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Mr Noel Ryan
Acting Director, Electricity Networks
Department of Treasury, Public Utilities Office

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Dear Mr Ryan

Electricity Networks Access Code – Alinta Energy Coverage Application

Thank you for the opportunity to provide a submission regarding the Minister for Energy's Draft Coverage Decision dated 27 November 2017 in respect of the application by Alinta Energy (**Alinta**) for coverage of the Horizon Power's Electricity Network in the North West Interconnected System (**Horizon NWIS Network**) (the **Draft Coverage Decision**). This submission is made on behalf of Rio Tinto Iron Ore (**Rio Tinto**).

We make no comment as to whether or not the Horizon NWIS Network meets the criteria for coverage under the Electricity Networks Access Code 2004 (WA) (**Code**).

However, we support the finding that a coverage decision which extended beyond the Horizon NWIS Network would not be consistent with the Code objective,¹ given the extent of coverage sought by Alinta and the nature of Rio Tinto's electricity network, which is a critical part of our integrated iron ore production process.

Rio Tinto network

Rio Tinto's electricity network is weakly connected to the Horizon NWIS Network at the distribution level (33kV) only. In all other respects, our network principally operates as an independent system and is not connected to any third party generation or transmission level assets. The interconnection between the Rio Tinto and Horizon networks is governed by commercial arrangements which have been operating successfully over the past 6-8 years. These separate networks have only limited power transfer capacity and do not have sufficient capacity to allow for the material transfer of electricity to third parties.

Rio Tinto's existing Technical Rules are fit for purpose, robust, consistent and compatible with those maintained by Horizon Power and are achieving the desired outcome of ensuring network stability and security.

¹ Draft Coverage Decision, section 7.2.

The impact of third party access to the Rio Tinto network

The Rio Tinto electricity network has specific characteristics which Rio Tinto wishes to highlight in this submission which, consistent with the Draft Coverage Decision, would make extending coverage to Rio Tinto's network unsuitable and potentially value-destructive.

Rio Tinto operates its mine, rail, ports and power facilities in the Pilbara as a single integrated system. A key objective of this system is the reliable, efficient and economic production of iron ore which meets customer specifications at the ports of Dampier and Cape Lambert for loading onto ships for export to world markets. To achieve this objective, Rio Tinto maintains an electricity network that is unique, self-sufficient and specifically designed to meet its operational needs.

Due to the capital intensive nature of iron ore production, the Rio Tinto production system is deliberately constructed and operated in such a way that the capacity of each of its main components, including mine, rail, ports and power network are balanced to meet long-term system capacity requirements. The ongoing development, maintenance and sustainability of Rio Tinto's electricity network are essential to the delivery of our long-term business strategy and to sustain the production targets of our business.

The flexibility to continually adjust activities across mines, rail, port and power is essential in enabling Rio Tinto to manage raw material variability and unexpected events so as to produce specific grades of iron ore and maintain efficiency and reliability.

It would not be possible for the Rio Tinto network to accommodate additional loads without significant capital investment to increase the transfer capacity of the network. Further, as the power infrastructure is integrated with the production of iron ore, the production process and the operation of the Rio Tinto electricity network is highly co-ordinated. If any component of the supply chain is interrupted, or if operational flexibility is affected, Rio Tinto's production of iron ore will be reduced.

In that context, it is difficult to see how coverage of Rio Tinto's electricity network could ever be consistent with the Code objective of promoting the economically efficient investment in, and operation of and use of, networks in Western Australian in order to promote competition.

Therefore, Rio Tinto has serious concerns regarding the potential impact of any coverage application with respect to the Rio Tinto network, given the potentially significant impacts on existing mining operations in terms of the network inefficiencies resulting in higher operating costs, loss of production, reduced royalties and disincentives for future investment.

Thank you again for providing this opportunity to make a submission.

Please do not hesitate to contact Chris Richards on 9205 0382 if you have any questions regarding our submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ivan Vella', with a stylized flourish at the end.

Ivan Vella
Managing Director