



18 December 2017

Attn: Noel Ryan  
Public Utilities Office  
Department of Treasury  
Locked Bag 11  
Cloisters Square WA 6850

Sent via email: [PUOsubmissions@treasury.wa.gov.au](mailto:PUOsubmissions@treasury.wa.gov.au)

Dear Noel

**Submission on the Draft Decision: Coverage of the Horizon Power electricity network in the North West Interconnected System**

Alinta Sales Pty Ltd (**Alinta**) welcomes the Minister for Energy's Draft Decision to cover the Horizon Power owned and operated portion (**Horizon Power Network**) of the North West Interconnected System (**NWIS**).

Coverage of the Horizon Power Network in the NWIS will result in significant public benefits flowing to Pilbara energy customers and the economy more broadly as customers in the region benefit from the lower prices, and improved service and innovation which accompany competitive energy markets.

The Minister's Draft Decision clearly sets out the sound reasons as to why the coverage criteria have been met, and why coverage should only apply to the Horizon Power Network. Alinta does not intend to make any further comment on the reasons, which we consider have been well considered and explained.

The key question to resolve prior to the Minister making a final decision is when coverage should take effect. Alinta believes it should take effect as soon as possible, and its reasons for this are outlined below.

**1. Delaying coverage will increase the significant opportunity costs in the Pilbara**

Alinta has long held the view that significant benefits will flow to customers in the NWIS from retail competition in the Pilbara.

Alinta first sought access to the Horizon Power Network in the NWIS nearly four years ago. If access had been provided at that time, Alinta estimates that customers in the region would already have saved between \$10-30 million off their energy bills, with a multiplying impact on the Pilbara economy<sup>1</sup>.

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<sup>1</sup> A 2013 report 'Energy Efficiency and Economic Growth' commissioned by The Climate Institute observed that "There is statistical evidence that energy efficiency [i.e. reduction in energy costs arising from competition] positively contributes to economic growth. A 1 per cent increase in the level of energy efficiency causes a 0.1 percentage point increase in the rate of economic growth in that year."

Delaying access any longer will only increase the opportunity cost to customers in the region, who are already at a significant disadvantage to customers in the South West of WA whom have been accessing competitively priced electricity since 2004.

## ***2. There is adequate time to comply with the Electricity Networks Access Code***

Alinta understands Horizon Power needs time to prepare for open access and be compliant with the Electricity Networks Access Code 2004 (**Code**).

In addition to submitting an Access Arrangement, Horizon Power must ensure compliance with Technical Rules; Service Standards, the Code's ringfencing requirements and have an applications and queuing policy and a capital contribution policy.

Alinta's comments on each of these issues are below.

### ***Access Arrangement***

Horizon Power and Alinta spent over 12 months during 2015-2016 negotiating an access contract consistent with the Code. Therefore the terms of this draft contract would form an excellent basis for an Access Arrangement.

It's noted that through the negotiation process the vast majority of access terms were resolved with only a few matters remaining unresolved<sup>2</sup>.

In addition to the significant number of access contract terms agreed, negotiations between the parties had largely resolved the following key matters:

- Service standards.
- Metering and customer transfer processes.
- Ancillary Services (Frequency Control and balancing energy).

Accordingly, given Horizon Power has previously spent more than 12 months developing an access contract and associated documentation, Alinta considers that a further 6 months would be ample time to prepare an Access Arrangement for submission to the Economic Regulation Authority.

### ***Technical Rules***

In the early 2000s the NWIS Forum was convened to, among other things, establish protocols and processes for the operation of the NWIS power system. At the time a set of common technical rules was developed for the NWIS. However, since this time, the technical rules for some networks, including the Horizon Power Network, have been amended independently.

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<sup>2</sup> It's noted the outstanding matters were so significant that resolution was unlikely except through an independent, binding dispute resolution process. The parties could not agree on the binding nature of the dispute process so negotiations ceased.

As a consequence, there is currently no single set of technical rules that apply consistently across the NWIS. Noting this, Alinta understands that the various technical rules are common across the NWIS in all critical areas, for example power quality parameters and under frequency load shedding.

Alinta believes there is no urgent need to amend the technical rules immediately post coverage, but it could be considered in the future (subject to grandfathering of existing technical rules).

### ***Ringfencing***

Horizon Power has had considerable time to consider the ringfencing requirements for an open access regime given such a regime has been under discussion / negotiation since 2014.

Alinta believes that ringfencing could be implemented within 6 months from coverage given there are excellent precedent arrangements in place today which could be leveraged and applied to Horizon Power and the Horizon Power Network.

Key precedents are:

- In the National Electricity Market: the Australian Energy Regulator's Ring-fencing Guideline (electricity distribution), December 2016; and
- The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 (EGRC Regulations) which apply to Synergy.

In addition, Alinta would support a staged approach to ringfencing which focused initially on the high priority issues but then moved to best practice ringfencing within 12 months.

### ***Applications and queuing policy and capital contribution policy***

Alinta believes it's not difficult to develop the above policies, particularly given precedents in other markets and Horizon Power's experience with its own connection processes and detailed understanding of its physical network.

In fact, as part of the Alinta / Horizon Power negotiations in 2015-2016 these documents were drafted.

Alinta believes 6 months is sufficient time to complete these policies.

### ***3. Granting 'coverage' as soon as possible will enhance the Light Handed Regulatory Regime***

Alinta supports the development of the Light Handed Regulatory Regime which will result in improvements to the operation of the NWIS, beyond open access. However, Alinta notes that a Light-handed Regulatory Regime is not a prerequisite for effective and successful access negotiations.

In fact, Alinta believes there are benefits to the development of the Light Handed Regulatory Regime by granting coverage of the Horizon Power Network in the NWIS immediately. These include:

- It will uncover any market structure / regulatory issues which could be improved upon to ensure more effective negotiation and resolution of access issues;
- A dispute resolution process which resolves access term disputes, would help inform the details of the Light-handed Regulatory Regime; and
- It's expected that the Light-handed Regulatory Regime will take a minimum of 12-24 months to be implemented. Granting coverage will allow NWIS participants to begin enjoying the benefits of competition as the first wave of reform in the NWIS, with additional reform only adding to these benefits in the future.

## Conclusion

Coverage of the Horizon Power Network in the NWIS will result in significant public benefits flowing to Pilbara energy customers and the economy more broadly. The Minister's Draft Decision is one step closer to these benefits being able to be realised.

To ensure that Pilbara customers and the broader Pilbara region don't miss out on these benefits any longer than is absolutely necessary, Alinta recommends that coverage of the Horizon Power Network should take effect as soon as possible.

Please contact me on [Jacinda.papps@alintaenergy.com.au](mailto:Jacinda.papps@alintaenergy.com.au) or 08 9486 3009 if you have any questions in relation to this submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jacinda Papps', is positioned above the printed name.

Jacinda Papps  
Manager, National Wholesale Regulation