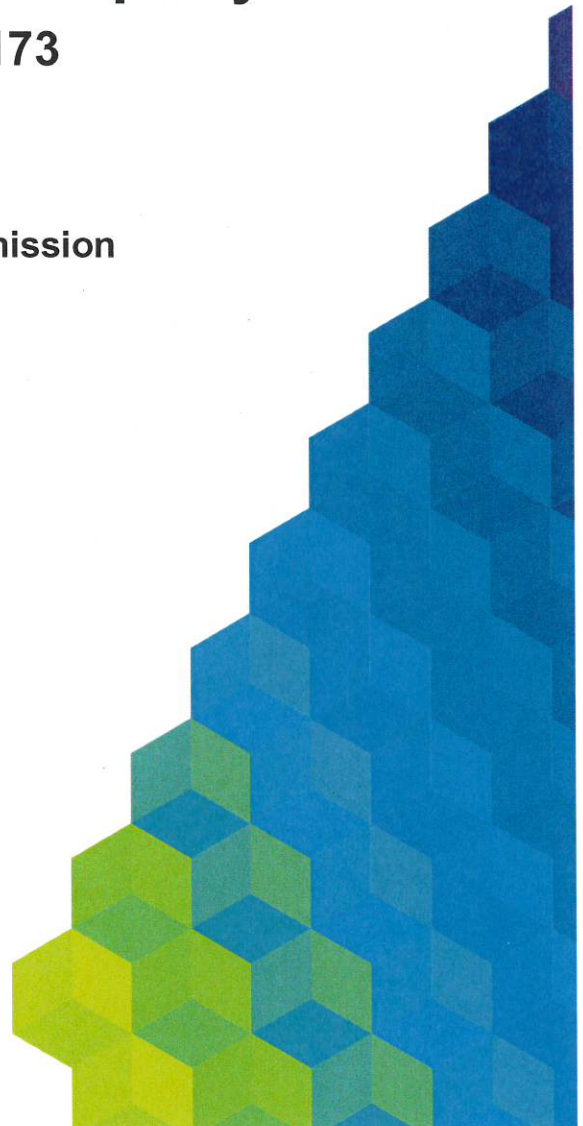
# Licence to Generate Electricity Application

**Ballarat Battery Energy Storage System**

**AusNet Transmission Group Pty Ltd**

**ABN 78 079 798 173**

Submitted to the  
Essential Services Commission  
on 22 July 2019



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## 1. BACKGROUND

The Ballarat Battery Energy Storage System (**BESS**) is a utility-scale battery energy storage project located at the Ballarat Terminal Station in Victoria. The BESS has a registered capacity of 30MW and 30MWh storage using Li-ion technology. The BESS project was successful in the Victorian Energy Storage Initiative in securing a combined \$25m in Victorian Government and Australian Renewable Energy Association (**ARENA**) funding. The BESS has been commissioned and became commercially operational on 23 December 2018.

AusNet Transmission Group Pty Ltd (**Applicant**) is the owner of, and responsible for the maintenance of, the BESS. The Applicant is exempt from registration in the NEM and Energy Australia Pty Ltd (**EnergyAustralia**) is assigned in the NEM as the intermediary for the BESS.

On 26 September 2018, the Essential Services Commission (**ESC**) issued EnergyAustralia with an electricity wholesale licence in respect of the BESS. In its application for the electricity wholesale licence, EnergyAustralia identified the roles of the participants in respect of the BESS, which are as follows:

- (a) **EnergyAustralia** has entered into a 15-year Connection Services Agreement (**CSA**) and a Battery Storage Services Agreement (**BSSA**) with the Applicant and a Use of System Agreement (**UoSA**) with AEMO. EnergyAustralia is the entity responsible for charging the BESS and discharging the BESS into the NEM. EnergyAustralia is registered with AEMO as a market generator.
- (b) the **Applicant** has entered into the CSA and BSSA with EnergyAustralia, is the owner of the BESS and is responsible for the maintenance of the BESS.
- (c) **Spotless** was responsible for the design and construction of the BESS and is the counterparty to the funding agreements with the Victorian Government and ARENA.
- (d) **Fluence** is a joint venture between AES and Siemens and is the major BESS technology provider that has supplied the battery system and will maintain and warrant the battery system under a Long Term Service Agreement (**LTSA**) with the Applicant.

