



Minutes

Meeting Title:	Pilbara Advisory Committee (PAC)
Date:	3 August 2022
Time:	10:00 am – 11:30 am
Location:	Videoconference (Microsoft Teams)

Attendees	Class	Comment
Sally McMahon	Chair	
James Campbell-Everden	Independent System Operator (ISO)	
Momcilo Andric	Registered Network Service Provider (NSP) – Rio Tinto	
Jacinda Papps	Registered NSP – Alinta Energy	
David Stephens	Registered NSP – Horizon Power	
Neil Midolo	Excluded NSP – Fortescue Metal Group	
Christopher Alexander	Small-Use Customer	
Dora Guzeleva	Observer appointed by the Minister	Proxy for Noel Ryan
Adrian Theseira	Observer appointed by the Economic Regulation Authority (ERA)	

Also in Attendance	From	Comment
Stephen Eliot	PAC Secretariat	Observer
Reece Tonkin	Woodside	Presenter – for agenda item 5(b)
Gemma Lynch	Woodside	Presenter – for agenda item 5(b)
Nenad Ninkov	Woodside	Presenter – for agenda item 5(b)
Jonathan Holborn	Allens	Observer – for agenda item 5(b)
Li-Lin Ang	Rio Tinto	Observer – for agenda item 5(b)

Apologies	From	Comment
Noel Ryan	Observer appointed by the Minister	
Anne Taylor	Excluded NSP – Roy Hill	
Chris Adams	Contestable Customer – City of Karratha	
Chris Bossong	Excluded NSP – BHP	

Item	Subject	Action
1	Welcome and Agenda The Chair opened the meeting at 10:00 am with an Acknowledgement of Country.	
2	Meeting Apologies/Attendance The Chair noted the attendance and apologies as listed above.	
3	Minutes of Meeting 2022_05_04 The PAC accepted the minutes of the 4 May 2022 meeting as a true and accurate record of the meeting. Action: The PAC Secretariat to publish the minutes of the 4 May 2022 PAC meeting on the Coordinator’s Website as final.	PAC Secretariat
4	Action Items The Chair noted that there were no open action items.	
5	Rule Changes (a) Overview of rule change proposals The paper was taken as read. Ms Guzeleva noted that the date indicated for the close of submissions on rule change proposal PRC_2022_01 should be 7 September 2022, not 27 September 2022. Action: The PAC Secretariat is to update the papers on the Coordinator’s website to correct the date for submission on PRC_2022_01.	PAC Secretariat
	(b) PRC_2022_01 – Integrated LNG Systems The Chair noted that Woodside has formally submitted rule change proposal PRC_2022_01 and the items listed in the cover paper for discussion by the PAC. Ms Lynch provided background for the rule change proposal: <ul style="list-style-type: none"> Woodside consulted with Energy Policy WA (EPWA) on the reforms that led to the Pilbara Network Rules (PNR) but was not involved in the drafting of the rules. Woodside has consulted with EPWA on the rule change proposal since late-2021 and with the PAC in May 2022. 	

Item	Subject	Action
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- Woodside has revised its proposal to address some of the issues raised by the PAC in May 2022.
- Woodside is serious about pursuing decarbonization opportunities and is looking to connect to the North West Interconnected System (**NWIS**) to help with this pursuit, but must have a regulatory certainty for its multi-billion dollar investments.

Mr Tonkin summarised that Woodside accepts that it will be a NSP and that PRC_2022_01 has been updated since May 2022 to include an 'Integrated LNG Network' category that was adapted from the existing Integrated Mining Network model.

Mr Tonkin indicated that Woodside is looking to connect to the NWIS in May 2023 to facilitate its solar project, and provide improved reliability outcomes for the Pluto facility and the NWIS.

Mr Alexander asked if Woodside could quantify the carbon emissions benefits of its project. Ms Lynch indicated that Woodside:

- has submitted an environment referral for its Maitland Solar Farm, which is available on the Environmental Protection Authority and Woodside websites; and
- is looking to import up to 50 MW, which is a substantial portion of the Pluto LNG facilities' electricity use.

Mr Alexander asked what engagement Woodside has undertaken about the impact of its proposal on small customers in the NWIS.

Ms Lynch indicated that Woodside has engaged with:

- EPWA, the ISO, Horizon Power, Rio Tinto, Alinta and the City of Karratha on the rule change proposal; and
- various government departments and agencies in Perth and Karratha as part of its development and environmental approvals.

The Chair asked if the PAC had any questions or views on how the rule change proposal will affect the Pilbara electricity objective.

