

ELECTRICITY CORPORATIONS ACT 2005

MINISTERIAL DIRECTION

TO: THE ELECTRICITY RETAIL CORPORATION (the Corporation)
363-365 Wellington Street
Perth
Western Australia

I, **Francis Logan**, Minister for Energy, acting in accordance with section 111 of the *Electricity Corporations Act 2005*, direct that:

Tender Process

1. The Corporation may only acquire the Capacity Credits and the electricity which is required to replace the Tendered Displacement Amounts from time to time by following the Tender Process.
2. The Tender Process must contain the following elements:
 - (a) The Corporation must make publicly available details of the Capacity Credits and the electricity which it proposes to acquire and the details of the requirements for Prospective Tenderers to tender for the supply of those things allowing sufficient time for all Prospective Tenders to submit a tender.
 - (b) The Corporation must treat Generation equally with all other tenderers and not afford it any special treatment or benefit.
 - (c) One key objective of the acquisition of Capacity Credits and the electricity by the Corporation is to minimise the cost of Capacity Credits and the electricity to be acquired by the Corporation from the successful tenderer, and Prospective Tenderers must be advised of this objective.
 - (d) Prospective Tenderers must be provided with the full form electricity supply contract upon which the successful tenderer will be obliged to supply Capacity Credits and electricity to the Corporation and Prospective Tenderers must submit as part of their tender:
 - (i) the prices at which they would be prepared to supply the required Capacity Credits and electricity under that contract; and
 - (ii) a copy of that contract with any amendments required by them marked on that copy. Prospective Tenderers must be advised that amendments should be minimal.
 - (e) The Corporation must assess all tenders in a fair and non-discriminatory manner and must take into account the objective of cost minimisation and the significance of the amendments to the electricity supply contract required by each

Prospective Tenderer to the allocation of risks between the Prospective Tenderer and the Corporation over the term of the proposed electricity supply contract.

- (f) An exclusion of any liability for the Corporation arising from the use any Prospective Tenderer makes of the information required to be contained in an Annual Displacement Statement of Opportunities by this instrument.

Annual Displacement Statement of Opportunities

- 3. (a) The Corporation must prepare and make publicly available before 30 November in each year a statement entitled "The Annual Displacement Statement of Opportunities".
- (b) The Annual Displacement Statement of Opportunities must contain the following information relating to the amount of Capacity Credits (expressed in MW) and the amount of electricity (expressed in MWh) which has been, is to be or is likely to be, displaced in accordance with the requirements of the Vesting Contract:
 - (i) the Capacity Cap and the sum of the Monthly Energy Caps at the Commencement Date and applying for the first Reset Period;
 - (ii) the Capacity Cap and the sum of the Monthly Energy Caps for the first Reset Period which follows Energy Market Commencement if these quantities are different from those applying for the first Reset Period;
 - (iii) the Cumulative Minimum Total Displacement Amount up to and including the Reset Date immediately before which the Annual Displacement Statement of Opportunity is made public (**current Reset Date**);
 - (iv) the Current Total Vesting for the current Reset Date;
 - (v) the amount by which the Capacity Cap and the Monthly Energy Cap have decreased between the Commencement Date and the current Reset Date;
 - (vi) the information set out in Table 1 in Schedule 10 to the Vesting Contract;
 - (vii) the amount of Capacity Credits and electricity the displacement of which the Corporation has elected to bring forward or defer under clause 4.5 of the Vesting Contract, with details of the adjustments which result to the information set out in Table 1 in Schedule 10 to the Vesting Contract;
 - (viii) any general deferral of the displacement of Capacity Credits and electricity under clause 4.6 of the Vesting Contract, with details of the adjustments which result to the information set out in Table 1 in Schedule 10 to the Vesting Contract;
 - (ix) the Adjusted Minimum Displacement Threshold for the current Reset Date;
 - (x) the amount of the aggregate Negotiated Displacement Amount up to and including the current Reset Date;

- (xi) the aggregate of the Tendered Displacement Amounts up to and including the current Reset Date; and
 - (xii) details of the future possible highest and lowest Tendered Displacement Amounts.
- (c) The Annual Displacement Statement of Opportunities must contain the following information about prices which have been, are to be or are likely to be, charged under the Vesting Contract:
- (i) a standard description of the methodology used to calculate the ISC Fixed Charge and the VC Fixed Charge;
 - (ii) the value of each significant component used in the calculation of the Average Vesting Price for each Reset Period from the Commencement Date to the current Reset Date, where each average value is expressed in \$/MWh and is the value attributed to each of the concepts described in paragraphs (A) to (E) below for the purposes of the calculations described in Schedule 3 to the Vesting Contract (for example; a reference to network costs is a reference to Total Network Costs for a Vested Tariff and a Total Network Cost of an ISC Customer, and a reference to other costs is a reference to Other Costs (VC) and Other Costs(i)), including:
 - (A) the revenue from Vested Tariffs and ISC Customers (averaged across all Vested Tariffs and ISC Customers);
 - (B) the network costs for Vested Tariffs and ISC Customers (averaged across all Vested Tariffs and ISC Customers);
 - (C) the other costs related to Vested Tariffs and ISC Customers (averaged across all Vested Tariffs and ISC Customers);
 - (D) the Average Vesting Price (averaged across all Vested Tariffs and ISC Customers);
 - (E) the Total Fixed Charge (being the sum of the VC Fixed Charge and the ISC Fixed Charge);
 - (F) the Average Energy Price (being the load-weighted average energy price for all vested supplies); and
 - (iii) the Corporation's forecasts, made in good faith, of the value (averaged across all Vested Tariffs, or ISC Customers, as the case may be) of each component of the Average Vesting Price described in clause 3(c)(ii) of this instrument for each of the next succeeding 9 Reset Periods, with each average value being expressed as the reasonably highest likely figure, the reasonably lowest likely figure and the medium figure.
- (d) (i) The Corporation must make available to the Minister at least 2 months before it proposes to make that statement publicly available, each proposed Annual Displacement Statement of Opportunities together with all