The charging and discharging of the BESS is remotely controlled by AEMO, which sends communications to the BESS via its Automatic Generator Controls (AGC), when EnergyAustralia's bids into the NEM are successful. Fluence's communications systems then respond to the AGC instructions to operate the BESS. Where the NEM, or the AGC, is not operating correctly, and AEMO requires the BESS to charge or discharge, AEMO will communicate this requirement:

- (e) directly to EnergyAustralia, who will then request the Applicant under the BSSA to carry out AEMO's requirements – with such instructions ultimately being carried out by Fluence in accordance with the LTSA; and
- (f) where EnergyAustralia is not available, directly to the Applicant, who will then request Fluence to carry out AEMO's instructions in accordance with the LTSA.


As owner of the BESS, the Applicant is responsible for the availability and maintenance of the BESS for EnergyAustralia's usage. The Applicant does not have any financial interest in the commercial services that the BESS may provide, through participating in the NEM or otherwise. These rights are provided exclusively to EnergyAustralia under the BSSA.

On 13 September 2018, the Governor in Council, pursuant to section 17 of the *Electricity Industry Act 2000* (VIC), granted an exemption to the Applicant, exempting the Applicant from the requirement to obtain a licence to generate electricity for supply or sale in respect of the BESS (**Exemption**). The Exemption expires on 13 September 2019.

The Applicant applies for a generation licence in respect of the BESS based on the Applicant's ownership and maintenance obligations, and other functions, under the BSSA.

## 2. INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION

### 2.1 Applicant Information

<b>Name</b>	AusNet Transmission Group Pty Ltd
<b>ABN</b>	78 079 798 173
<b>Business Address</b>	Level 31, 2 Southbank Boulevard, Southbank, VIC, 3006
<b>Postal Address</b>	Locked Bag 14051, Melbourne City Mail Centre, Melbourne, VIC, 3001
<b>Contact Person</b>	David Beavers Project Manager Level 26, 2 Southbank Boulevard, Southbank, VIC, 3006 

### 2.2 Corporate Structure

The Applicant is a wholly owned subsidiary of AusNet Services (Transmission) Pty Ltd (ABN 48 116 124 362), which is a wholly owned subsidiary of AusNet Services Ltd (ASX: AST; ABN 45 603 317 559). The group of companies, headed by AusNet Services Ltd is known collectively as AusNet Services Group (formerly SP AusNet).

Please refer to **Attachment A** for details of the corporate structure of the Applicant.

Please also refer to:

- (a) **Attachment B** for an ASIC extract of the Applicant;
- (b) **Attachment C** for an ASIC extract of AusNet Services (Transmission) Pty Ltd; and
- (c) **Attachment D** for an ASIC extract of AusNet Services Ltd.

### 2.3 Organisational Structure

As of the date of preparing this application, the directors of the Applicant are Nino Ficca, Adam Newman and Alistair Parker and the company secretary of the Applicant is Claire Hamilton.

Please refer to **Attachment A** for details of the directors, company secretary and board composition of AusNet Services (Transmission) Pty Ltd and AusNet Services Ltd.

The key personnel responsible for key functions of the Applicant's business are the highly experienced Executive Leadership Team of the AusNet Services Group. These persons, as of the date of preparing this application, are listed in the table below. Please refer to the Directors' Report in **Attachment K** for further details regarding these persons.

<b>Name</b>	<b>Position</b>
Nino Ficca	Managing Director
Prue Crawford-Flett	Executive General Manager – Operations and Services
Matt Guthridge	Executive General Manager – Strategy & Transformation

Name	Position
Claire Hamilton	Executive General Manager – Governance and Company Secretary
Chad Hymas	Executive General Manager – Commercial Energy Services
Geraldine Leslie	Executive General Manager – People, Safety and Corporate Affairs
Adam Newman	Executive General Manager – Chief Financial Officer
Alistair Parker	Executive General Manager – Regulated Energy Services
Mario Tieppo	Executive General Manager - Technology

