



Rule Change Notice: Integrated LNG Systems (PRC_2022_01)

This rule change notice is under clause A2.5.7 of the Pilbara Networks Rules (**PNR**).

Submitter: Gemma Lynch, Woodside Energy Ltd. (**Woodside**)

Date submitted: 19 July 2022

The Rule Change Proposal

Woodside has submitted a rule change proposal under the standard rule change process, which seeks to amend a number of existing provisions, and insert several new provisions, in the PNR.

The proposal is based around amending the PNR to create a new class of networks – called integrated Liquefied Natural Gas (LNG) networks – and to limit the application of the PNR and the harmonised technical rules (HTR) in respect of these networks.

Woodside’s concept for integrated LNG networks is similar to the existing treatment of integrated mining networks under the PNR, but with some differences.

A copy of the rule change proposal is attached to this notice, and describes in detail the specific changes that Woodside is proposing and Woodside’s stated rationale for these changes, and provides a copy of the marked up changes to the PNR (see Annexure 1).

The following is a high level outline of the changes that Woodside is proposing to new and existing provisions of the PNR, including:

- inserting a new definition for an ‘integrated LNG network’;
- inserting a new definition for an ‘integrated LNG system’
- limiting the application of the PNR and HTR with respect to integrated LNG networks;
- placing specific requirements on the Pilbara Independent System Operator (ISO) with respect to integrated LNG systems;
- related changes to the calculation of ISO fees, Authority fees and Coordinator fees.
- related changes to the application of metering requirements;
- changes to the application of generation adequacy requirements with respect to integrated LNG systems (Chapter 6);
- changes to the compliance obligations under the PNR of network service providers (NSPs), controllers, or network users of an integrated LNG system;
- clarification of the directions the Pilbara ISO may give in relation to an integrated LNG system;
- changes to the functions of “incident coordinators” as they relate to integrated LNG systems;
- changes to the disconnection protocols related to integrated LNG systems;

- related changes to the requirements placed on the Coordinator in conducting any review of how constrained access is to apply; and
- changes to the objective of the reports produced under Chapter 10 (long term coordination and planning) to include consideration of integrated LNG systems.

Pilbara electricity objective

In accordance with clause A2.5.7, this notice must include the explanation provided by Woodside as to how the proposed changes would allow the PNR to better address the Pilbara electricity objective.

According to Woodside’s proposal, the rule change “is a critical step in addressing the current barriers to LNG producers connecting to the NWIS. This change may be expected to encourage existing LNG producers to connect to the NWIS which will advance the Pilbara electricity objective by creating a more coordinated, reliable network.”

Woodside further states that “in particular, the rule change proposal will improve the efficiency and effectiveness of electricity services in the Pilbara and support economic growth and development in the region, while also promoting the Pilbara electricity objective in the following key ways:

- a) no adverse effect on safety, security and reliability of the NWIS (for the reasons set out above and below);
- b) maintaining the security and reliability of the Pluto Facility (in the case of planned and unplanned interruptions and system shutdowns);
- c) promoting efficient investment in upgrading / supplementing Pilbara networks and generation facilities and increasing their use-profile, rather than incentivising producers to construct separate infrastructure to develop a standalone grid;
- d) lowering the unit cost of electricity transportation, by driving an overall increase in electricity production on the NWIS;
- e) and recognition of the contribution of the LNG industry and its impact in the Pilbara resources industry and the State economy.”

Please refer to section 4 of Woodside’s proposal for Woodside’s complete assessment of why the changes will further the Pilbara electricity objective.

Background of the Proposal Development

Woodside provided a pre-rule change proposal to the Pilbara Advisory Committee (PAC) secretariat on 21 April 2022 and the PAC discussed the pre-rule change proposal at its meeting on 4 May 2022. Draft minutes from this PAC meeting have been published on Energy Policy WA’s website as part the papers for PAC’s next meeting on 3 August 2022.

Woodside has made a number of changes to its final rule change proposal seeking to address the feedback provided by PAC members at the May meeting.

Decision to Progress the Rule Change Proposal

Under clause A2.5.6A of the PNR, the Coordinator may decide not to progress a rule change proposal if it is:

- (a) materially incomplete;

- (b) manifestly inconsistent with the *Pilbara electricity objective*; or
- (c) materially the same as another rule change proposal considered by the Coordinator in the 12 months prior to the date of the rule change proposal.

The Coordinator has determined that Woodside’s proposal does not meet the above criteria, and has decided to progress the rule change proposal using the standard rule change process.

Timeline

This rule change proposal will be progressed under the standard rule change process described in clauses A2.7.1A to A2.7.8 of the PNR, as requested by the proponent.

This rule change proposal proposes amendments to rule 129 (determination of fees) and rule 248 (application – initial covered networks only), which are *protected provisions* under rule A2.8.13. Therefore, in accordance with clause A2.8.3, the Coordinator will submit the rule change proposal and final rule change report to the Minister for Energy and seek his approval.

The projected timeline for processing this proposal is:



Call for Submissions

The Coordinator invites interested stakeholders to make submissions on this rule change proposal. The submission period is 30 Business Days from the date of publication of this notice. Submissions must be delivered to the Coordinator by **5:00pm on Wednesday 7 September 2022**.

The Coordinator prefers to receive submissions by email to energymarkets@dmirs.wa.gov.au, using the submission form available at <https://www.wa.gov.au/government/document-collections/rule-change-process>.

Submissions may also be sent to the Coordinator by post, addressed to:

Coordinator of Energy
 Attn: Director, Wholesale Markets Branch
 Energy Policy WA
 Locked Bag 11 Cloisters Square WA
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