Mrs Papps indicated that:

- she supports facilitating interconnection and decarbonization; and
- the rule change proposal is designed to maintain the security and reliability of the Pluto facility, and tries to address security risks for other NWIS users by providing for disconnection of the Pluto facility; but
- she is unsure that this solution will protect other NWIS users and therefore may not meet the Pilbara Electricity Objective because the technical details have not yet been made clear, and there might be impacts on other users depending on how quickly the ISO can disconnect the Pluto facility.

Item	Subject	Action
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Ms Lynch noted that Woodside would prefer to keep its facilities on an islanded non-interconnected network to maintain reliability for its facilities, but Government and other stakeholders strongly encouraged it to consider connecting to the NWIS in support of the Pilbara electricity objective.

Mr Campbell-Everden indicated that:

- the ISO has provided a confidential submission to Woodside outlining the work that needs to be done with regard to access and connection;
- the exemption from the Harmonized Technical Rules (**HTR**) may impact on the ISO's ability to perform the studies necessary for the ISO to undertake its functions under the PNR, including its role related to maintaining system security and reliability;
- it may be possible to separate the rule change proposal from the access and connection process;
- the ISO will make a formal submission on the rule change proposal by 7 September 2022; and
- the issues are technical and complex, so it may be worth establishing a PAC working group to consider the issues.

Mr Stephens indicated that Horizon Power:

- sees the rule change proposal and the network connection as separate processes; and
- has worked with Woodside on the connection process so that Woodside can meet its technical obligations and demonstrate HTR compliance at the connection point.

Mr Andric thanked Woodside for its engagement on the issues and:

- indicated that Rio Tinto supports Woodside becoming part of the NWIS and its efforts on decarbonization;
- noted that Woodside has acknowledged that it will not be possible to contain network flow to one direction and that Woodside will spill into the rest of the system in fault conditions;
- indicated that, when new generation was being connected to the NWIS in 1995/96, the modelling indicated that there would be impacts on existing generators, and the new generators were required to upgrade their facilities; and
- he cannot comment on the rule change proposal without the ISO modelling of the impact of Woodside connecting to the NWIS based on detailed data provided by Woodside, Alinta, Horizon Power and Rio Tinto.

The Chair asked Mr Andric what issues remain to be addressed if he could be satisfied that the ISO and Horizon Power have properly modelled and assessed the connection issues.

Item	Subject	Action
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- Mr Andric suggested that the modelling may indicate that a rule change is not required for Woodside to be able to comply with the HTR.
- The Chair noted that Woodside’s position is that its facilities do not fit under the existing exemptions, that it would need to undertake costly work on its facility to comply with the HTR, and that it does not want to be directed to do things that impact on its security of supply. She asked, if Woodside could comply with the HTR, what other issues need to be addressed.
- Mr Andric indicated that the HTR would only impose costs on Woodside if it was necessary for system security or reliability, and that he is not sure that any such costs would be significant.

Mr Alexander asked if the technical work can be accelerated to get clarity around these issues.

- Mr Ninkov noted that the rule change process provides two opportunities for submissions and that the modelling results will be available between the Draft and Final Rule Change Reports, and suggested forming a working group at that point to have an evidence-based discussion of the issues.
- Mr Andric supported forming a working group.

Mrs Papps noted the rule change proposal would prevent Woodside from being directed by the ISO and, if this rule change is made, then special circumstances would apply to every NSP other than Alinta, and only Alinta would have to comply with the PNR in its entirety. This would unfairly disadvantage Alinta and its customers, as only Alinta would be fully exposed to directions from the ISO.

- Ms Lynch pointed out that this is an issue with the Pilbara regime, not just Woodside.
- Mr Tonkin noted that there would be no change in supply of Essential System Services (**ESS**) beyond what currently exists on the NWIS and pointed out that:
 - Woodside is not seeking an exemption from the PNR in all scenarios, for example, in distress situations;
 - a 50 MW solar farm will be connected under Woodside’s proposal that will contribute to NWIS security and reliability; and
 - there would be no change to the ESS that is available.
- Mrs Papps indicated that there is a broader issue with fairness and equity of the Pilbara regime if Alinta is required to do all of the heavy lifting because no other parties can be directed by the ISO. A party that is connecting to the NWIS should not get an advantage that is detrimental to an existing participant.

Item	Subject	Action
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- Ms Lynch pointed out that the Maitland Solar Farm would be treated like any other generator, Woodside is just seeking to connect its LNG production facility with some certainty.

Mr Tonkin noted that the PAC is understandably concerned with the robustness and security of the NWIS, as is Woodside, but that Woodside is also concerned with the security of its facility. Pluto was designed to be an islanded facility, not grid connected, so it is key for Woodside to de-risk the connection.