## 2.4 AusNet Services' Experience

The AusNet Services Group has considerable experience in owning and operating electricity transmission infrastructure in Victoria:

- (a) **Electricity transmission** – through the Applicant, the AusNet Services Group operates electricity transmission at 500kV, 330kV and 220kV across all of Victoria;
- (b) **Electricity distribution** – through AusNet Electricity Services Pty Ltd, supply is provided to approximately 670,000 customers across eastern Victoria through its electricity distribution network. This network spans approximately 50,000 kilometres across an area of 80,000 square kilometres. Its electricity distribution network operates at 66kV and lower voltages;
- (c) **Gas distribution** – through AusNet Gas Services Pty Ltd, the AusNet Services Group's gas network supplies gas to approximately 602,000 customers across central and western Victoria. This network spans approximately 9,400 kilometres across an area of 60,000 square kilometres; and
- (d) **Grid Energy Storage System** – in 2014, AusNet Electricity Services Pty Ltd commissioned a 1MW / 1MWh battery storage system (together with a 1MW diesel generator) to trial the application of a large battery storage system in the management of peak demand and other distribution network benefits such as power quality improvement.

Further, Mondo Power Pty Ltd provides end-to-end services to a variety of customers through its existing business streams, which include Data & Customer Service, Asset Management Services, Electricity & Telco Services and Water & Gas Asset Services.

## 2.5 Contracts for BESS Project

The key contracts entered into by the Applicant in respect of the BESS are set out in the table below.

Contract	Counterparty	Attachment
Design & Construction Agreement	Spotless	Attachment E
Battery Storage Services Agreement	Energy Australia	Attachment F
Connection Services Agreement	Energy Australia	Attachment G

Network Services Agreement	AEMO	Attachment H
Long Term Service Agreement	Fluence	Attachment I

In addition, EnergyAustralia and AEMO have entered into a Use of System Agreement in respect of the BESS. See **Attachment J** for a copy of the Use of System Agreement.

## 2.6 Details of Licence

- (a) The Applicant is seeking a generation licence.
- (b) The Applicant is seeking a licence from the expiry of the Exemption, being on and from 13 September 2019.
- (c) The generation licence is being sought in respect of the generation of electricity from the BESS (*please see Section 1 – Background above for further information in respect of the application*).
- (d) The Applicant proposes that the generation licence is subject to the non-standard licence condition that where the Applicant holds a licence for the transmission of electricity, the Applicant will not be permitted to sell electricity generated from the BESS.

The Applicant proposes the non-standard licence condition described in paragraph (d) above on the basis that the Applicant has no intention to ever sell electricity generated by the BESS and, consistent with the Applicant's ownership and maintenance role in respect of the BESS, seeks to clarify that intention in the generation licence.

## 2.7 Licences held by the Applicant and its Associates

Electricity and gas licences held by the Applicant and its associates are:

- (a) The Applicant holds a licence for the transmission of electricity in Victoria.
- (b) The Applicant holds a Transmission Authority from the Queensland Department of Energy and Water Supply to operate a transmission grid in Queensland and connect to Powerlink's, or any other TNSP's, transmission grid in Queensland.
- (c) AusNet Electricity Services Pty Ltd holds a licence for the distribution of electricity in Victoria.
- (d) AusNet Gas Services Pty Ltd holds a licence for the distribution of gas in Victoria.

## 2.8 Fit and Proper Person

The Applicant declares that it is a fit and proper person.

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## 3. THE COMMISSION'S OBJECTIVES

### 3.1 Commission's Objectives

The Objective of the Commission is set out under sub-sections 8(1) and (2) of the *Essential Services Commission Act 2001* (VIC) (**ESC Act**) as follows:

- (1) *In performing its functions and exercising its powers, the primary objective of the Commission is to protect the long term interests of Victorian consumers.*

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

Granting a generation licence to the Applicant is consistent with the objectives of the commission in terms of protecting the long term interests of Victorian consumers.

The licence will enable the Applicant to continue to own, maintain and otherwise perform its functions in respect of the BESS, and make the BESS available for EnergyAustralia to operate. At a high level, as outlined in Energy Australia's application for an Electricity Wholesale Licence, the BESS will typically be charged by EnergyAustralia when prices and demand are at their lowest, and discharged into the NEM by EnergyAustralia when supply is at its tightest, contributing to a reduction in prices paid by consumers. The BESS will also provide additional capacity at periods of peak demand, improving reliability of the system, and will aid system security through participation by EnergyAustralia in all eight Frequency Control Ancillary Service markets.