information necessary to understand how the contents of that statement have been calculated or prepared.

- (ii) The Minister may require the Corporation to amend the proposed Annual Displacement Statement of Opportunities and the Corporation shall make all amendments required by the Minister before it makes the statement publicly available.
- (iii) The Minister may require the Corporation to make publicly available a revised Annual Displacement Statement of Opportunities containing such revisions as are required by the Minister if the Minister considers that an Annual Displacement Statement of Opportunities which has been made publicly available by the Corporation contains errors.

Definitions

In this instrument:

- (a) the following terms have the following meanings:

Adjusted Minimum Displacement Threshold means in respect of a current Reset Date, the Cumulative Minimum Total Displacement Amount for that current Reset Date, as adjusted by:

- (i) elections made by the Corporation under clause 4.5 of the Vesting Contract; and
- (ii) deferrals under clause 4.6 of the Vesting Contract,

up to that current Reset Date.

Annual Displacement Statement of Opportunities means the statement referred to in clause 3 of this instrument.

Average Vesting Price, for a Reset Period, means the price (\$/MWh) determined as follows:

$$AVP = \frac{\text{Generation Total VC Netback} + \text{Generation Total ISC Netback}}{\sum_{i=1}^{i=n} Q_i + Q_{vt}}$$

where:

- AVP = the Average Vesting Price for the relevant Reset Period;
- Generation Total VC Netback = the Generation Total VC Netback calculated in accordance with clause 3.1 of schedule 3 to the Vesting Contract for that Reset Period;
- Generation Total ISC Netback = means the Generation Total ISC Netback calculated in accordance with clause 3.2 of

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| | schedule 3 to the Vesting Contract for that Reset Period; |
| Q_{vt} | = the Tariff Quantity for the Relevant Data Collection Period; |
| Q_i | = the ISC Quantity for the Relevant Data Collection Period; and |
| "n" | = the number of ISC Contracts during the Data Collection Period. |

Commencement Date means the date on which Part 2 of the Electricity Corporations Act comes into effect.

Cumulative Maximum Negotiated Displacement Amount means, in respect of a Displacement Date, an amount of Capacity Credits set against that date in the column headed "Cumulative Maximum Negotiated Displacement Amount" in Table 1 in Schedule 10 to the Vesting Contract.

current Reset Date, in relation to an Annual Displacement Statement of Opportunities, means the Reset Date immediately before which that Annual Displacement Statement of Opportunities is made publicly available.

Current Total Vesting means, in respect of a current Reset Date, the sum of:

- (i) the Capacity Cap for the Reset Period commencing on that Reset Date; and
- (ii) the Cumulative Minimum Total Displacement Amount up to that Reset Date.

displacement means the reduction of the Capacity Cap under the Vesting Contract which results or would result from compliance with the requirements of clause 4.4 of the Vesting Contract by the Corporation.

Electricity Corporations Act means the *Electricity Corporations Act 2005* (WA).

Generation means the Electricity Generation Corporation ABN 586 738 301 06.

Cumulative Minimum Total Displacement Amount means, in respect of a Displacement Date, the amount of Capacity Credits set against that date in the column headed "Cumulative Minimum Total Displacement Amount (sum of Negotiated Displacement Amount and Tendered Displacement Amount)" in Table 1 in Schedule 10 to the Vesting Contract.

Minister means the Minister administering the Electricity Corporations Act from time to time.

Negotiated Displacement Amount means the amount of Capacity Credits by which the Corporation has reduced the amount of the Capacity Cap in exercise of its rights under clause 4.3 of the Vesting Contract, but excludes the amount of Capacity Credits by which the Corporation has reduced the Capacity Cap as a result

of the acquisition of Capacity Credits under a Tender Process required in accordance with clause 1 of this instrument.

Displacement Date means each date in the column headed "Displacement Date at which Displacement is measured" in Table 1 in Schedule 10 to the Vesting Contract.

Tendered Displacement Amount means in respect of a Displacement Date the difference between the Cumulative Minimum Total Displacement Amount for that Displacement Date, and the Cumulative Maximum Negotiated Displacement Amount for that Displacement Date.

Vesting Contract means the provisions prescribed in an order made by the Minister under section 82 of the Electricity Corporations Act on 31 March 2006 which have effect as a contract between the Corporation and Generation on and from the Commencement Date for the supply of Capacity Credits and electricity by Generation to the Corporation.

and

- (b) terms which are defined in the Vesting Contract but which are not defined in this instrument have the meanings given to them in the Vesting Contract.

FRANCIS LOGAN MLA
MINISTER FOR ENERGY