Regulatory Reform in the North West Interconnected System

Stakeholder Reference Group

11 December 2017
Agenda

1. Introduction
2. Summary of Stakeholder Submissions
3. High Level Framework
4. Design Process – Next Steps
Stakeholder Submissions to Issues Paper
STAKEHOLDER SUBMISSIONS

NWIS Network Definitions

NWIS Coastal - Horizon, Alinta, BHP lines in Karratha & Port Hedland areas
NWIS Interconnected Network - NWIS Coastal + Rio Tinto network
# STAKEHOLDER SUBMISSIONS

14 Submissions received from:

<table>
<thead>
<tr>
<th>Company/Municipality</th>
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<tbody>
<tr>
<td>Alinta Energy</td>
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<td>ATCO</td>
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<td>BHP</td>
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<tr>
<td>Chamber of Commerce and Industry WA</td>
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<tr>
<td>City of Karratha</td>
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<td>FMG</td>
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<td>Horizon Power</td>
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<td>Pilbara Development Commission</td>
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<td>Rio Tinto *</td>
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<td>Roy Hill</td>
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<td>Shire of East Pilbara</td>
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<td>Town of Port Headland</td>
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<td>TransAlta</td>
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<td>Woodside</td>
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* Confidential submission

Public submissions have been published on the Department of Treasury website today
STAKEHOLDER SUBMISSIONS

- Submissions generally support the need for some degree of reform in the NWIS
- Submissions generally agree that the reforms have the potential to:
  - improve asset utilisation;
  - lower prices; and
  - improve system security and reliability
- Asset owners are mostly wary of relinquishing control of, or allowing open access to, their own assets
- Regional councils consider that the reforms require greater focus on the inland NWIS to support more efficient prices and access for:
  - Junior Miners;
  - large scale renewables; and
  - industry development
STAKEHOLDER SUBMISSIONS

Access Framework – areas of general agreement

✓ A clear and robust dispute resolution framework
✓ An appropriate information disclosure regime
✓ Supportive of National Competition Council guidelines
✓ Periodic reviews
✓ Constrained access for new connections
✓ Preserve existing property/contract rights
✓ Mechanism to deliver efficient investment – no gold plating
✓ Efficient capex recovered through network prices
✓ Ring fencing of Horizon Network & Retail (Horizon proposed ISO+ as an alternative)
## STAKEHOLDER SUBMISSIONS

### Access Framework – Initial Coverage

- Stakeholders presented a range of views on initial coverage (not all stakeholders presented a view)

<table>
<thead>
<tr>
<th>Horizon’s network only</th>
<th>Horizon + Alinta networks</th>
<th>Coastal networks</th>
<th>NWIS Interconnected Network</th>
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<tr>
<td>Alinta</td>
<td>BHP</td>
<td>Horizon*</td>
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<td>Development Commission</td>
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<td>City of Karratha</td>
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*starting point
**longer term vision

- Businesses that prefer limited coverage initially, generally support mechanisms to potentially extend coverage in the future
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Access Framework – Pricing

- Submissions presented a range of views on pricing
- The options below would be supported by information, negotiation & dispute guidelines

* Detailed principles & methods would apply for all but ‘Negotiation Only’
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Technical Rules – areas of general agreement

- Development, application, and compliance with consistent technical rules for new generators/users
- Developed in consultation with asset owners
- Rule change process and compliance managed by ISO
- Technical rules for existing assets grandfathered
  - CBA for any changes to technical rules
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System Operator – areas of general agreement

✔ Establishing an Independent System Operator
  • Ancillary Services
  • Outage, reliability and system security management
  • Technical Rules
  • Consolidated network model (& assess impact of connection applications on existing users)
  • Investigations of system incidents
  • Cost recovered from users (some users currently pay for system operations through their contracts)

✔ Independent & experienced → AEMO
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System Operator – divergent views

- Horizon proposes additional functions (ISO+)
STAKEHOLDER SUBMISSIONS

System Operator – divergent views

- Submissions generally support ISO covering the entire NWIS
  - Rio Tinto does not support an ISO with expanded functions and powers covering the NWIS Interconnected Network. An ISO covering the NWIS Interconnected Network should have no greater functions and powers than Horizon currently.
- Some submissions do not support costs in addition to what is covered in contracts with Horizon
- Most support ISO immunity consistent with other Jurisdictions
  - FMG does not support removal of liability for network failure.
High Level Design Framework
NETWORK ACCESS FRAMEWORK

Coverage

Access Coverage – Initial, Extension

Framework

Negotiation Framework
Pricing Methodology
Information Disclosure
Dispute Resolution
Connection & Access Policies

Structural

Ring Fencing – Accounting, Function
Other – FRC, Prudentials, Metering

Transition

Transition – protecting existing contractual/property rights
INDEPENDENT SYSTEM OPERATOR

Coverage

Network coverage – Initial, Extension

Framework

Operational planning
Emergency response
Frequency control
Switching
System model management
Other*

Structural

Ring Fenced or standalone – Accounting, Function
Other – Governance, funding

Transition

Transition – network visibility and powers

* e.g. Management of: Technical Rules, access, all ancillary services, demand & energy forecasting, central network planning, pricing, reconciliation and settlements
Design Process – Next Steps

Opportunities for stakeholder input
DESIGN PROCESS

Project Milestones

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<th>Oct</th>
<th>November</th>
<th>December</th>
<th>January</th>
<th>February</th>
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Stakeholder Meetings

- 31 Oct Minister’s Forum
- 28-30 Nov 2017 Stakeholder 1:1 Meetings
- 11 Dec 2017 Stakeholder Reference Group Forum
- Mid-Jan 2018 Stakeholder Reference Group Forum
- (TBC) End Feb 2018 Stakeholder Reference Group Forum

Consultation Period

- Issues Paper
- Design Paper