The BESS helps contribute to the clean energy transformation by supporting the network in north-western Victoria, the key development corridor for renewable energy in Victoria.

### 3.2 Ring-Fencing

The Applicant notes that the ESC's 'Electricity Industry Guideline No.17 – Electricity Ring-Fencing' (October 2004) (**Guideline**):

- (a) applies to distributors and retailers, who must comply with the Guideline under their distribution licence or retail licence, as applicable; and
- (b) governs ring-fencing obligations for such distributors and retailers.

As the BESS is connected to the transmission network, and neither the Applicant nor a related body corporate of the Applicant holds an electricity retail licence, the Guideline does not apply to the BESS.

In respect of the Australian Energy Regulator's (**AER**) electricity ring-fencing guideline of October 2017, please see **Attachment Z** for confirmation from Olivia Wood of the AER to Kelvin Gebert of the Applicant via email dated 4 May 2018 that the AER holds the view that there are no ring-fencing issues in respect of the Applicant's role in the BESS.

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## 4. FINANCIAL VIABILITY

The Applicant is a wholly owned subsidiary of AusNet Services (Transmission) Pty Ltd, which is a wholly owned subsidiary of AusNet Services Ltd and has the financial resources to perform the activities the subject of the licence. **Attachment K**, **Attachment L** and **Attachment M** are the audited annual reports for AusNet Services Ltd for the financial years ending 31 March 2019, 31 March 2018 and 31 March 2017, respectively. Each of these annual reports includes, for the respective financial year, the:

- Profit and loss statement and balance sheets, including all notes;
- Directors' declaration;
- Directors' report; and
- Audit opinions.

As is evidenced by the audited reports, the Applicant has the financial resources to sustainably perform the activities the subject of this generation licence application.

AusNet Services Ltd holds an investment grade credit rating A- (Stable) with Standard and Poors and A3 (Stable) with Moody's Investors' Services.

#### 4.1 Business Plan

Please refer to **Attachment N** for a high level financial overview in respect of the Applicant's role in relation to the BESS.

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### 5. TECHNICAL CAPABILITY

The Applicant is a wholly owned subsidiary of AusNet Services (Transmission) Pty Ltd, which is a wholly owned subsidiary of AusNet Services Ltd. The group of companies, headed by AusNet Services Ltd is known collectively as AusNet Services Group. AusNet Services Group has considerable experience in owning and operating electricity and gas infrastructure in Victoria, including:

- (a) the operation of the primary electricity transmission network in Victoria;
- (b) the provision of distribution services to approximately 670,000 customers across a distribution network in Victoria spanning approximately 50,000 kilometres;
- (c) the provision of a gas distribution network in Victoria to approximately 602,000 customers across an area of approximately 60,000 square kilometres; and
- (d) the operation of a 1MW / 1MWh grid energy storage system for the provision of distribution of network support services (see section 2.4 of this application above for further information).

Further, AusNet Services Group's commercial energy services business provides utility-scale connection assets, commercial, industrial and community-based energy assets, platform solutions, metering, asset intelligence and telecommunication solutions to the utility and infrastructure sectors.

Please refer to the Directors' Report in **Attachment K** for further details regarding the directors and key personnel responsible for key functions of the Applicant's business.

As is evidenced by AusNet Services Group's considerable experience in owning and operating electricity and gas infrastructure in Victoria, the Applicant has the expertise, knowledge and skill base necessary to conduct the activities the subject of this generation licence application.

#### 5.1 Partners in relation to the BESS

**EnergyAustralia** is a wholly owned subsidiary of EnergyAustralia Holdings Limited. The EnergyAustralia group owns and operates a multi-billion-dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of more than 4,500MW of generation in the NEM. EnergyAustralia is also one of Australia's largest energy retailers with more than 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. The EnergyAustralia group currently operates multiple retail and generator participants in the NEM using supporting IT systems and processes. EnergyAustralia is responsible for charging the BESS and discharging the BESS into the NEM and is registered with AEMO as a market generator for the BESS.