The attendees from Woodside left the meeting at 10:47 am.

The Chair asked the PAC to focus on the issues with the proposal that still need to be discussed, assuming that the ISO and Horizon Power can provide assurance that the proposal meets all of the technical requirements, such as:

- why exemptions from the HTR would not be sufficient;
- what are the implications of not adopting the rule change proposal;
- if the rules are continuously amended to give exemptions, then what are the impacts on:
 - existing players that are not afforded the same exemptions;
 - the ISO's ability to do its job; and
- what are the impacts of the ISO not being able to direct Woodside.

Mrs Papps expressed concern with the long-term development of the NWIS if every new connection is given a different category. The PNR provide for exemptions from parts of the PNR and HTR, and it is not good regulatory practice to build in permanent exemptions.

Mr Campbell-Everden supported these comments.

Ms Papps supports the connection of the Pluto facility by Woodside, but existing network users should not be unfairly impacted.

Mr Stephens indicated that Horizon Power supports the rule change proposal and asked for the ISO's view around how Woodside has worded the assessment of its compliance with the HTR at the connection point i.e. does it put the same requirements on Woodside at the connection point as everyone else.

Mr Alexander asked: (i) what it means for Woodside to have the ability to self-disconnect and whether this could impact system security; (ii) what are the circumstances around self-disconnection; and (iii) what are the implications if Woodside were to self-disconnect when the system is under threat.

- Mr Stephens indicated that the studies will look at dynamic events on the system, including how the generator at the Pluto facility will respond to system events, which could manifest as a very short term import or export over the connection for the

Item	Subject	Action
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purpose of dynamic response. There will be obligations on Woodside to comply with the HTR at the connection point and this will be included in the modelling exercise.

- Mr Campbell-Everden agreed with Mr Stephens and indicated that it is important to understand whether the rule change proposal impacts on the ISO's ability to perform its functions in assessing access and connection, and that paragraph 19F of the proposal creates uncertainty on this matter, which will be part of the ISO's formal submission.

Mr Campbell-Everden indicated that the ISO has held two recent meetings with Woodside, and the ISO now has more information around how Woodside might respond in circumstances where there are issues on the network, but that this is still not clear in the proposal. It would be useful to form a working group to get greater understanding of these issues.

Mr Campbell-Everden indicated that:

- the ISO is working on its access and connection procedure and that a workshop on the procedure is underway; and
- the ISO's model has been finalised, static and dynamic modelling has been done, and results will be presented to the NSPs on 5 August 2022.

Mr Campbell-Everden suggested that the rule change proposal can be progressed before assessing the connection, subject to clarity on the key issues, but the ISO must continue to have the same levers that it currently has with regard to giving final approval on the connection.

Mr Andric:

- supported Woodside connecting to the NWIS because more generation will make the NWIS more robust;
- indicated that he does not understand what significant costs Woodside would incur to comply with the PNR and HTR;
- expressed concern with exempting Woodside from directions because the ISO will not be able to do its job; and
- agreed with Mrs Papps that approving this rule change proposal may lead to other parties seeking similar changes, which will not support system security.

The Chair noted that the PAC supports Woodside connecting to the NWIS but questions how the exemptions that it is proposing will impact on the rest of the system and the ISO's ability to do its job.

Mrs Papps asked whether Horizon Power will need to make system changes with material costs to continue in its delegated role of monitoring the system, given how Woodside has drafted the rule change proposal. Mr Stephens indicated that he would provide a response on this out of session.

Item	Subject	Action
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Mr Midolo indicated that he can see why Woodside is concerned about the connection when its facility's cost of loss of supply is about \$1 million/hour – such a business would keep its facility islanded unless it can connect its facility in a way that it will not be adversely impacted. There will need to be compromises from both sides to connect such a facility.

The Chair proposed developing a written statement from the PAC to advise the Coordinator of the PAC's views. The Chair indicated that she could develop a draft PAC advice and circulate it to the PAC for review and comment before sending it to the Coordinator.

- The PAC agreed to development of such advice.
- Mrs Papps asked that the advice indicate that the PAC has only considered the proposal at a conceptual level and that PAC members will make separate detailed submissions on the proposed rule amendments.
- The Chair summarised that the advice would indicate that:
 - Woodside's rule change proposal will be consistent with the Pilbara electricity objective if there are assurances that NWIS security and reliability is maintained;
 - Woodside's proposal seems to be consistent with the Pilbara Regulations because it promotes investment in the region, recognises the contribution of the resources sector, and contributes to lowering emissions;
 - connecting Woodside will benefit the NWIS, but the PAC has some specific concerns and implementation issues, including that it is unclear:
 - whether Woodside needs an exemption, and if so, whether a more focused exemption would be more appropriate;
 - whether the blanket exemption will impact on the ISO's ability to do its job;
 - whether the precedent that would be set by the proposal is acceptable;
 - how Woodside would respond to address security issues on the NWIS;
 - what are the costs to implement the proposal; and
 - the PAC needs additional data and modelling to come to a fully informed view on the proposal and supports establishing a working group to achieve this.
- Mr Alexander suggested that the advice should indicate that, while Woodside did engage with some PAC members, it did not engage with small consumer representatives.

