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**Improving access to the Western Power Network – Collgar Wind Farm response to consultation**

Dear Zaeen

Thank you for the opportunity to provide a response to the Public Utilities Office's (PUO) consultation on reforms to implement a constrained network access regime for the Wholesale Electricity Market (WEM)[1].

Collgar Wind Farm operates the largest renewable generator in Western Australia with 206 MW of capacity installed near Merredin. The Collgar Wind Farm has been providing Western Australians with clean energy since 2011 and will be providing clean energy to the community for many years to come.

Collgar Wind Farm represents a $750 million asset that is underpinned by long-term arrangements, including those for project finance. These arrangements are sensitive to any changes in the regulatory environment, and we would want to ensure that any reforms to the access arrangements to Western Power's network do not materially impact the viability of the Collgar Wind Farm investment. Significant changes to established market rules and practices without any compensation or grandfathering arrangements for existing users is likely to increase regulatory uncertainty and sovereign risk, making it more difficult to obtain finance for future investment in energy projects.

Collgar Wind Farm is strongly of the opinion that adequate compensation, and/or grandfathering arrangements should be considered for existing market participants that may be negatively impacted by the proposed reforms to remove existing firm network access rights. Grandfathering considerations should also apply to any existing exemptions that generators may have for example in relation to complying with certain aspects of the Technical Rules.

[1] Refer to the consultation paper entitled "Improving access to the Western Power network. Implementing a constrained network access regime", Department of Treasury | Public Utilities Office, 16 February 2018

In the remainder of our response we address a select number of the questions raised in the consultation paper.

*Question 1: Are there other reforms that are essential to implement a constrained network access regime?*

Collgar Wind Farm understands that a new dispatch algorithm will need to be developed for our market. We consider it essential that this new algorithm be made available to market participants in a form that can be easily understood, replicated and possibly integrated into market participants' own systems for forecasting and planning purposes.

*Question 2: Are there other issues associated with the implementation timeline, including the proposed 'go-live' date of 1 October 2022?*

Collgar Wind Farm is of the view that the timetable that has been put forward for implementation of the proposed reforms is quite tight given the significant amount of work that will be required by all participants in the market, including very significant changes to both AEMO and participant IT systems. We would welcome further detail on the timeline for the project, including for significant milestones for consultation, system design, build and testing. In particular, we would like to better understand the timelines and process for the work associated with estimating the potential impact on all existing participants flowing from the proposed reforms.

*Question 3: Are there other principles that should be considered?*

The primary principle through this reform process should be to ensure a more efficient outcome for future investment decisions in our system, whilst also preserving the rights and financial value of existing projects. It will therefore be necessary to consider grandfathering rights to existing generators and/or consider compensation mechanisms where rights are taken away.

*Question 4 (a): Are there other options (including variations of each option above) that could better meet the guiding principles [of resolving inconsistent contractual provisions]?*

Collgar Wind Farm does not believe that either option that has been put forward for resolving inconsistencies between provisions in existing ETACs with those provisions that are deemed necessary for implementing constrained network access is particularly compelling. Having Western Power negotiate individually with each ETAC counterparty is likely to be a very costly and resource intensive exercise for both Western Power and participants. In addition, smaller organisations are likely to be disadvantaged as they will not have the same capacity to utilise legal and other expert advice to assist with negotiations as larger organisations may have.

Direct intervention in existing contracts via legislation is also likely to be sub-optimal as it may lead to a substantial amount of unresolved issues (not all issues can be contemplated and resolved via general legislation) and may not be flexible enough to cater for genuine "special circumstances" for individual parties.

A potential middle ground could be for the Economic Regulation Authority to develop a new model ETAC to provide the yardstick for what is reasonable arrangements in a constrained network access world, including types of transition arrangements where necessary. Parties can then negotiate with Western Power how their individual circumstances should be transcribed into an updated ETAC. It should be noted that even this approach is likely to not be perfect and cater for all circumstances, but we believe it may represent an improvement on the options presented in the consultation paper.

*Question 6: Are there other considerations that should influence the design of a mechanism to provide transitional assistance?*

Collgar Wind Farm considers the most appropriate and easy to implement compensation mechanism would be to retain the ability to provide constrained-off compensation to existing generators only. This mechanism currently exists in the market rules and could be retained in the new market rules and associated IT systems. The main advantage with this approach is that compensation will be based on "real world data" instead of relying on multi-year forecasts of price and bidding behaviour of all participants in the market. It will therefore not introduce new risks of over or under compensating existing generators and should be relatively easy to integrate into the daily running of the market.

*Question 9: Is a market solution preferable to an administrative solution?*

Collgar Wind Farm believes a market solution would be easier to implement and is likely to provide more accurate levels of compensation compared to an administrative solution.

*Question 10 (a): Under what conditions should a refund be made available to a transmission connected generator who has paid a capital contribution to augment the shared network?*

Collgar Wind Farm believes that any generator that has paid capital contributions for shared network assets should be refunded the remaining value of that asset (i.e. the depreciated value) from the point in time that firm network access rights are taken away from the generator. Generators have been required to pay these capital contributions to obtain firm access and would most likely not have been required to pay those amounts under a constrained network access regime. It is therefore only fair that any "unused" portion of the capital contribution is returned.

*Question 10 (b): How should the refund be paid to the generator who qualifies for a refund, and who should pay for the refund?*

The refund should ideally be paid as a lump sum at the time of firm network access rights being removed. Alternatively, if network access charges are still being levied on generators, compensation could be provided over a number of years via reductions to the network access charges for affected generators.

Ideally, the remaining value of these assets should be funded by Western Power through an increase in the value of its Regulatory Asset Base (these assets should currently not be reflected in the RAB), which in turn will be reflected in higher network access charges for all users.

*Question 11 (b) Are transitional arrangements required to facilitate the relocation of the reference node?*

Collgar Wind Farm and other renewable generators derive a significant revenue stream from the creation of Large Generation Certificates (LGCs). The regulations for creating LGCs stipulate that 1 LGC can be created for every 1 MWh of renewable electricity generated, as measured at the system reference node. Moving the reference node from Muja to Southern Terminal is likely to impact on the level of each of the individual transmission loss factors that are used in combination with metered schedules when creating LGCs, and we believe there will be "winners and losers" amongst the renewable generators in the WEM. It may be necessary to consider the impact of this when selecting the reference node, including any compensation or transitional arrangements that may need to be put in place.

Regardless, Collgar Wind Farm would like to see an independent review and/or more consultation in relation to the choice of reference node.

*Other observations*

Collgar Wind Farm notes that the consultation paper states that no generator will enjoy firm access rights once the reform initiatives have been implemented. In the earlier Electricity Market Reform process, it was also contemplated that network charges for generators would fall away and that all network revenue instead would be levied on market customers. As generators access rights will be significantly diminished by the proposed reforms, is there a plan to also reduce or remove altogether the associated network access charges for generators under the current reform initiatives?

We also note (page 14 of the consultation paper) that it is proposed that legislation be drafted to restrict generators' rights to transfer or relocate network access rights between different connection points. We query whether the same principle will be applied to loads on the network, as we are aware that bilateral trading of access rights between loads in congested parts of the network is already taking place.

Please contact me on 0427 848 534 or fan.zhang@collgar.com.au to discuss any of the issues we have raised in further detail.

Yours sincerely

**Zhang Fan**

**CFO Collgar Wind Farm**