**Fluence**, a Siemens and AES company, is a global energy storage technology solutions and services company that combines the agility of a technology company with the expertise, vision, and financial backing of two industry powerhouses. Fluence's goal is to create a more sustainable future by transforming the way we power our world. The company offers proven energy storage technology solutions designed to address the diverse needs and challenges of customers in a rapidly transforming energy landscape, providing design, delivery and integration in over 160 countries.



**Spotless** is a leading provider of integrated facilities services in Australia and New Zealand. Spotless delivers millions of service hours a year across more than 100 services. Spotless is the consortium lead company for the Victorian Government Energy Storage Initiative responsible for delivering the BESS.

## 5.2 Approvals and Access Arrangements

The BESS was commissioned and became commercially operational on 23 December 2018.

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

The BESS has been installed on the existing Ballarat Terminal Station site and therefore the Applicant has all access rights required to perform its asset management function in respect of the BESS.

## 5.3 Relevant Contracts

Please see section 2.5 above for a description of the contracts entered into by the Applicant in respect of the BESS as well as the Use of System Agreement entered into by EnergyAustralia and AEMO.

## 5.4 Generator Performance Standards

EnergyAustralia has agreed generator performance standards for the BESS with AEMO in the Use of System Agreement. The allocation of responsibilities in respect of the generation performance standards for the BESS are allocated between the parties pursuant to the BSSA, CSA and UoSA – please see **Attachment F**, **Attachment G** and **Attachment J** for a copy of each of these agreements.

## 5.5 Compliance

Consistent with AusNet Services Group's commitment to maintain a high standard of integrity, AusNet Services Group has put in place appropriate policies and governance arrangements to promote and support ethical behaviour. These policies and governance arrangements apply to the Applicant and include:

- (a) **Code of Conduct** - AusNet Services Group has developed a Code of Conduct to guide all directors, officers, employees, contractors and consultants as to the practices necessary to maintain confidence in AusNet Services Group's integrity, the standards for dealing with obligations to external stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Business Conduct specifically addresses conflicts of interest, business gifts and entertainment, improper use of the Applicant's property and assets, dealing with government officials and related parties, political activities and reporting unlawful and unethical behaviour. Please refer to **Attachment P** for the AusNet Services Code of Conduct.
- (b) **Whistleblower Policy** - AusNet Services Group has developed a Whistleblower Policy to encourage anyone engaged in the provision of services to the Applicant or other parts of the AusNet Services Group who has witnessed, is aware of, or suspects, any wrongful act to report it without fear of reprisal. The Whistleblower Policy sets out the way in which the Applicant, and other parts of the AusNet Services Group, will respond to reports of wrongful acts. Please refer to **Attachment Q** for the AusNet Services Whistleblower Policy.
- (c) **Modern Slavery** – AusNet Services Group is taking steps such as staff training, obtaining compliance statements from its suppliers and undertaking due diligence of its suppliers to identify and address the risk of modern slavery practices occurring in

its operations and supply chain. Please refer to **Attachment R** for AusNet Services Group's 2019 Corporate Governance Statement.

## 5.6 Safety

AusNet Services Group is committed to providing all people working for or on behalf of the organisation with a workplace that is safe and without risk to health. AusNet Services Group's missionZero journey began in 2011 and is still at the forefront of the company today. The strategy is being achieved through effective safety leadership, positive safety behaviour, a commitment to providing and maintaining a safe work environment and continuous improvement of AusNet Services Group's safety systems and measurements.

AusNet Services Group has a mature and sophisticated HSEQ system which encompasses quality assurance, work, health and safety, and risk management. The HSEQ Management Systems are accredited against the following certification standards

- (a) ISO 9001 Quality Management;
- (b) ISO 14001 Environmental Management;
- (c) AS/NZS 4801 Occupational Health & Safety Management; and
- (d) ISO 55001 Asset Management.

The application of the HSEQ Management System includes all employees, delivery partners, and visitors to AusNet Services and their facilities. Further, AusNet Services Group's delivery partners are required to be accredited to work for the AusNet Services Group and demonstrate how they manage HSEQ before commencing work. AusNet Services Group is committed to conducting business in a manner that is compatible with the environmental and economic needs of the communities in which it operates.