Ms Guzeleva indicated that the PAC can form a working group but would need to first draft terms of reference for the group.

Item	Subject	Action
	<p>Ms Guzeleva acknowledged that the PAC members have indicated that they need the modelling results to come to an informed view on the rule change proposal and noted that the Coordinator would also need this information to make a draft decision on the proposal.</p> <p>Mr Stephens expressed a view that:</p> <ul style="list-style-type: none"> • the rule change proposal and the connection process are separate processes; • Woodside will need address the technical requirements of the connection process irrespective of what happens with the rule change process; and • the working group is only needed for the connection process. <p>ACTION: Mr Stephens is to advise whether Horizon Power will need to make system changes with material costs to continue in its role to monitor the NWIS, given how Woodside has drafted the rule change proposal.</p> <p>ACTION: The Chair is to develop a written advice from the PAC to advise the Coordinator of the PAC’s views on the proposal and is to circulate the statement to the PAC for review and comment before sending it to the Coordinator.</p>	<p>Mr Stephens 7/09/2022</p> <p>Chair (5/08/2022)</p>
6	<p>Pilbara ISO Cost Recovery</p> <p>The Chair indicated that the ISO has identified an issue in the PNR regarding cost recovery and is seeking advice from the PAC on whether it should develop and submit a rule change proposal.</p> <p>Mr Campbell-Everden noted that:</p> <ul style="list-style-type: none"> • the ISO has access and connection functions under rule 268; • the ISO’s costs under the PNR are recovered equally from the NSPs – there are currently three NSPs; • the ISO is providing access and connection services to two access seekers; • the question is whether the costs for the access and connection services should be recovered from the existing NSPs, as would be the case under the existing PNR, or from the access seekers, which may require a rule change; and • both Horizon Power and Alinta indicate in their access guides that the connection fees will be passed onto the access seeker. <p>Mr Campbell-Everden estimated that the relevant costs would typically be \$15,000 to \$40,000, but could be up to \$80,000.</p> <p>Mr Campbell-Everden indicated that the ISO has a mechanism to recover these costs but is seeking advice from the PAC on whether a rule change proposal should be drafted to clarify how these costs are recovered.</p>	

Item	Subject	Action
	<p>Mr Alexander asked how these costs are recovered under other regimes. Mr Campbell-Everden indicated that these costs are generally passed on to the access seeker. Mrs Papps confirmed that this is the case for Western Power’s network, although there are some instances when some costs are shared.</p> <p>The Chair suggested that it would be consistent with general practice to allocate costs to an access seeker if:</p> <ul style="list-style-type: none"> • the costs can be separately identified; and • the costs are sufficiently material to make it worth separately recovering them. <p>Mr Campbell-Everden indicated that it should be simple to separately identify the costs based on the access and connection procedure that is currently under development, and that the estimated costs would be material relative to the ISO's total budget.</p> <p>Mr Campbell-Everden asked, from a policy point of view, whether the PAC has a view on whether these costs should be recovered through the NSP, and therefore spread across all users, or directly from the access seeker.</p> <p>Mr Alexander and Mr Andric supported the user pays principle, so that access seekers should pay the costs for their connection.</p> <p>The Chair summarised the PAC view as:</p> <ul style="list-style-type: none"> • it is not appropriate for access costs to be smeared across the NSPs in all cases; • a price signal to the access seeker is appropriate; and • the ISO should take into account the separability and materiality of the costs, and whether the costs would be a barrier to connection. <p>Based on this, the PAC supported the ISO developing a rule change proposal to address this issue.</p> <p>Ms Guzeleva suggested that Mr Campbell-Everden should send the rule change proposal to EPWA as soon as it is ready, but before it is formally submitted, and that the proposal can then be discussed either at the 9 November 2022 PAC meeting or an earlier meeting can be called if the proposal is finalised well in advance of that.</p>	

7 General Business

No general business was raised.

The next meeting is scheduled for 9 November 2022. The Secretariat is to poll PAC members ahead of the next meeting to see if they would like to hold the meeting online or in person.

The meeting closed at 11:30 am.