In addition to this, AusNet Services Group prioritises protecting the health and safety of its workers, the environment, and those involved with its operations, including customers and the public. These commitments are documented in AusNet Services Group's HSEQ Policy. The HSEQ Management System establishes common expectations for addressing risks inherent in AusNet Services Group's business and is used to address all aspects of AusNet Services Group's business that impact on personnel and process performance.

Please refer to **Attachment S** for the AusNet Services HSEQ Policy, to **Attachment T** for the HSEQ Management System Manual and to **Attachment U** for the HSEQ Plan for 2018-2019.

## 5.7 Risk Management

AusNet Services Group is committed to understanding and effectively managing risk to provide greater certainty and confidence for its security holders, employees, customers, suppliers and for the communities in which it operates.

The AusNet Services Board is responsible for all matters of governance, risk oversight, strategy setting and monitoring, budget and corporate plan approval, and ethical and legal compliance for the entire AusNet Services Group, which includes the Applicant. The responsibilities of the AusNet Services Board include approving the appointment of the Managing Director, approving major capital expenditure, acquisitions and divestitures, and monitoring and reviewing policies and processes aimed at ensuring the integrity of financial and other reporting.

The Audit and Risk Management Committee of the Board has oversight of the adequacy and effectiveness of the risk management processes and internal control systems of AusNet Services Group, including the establishment and maintenance of risk identification and management processes and the monitoring of material business risks (financial and non-financial).

AusNet Services Group's risk management governance structure has two components. The charter of the Audit and Risk Management Committee of the Board is to oversee the financial and risk management functions within AusNet Services Group. The Group Risk Committee - which involves the Managing Director and Executive Managers - makes decisions and manages risk in accordance with AusNet Services Group's business objectives, risk tolerance and delegated authorities. The Managing Director is accountable to the Audit and Risk Management Committee and the Board for the implementation of risk management processes in line with good corporate governance.

Please refer to **Attachment V** for the AusNet Services Audit Risk & Management Committee Charter, and to **Attachment W** for the AusNet Services Risk Management Policy.

Material risks and uncertainties to AusNet Services Group have been identified as:

- Industry and regulatory risks;
- Network risks;
- Funding and market risks;
- Climate change and sustainability risks; and
- Information and communication technology risks.

Refer to the Directors' Reports in **Attachment K**, **Attachment L** and **Attachment M** which outlines these material risks and uncertainties for AusNet Services Group and the strategies for mitigating these risks.

## 6. ATTACHMENTS

Set out below are the Attachments to the Applicant's licence application. All Attachments that are marked as "Yes" in the Confidential column below are **Commercial-in-Confidence**.

Attachment	Name	Confidential
A	Corporate Structure of Applicant	Yes
B	ASIC extract of the Applicant	No
C	ASIC extract of AusNet Services (Transmission) Pty Ltd	No
D	ASIC extract of AusNet Services Ltd	No
E	Design & Construction Agreement	Yes
F	Battery Storage Services Agreement	Yes
G	Connection Services Agreement	Yes
H	Network Services Agreement	Yes
I	Long Term Service Agreement	Yes
J	Use of System Agreement	Yes
K	Audited Annual Reports of AusNet Services Ltd (31 March 2019)	No
L	Audited Annual Reports of AusNet Services Ltd	No

<b>Attachment</b>	<b>Name</b>	<b>Confidential</b>
	(31 March 2018)	
M	Audited Annual Reports of AusNet Services Ltd (31 March 2017)	No
N	BESS Financial Plan Overview	Yes
O	Incorporated Document	No
P	Code of Conduct	Yes
Q	Whistleblower Policy	Yes
R	2019 Corporate Governance Statement	No
S	HSEQ Policy	Yes
T	HSEQ Management System Manual	Yes
U	HSEQ Plan for 2018-2019	Yes
V	Audit Risk & Management Committee Charter	Yes
W	Risk Management Policy	Yes
X	Statutory Declaration	No
Y	Fit and Proper Person Q&A	No
Z	AER Confirmation of no ring-fencing issues	Yes